1. Ratios help in understanding the operating and financial performance of the firm. Four major categories of ratios are:

1. Activity ratios

2. Liquidity ratios

3. Solvency ratios

4. Profitability ratios

B. Current Ratio (2017) = 2.5775 ; Quick Ratio(2017)= 0.9267

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2015 | 2016 | 2017 |
| Current ratio | 2.333 | 1.4649 | 2.5775 |
| Quick ratio | 0.8488 | 0.4962 | 0.9267 |
| Cash ratio | 0.01868 | 0.00547 | 0.01346 |

In 2016, the liquidity of the company has gone down. Also, its liabilities increased, inventories and cash in 2016 have decreased. This indicates the company’s poor performance. By 2017, it is planning to achieve more liquidity than in 2015.NO they don’t have equal interest in liquidity ratios. These ratios are useful to bankers for credit analysis in short term to company. Managers need to concentrate on operational efficiency which is given by activities ratio and also look for liquidity ratios and stock holders look to

profitability of the company.

C. Inventory turnover =3.379

Daily Sales Outstanding =45.5498

Fixed assets turnover = 8.4073

Total assets turnover = 2.0005

D. debt times-interest-earned = 6.283

E. operating profit margin = 0.0714

Net profit margin =0.0360

Pre tax profit margin =0.0600

Return On Assets =0.0721

\*Return On Equity =0.1509

F. Price to Earning Ratio = 12.0020

Price to cash flow ratio =217.3214

Market to Book Ratio = 1.5388

Because all the ratios are very high which means less earnings, cash flows for higher price and less book value compared to market value. So, investors are expected to have low opinion on the company.

G. Balance sheet

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | 2015(in %of total assets) | 2016(in %of total assets) | 2017(in %of total assets) |
| Cash | 0.6127 | 0.2522 | 0.398 |
| Short term investments | 3.3088 | 0.6928 | 2.0367 |
| Accounts receivable | 23.9106 | 21.8998 | 24.9647 |
| Inventories | 48.6928 | 44.5979 | 48.8059 |
| Total Current Assets | 76.5250 | 67.4400 | 76.2000 |
| Gross Fixed Assets | 33.4286 | 41.6737 | 34.6891 |
| Accumulated Depreciation | 9.9537 | 9.1166 | 10.8946 |
| Net Fixed Assets | 23.4749 | 32.5570 | 23.7944 |
| Liabilities & Equities |  |  |  |
| Accounts Payable | 9.9128 | 11.2243 | 10.2304 |
| Notes Payable | 13.6165 | 24.9429 | 8.5301 |
| Accruals | 9.2592 | 9.8718 | 10.8048 |
| Total Current Liabilities | 32.7886 | 46.0390 | 29.5653 |
| Long term debt | 22.0201 | 34.6429 | 14.2168 |
| Common stock(100,000) | 31.3180 | 15.9357 | 47.7952 |
| Retained Earnings | 13.8731 | 3.3822 | 8.4225 |
| Total Equity | 45.1911 | 19.3181 | 56.2177 |

Income Statement

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2015(% of total sales) | 2016(% of total sales) | 2017(% of total sales) |
| Cost of Goods Sold | 83.4498 | 80.2139 | 83.4788 |
| Other expenses | 9.9068 | 12.3406 | 8.7122 |
| Depreciation | 0.5507 | 2.0046 | 1.7056 |
| Total Operating Costs | 93.9073 | 99.7010 | 92.8557 |
| EBIT | 6.0927 | 0.2989 | 7.1442 |
| Interest Expense | 1.8210 | 3.0165 | 1.1370 |
| EBT | 4.2715 | (2.7176) | 6.0071 |
| Taxes | 1.7086 | (1.0870) | 2.4028 |
| Net Income | 2.5629 | (1.6306) | 3.6042 |
|  |  |  |  |

H. ROE=Net Income/Share holders Equity=.15085 0.14031

Operating profit margin\*

1. 1. If a firm operates as different strategic business units or different divisions, it is difficult to find out the industry averages.

2. The industry averages which are used as the bench mark values need not necessarily be indicators for good performance

3. Different accounting practices and accounting adjustments may not lead to apt analysis.

4. Sometimes, analyzing a ratio alone might be difficult to decide if it is good or bad.

J. 1. Are the company’s revenues related to each of the customer

2. To what extent are the company’s revenues related to each of the products

3. To what extent the company relies on single supplier

4. % of business done overseas (global)

5. Competitive advantage of the company

6. Legal and regulatory aspects of the firm