

# [Business ratio](https://assignbuster.com/business-ratio/)

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Profit margin is an indicator of a company's pricing strategies and how well it controls costs. Differences in competitive strategy and product mix cause the profit margin to vary among different companies. Liquidity ratio (current ratio) The current ratio Is an indication of a firm's market liquidity and ability to meet creditor's demands. Acceptable current ratios vary from industry to industry and are generally between 1. 5 and 3 for healthy businesses. Exact and YET have a current ratio that Is 1, 1632 and 1. 3149 Is near to this range, It generally Indicates moderate short-term financial strength.

Dig has a current ratio that below 1, the current liabilities exceed current assets. Dig may have problems meeting its short-term obligations. Low values for the current ratios Indicate that Dig may have difficulty meeting current obligations. But if inventory turns over much more rapidly than the accounts payable become due, then the current ratio will be less than one. This can allow Dig to operate with a low current ratio. Leverage ratio (Debt ratio) YET debt ratio Is 0. 7403 which Is higher than Exact and Dig which Is 0. 4826 and 0. 7098. The higher the ratio means the greater risk will be associated with the firm's operation.

In addition, high debt to assets ratio may indicate low borrowing capacity of a firm, which in turn will lower the firm's financial flexibility. The debt ratio shows the proportion of a company's assets which are financed through debt. The ratio of Exact is less than 0. 5, most of the company's assets are financed through equity. Companies with high debt ratios are said to be " highly leveraged," not highly liquid as stated above. Dig and YET with a high debt ratio could be in danger if creditors start to demand repayment of debt. Activity Ratio (Total assets turn over)

Asset turnover is a financial ratio that measures the efficiency of a company's use of Its assets In generating sales revenue or sales Income to the company. Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. Dig has a profit margins which is 1. Teatimes is much higher than Exact and YET, 0. Telltales and 0. Telltales. These show that Dig has a high asset turnover while Exact and YET have low asset turnover. Companies in the retail Industry tend to have a very high turnover ratio due mainly to cutthroat Market Ratio (Earnings per Share ratio)

Earnings per share are the amount of earnings per each outstanding share of a company's stock. In the United States, the Financial Accounting Standards Board (FAST) requires companies' income statements to report PEPS for each of the major categories of the income statement: continuing operations, discontinued operations, extraordinary items, and net income. Exit has the highest market ratio which is Essen out of every ordinary share. Dig and YET have lower market ratio, 16. Seen and 1 1. Essen. Compare with Dig and YET, Exact has the highest market value. Exact earn Essen out of every ordinary share. Days Sales Outstanding (DOS) Ratio

Day sales outstanding are a calculation used by a company to estimate their average collection period. It is a financial ratio that illustrates how well a company's accounts receivables are being managed. The days sales outstanding analysis provides general information about the number of days on average that customers take to pay invoices. YET has higher DOS ratio, 72. Days can indicate a customer base with credit problems and is deficient in its collections activity. Dig and Exact which have a lower ratio, 27. Days and 46. Days may indicate that firm's credit policy is too rigorous, which may be hampering sales.