

Analysing the profitability and liquidity of super assignment

[Business](#)



Consequentially, ration analyzing can strength the relevance characteristic as it help investors to make a more correct decision. As for internal operators, they tend to focus on company's developmental strategies, thus, concentrating on analyzing liquidity and operation ability. As a result, analyzing current ratio or acid ratio for liquidity and assets turnover or days inventory for operation ability are good choices.

Based on Best, Abram and Bobbles (2009), relevance meaner to predict the value of future for the company to help investors making a decision, and there are three methods to predict the value: by selecting companies having forward-looking statements, analyzing information disclosure extent and using fair value. Accounting policies mainly focus on the cost of every segment, such as properties and inventories in SOUL and Try's reports (2012). Some of them are presented by historical cost, but when analyzing the predict value of future, investors tend to estimate some of items, like land, by using fair value.

Therefore, apart from the information disclosure basement, accounting policies also demonstrate the fair value estimation. 3. Comparability
According to Johnson (2005), comparability is the ability for ' users to compare similar companies in the same industry group and to make comparisons of performance over time'. Based on the former ratio analysis, we can see that there are two directions of comparability, one is horizontal and the other is vertical. For example, when analyzing the profitability, for SOUL the sass's PM is 6. 08% and the sass's is 8. 01%, which meaner SOUL gained more profit from operating.

This is the vertical comparability. As for the horizontal comparability, we can see that in the same year of 2011, the SOL's PM is 8.01% and the Try's is 5.14%, therefore, by comparison, the more profitable company is SOUL and investors are likely to invest SOUL due to its higher profitability. According to accounting policies, Framework claims that the financial statement in one entity should apply the same accounting principles and consistent them each year. For comparing the different entities of SOUL and TRY, they should also use the same accounting principles, one inventory accounting method, and same balance ate in a consistent way.

So that users can evaluate their relative financial position, performance and cash flows in the same policies. At one level, accounting standards are fairly comparable. Additionally, any change of the method used in report will affect the comparability. Compliance with Australian Accounting Standards, the accounting policies must be disclosure used by the entity in order to achieve comparability. However, the improvement of accounting standards should not be prohibited if the new principal produces more meaningful financial information or it is required to change accounting standards.