

Pandora media inc financial ratios article reviews examples

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A financial ratio refers to the relative quantity of two particular numerical figures obtained from a company's financial statement. The ratio is widely used, in the form of several different standard ratios, in the evaluation of the economic health of a business. In addition, the ratio could be used to compare the performances of different companies. On the other hand, efficiency ratios refer to ratios used to evaluate the way in which an organization utilizes its assets and liabilities. These ratios can be utilized in the computation of the repayment of liabilities, the earnings from receivables, the general use of machinery and inventory and the usage and quantity of equity (Pistolese, (2007).

A Current ratio is a financial condition ratio that evaluates whether a company has enough capital to pay its debts over the next twelve months. The ratio compares the company's current assets to its existing liabilities. Pandora Media Inc's current ratio is 3. 43 while Entercom Communications Corp has a current ratio of 1. 78 (Network Status, 2015).

Return On Assets (ROA) is a management efficiency ratio that indicates how profitable an organization is with the total assets. ROA shows the effectiveness of the management of utilizing available assets. Pandora Media Inc has a Return On Asset percentage of -7. 04 while Entercom Communications Corp has a Return On Asset % of 2. 78.

Financial ratios help in quantifying several aspects businesses and are vital in a financial statements analysis. Based on financial ratios, Pandora Media Inc outperforms Entercom Communications Corp because it has a higher quick ratio and current ratio. Smaller values for the quick or current ratios, values less than 1, would indicate that the firms might experience difficulty

pursuing current obligations. Pandora Media Inc has a higher quick ratio compared to Entercom Communications Corp and, therefore, has a better firm's liquidity position (Byrd, Hickman & McPherson, M. (2013).

Pandora Media Inc has liquidity ratios that are higher than the industry average. Therefore, it will have better chances of securing short-term loans. Pandora Media Inc is in a healthy financial position because its ratios are higher than the industry averages.

Reference

Byrd, J., Hickman, K., & McPherson, M. (2013). Managerial Finance . San Diego, CA: Bridgepoint Education Inc.

Network Status - MSN Money. (n. d.) (2015). Retrieved from <http://investing.money.msn.com/investments/key-ratios>

Pistolese, C. (2007). Select winning stocks using technical analysis. New York: McGraw-Hill.