

Answer1) essays example

[Business](#), [Company](#)



An overview of the financial statements does not convince me to suggest the management for the purchase of a major shareholding in Squirros Limited. My decision is based on the visible trend in the major portions of Balance Sheet and Income Statement.

First, the turnover of the company has consistently decreased over the years. The same goes with the gross profit margins and net profit margins of the company that courtesy low turnover has decreased significantly over the years. Another negative consideration for the company was increasing administrative cost and interest expense. To be noted that since the company is low on profit margins but at the same time, increasing interest expenditure can be dangerous for the company's future growth as it might land itself in financial distress.

Second, the company during the latest fiscal year paid the same amount of dividend as it did last year. This was something suspicious as even though the company had low margins, the company still paid same dividend rate. This happens only when the company thinks that the investors are losing confidence in the operations of the company, hence, only to satisfy its existing investors it declared same dividend as of 2012.

Third, the company is working under negative working capital, and where the creditors are due within a year, company is likely to experience liquidity crisis as its current assets are lower than the current liabilities.

Answer 2)

Since the above decision was based purely on quantitative numbers and the related trend analysis, managing directors and her fellows should also

consider other qualitative factors in Squirros Limited, which includes:

Existing Litigation Matters, Trend in Market Share and actions of competitors.