

# [Liquidity measurement ratios](https://assignbuster.com/liquidity-measurement-ratios/)

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TESTS , the basic findings to be focused are the ratio analysis to generate company's profitability, liquidity and asset management. First of all let us focus on the liquidity measurement ratios that proves company's solvency In repaying debts and other liabilities. In comparison of 2013 & 2014, the Interpretation from current ratio can be drawn as higher the current ratio higher the capability of paying obligations. Here in our study the current ratio In 2013 Is less than 1 that Indicates the company has problems of paying.

Comparatively In 2014 the ratio Is greater than 1 . The indication Is quite good. The quick ratio meets company's short term liabilities. The higher the ratio, higher the company's ability for repaying short term liableness. Here for both the year 2013 the quick ratio In associate with the current ratio Is almost zero. It has negative effect on company but for 2014 the quick ratio Is better. It Indicates company Is In good liquidly position and It has 2. 5 lulls assets to cover its current liability. Now In the phase of profitability analysis return on asset is better in 201 3 than 2014. E higher return on asset Shows Company earning more with less investment. If we look at the return on capital employed the 2014 data shows higher value than the 2013. It signifies company is employing its capital appropriately and generating shareholders value. From the above discussion we can conclude company's position from 2013 to 2014 is better irrespective of its solvency and capital generation as well as profitability growth. For forecasting companies income statement we can use few assumptions like revenue assumption, operating expenses, cost of revenue, operating margin assumption.

By following the record for the past data the future income statement can be predicted. If we discuss them one by one we can have a clear idea. For revenue if we analyses the past year records it can be noticed its fluctuation year by year. In 2012 the company having higher position in revenue than its position from 2013 & 14. By observing the operating expenses we can have the higher data in 2014 than 201 3 and in 2012 the lowest data. The operating expenses shows in which area the company can curtail its expenses before damaging the company situation.