

Andrews

Business



Question no income ment Andrews For the period of 2007 particulars amount
particulars amount opening stock 63000 sales 609000 purchases465000

closing stock

88000

gross profit

169000

697000

697000

repair to building

1980

gross profit

169000

car expenses

2120

salaries

89240

discount received

8140

discount allowed

10610

rate and insurance

2030

bad debts

3190

general expense

15860

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depreciation

2420

127450

net profit

49690

177140

177140

balance sheet

Andrews

As at march 2007

particulars

amount ()

particulars

amount ()

capital

205000

fixed assets

drawings

-25060

motor car

8640

retained earning

49690

free hold land and building

106500

creditors

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40350

fixtures and fitting

13140

accrued salaries

3180

inventory

88000

debtors net

51130

prepaid insurance

450

bank

5300

273160

273160

Question no 2"

Liquidity of the Company

We have analyzed two important liquidity ratios: Current Ratio, and Working Capital. A current ratio of 2 is considered "adequate liquidity". The company has Current Ratio numbers for 2006 and 2005 1.2 and 1.1 which shows that the company has at least good funds to discharge the short term obligations and also there is an increase in the ratio which is also good in the future.

Interest coverage ratios shows that how much times the profit covers the interest which is a financial liability. The company's interest ratio is 20 for 2006 and 12 for 2005 which shows that the company is financially stable.

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Profitability ratio

ROE is viewed as one of the most important financial ratios. It measures a firm's efficiency at generating profits from every dollar of net assets. The ROE of the company is 0.8 and 0.6 for 2006 and 2005 respectively. The numbers show that the company is not so much good in generating revenues and is not increasing the share holders wealth. High ROE yields no immediate benefit. Since stock prices are most strongly determined by earnings per share (EPS). The benefit comes from the earnings reinvested in the company at a high ROE rate, which in turn gives the company a high growth rate.

Efficiency ratios:

Inventory turnover ratio shows that how the company is managing its stock the numbers for the company is 31 and 19 for 2006 and 2005 respectively. By analyzing the company's inv. Turnover ratio we have analyzed that the company is not managing its inventory in 2006 that of 2005.

Debtors turnover ratio tell about the company's management that how the receivables are collected and the company has good debtors ratio which is a proof of the managements efficiency.

The asset turn over ratio gives an idea about how well the company is using its assets in generating revenues. The numbers for the company are 1.6 and 1.1 for the year 2006 and 2005 respectively, which shows that the company is well doing in using its assets and also there is an increase in the ratio which tells about the growth of the company.

Earning per share:

Earning per share is the share holder specific ratio which tells that how much the company is creating wealth for its share holders the company's EPS is

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12. 8p and 9. 3p for the year 2006 and 2005 which shows that the company is adding wealth to its share holders and is growing year to year.

Appendix:

efficiency ratios

2006

2005

2006

2005

inventory turnover

cogs

2402609

1441950

31. 82854

19. 10222

ave inv.

75486

75486

receivable turnover

sales

3095576

1909051

3. 335495

2. 05701

av. Rec.

928071

928071

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fixed asset turn over

sales

3095576

1909051

3. 858954

2. 909824

fixed assets

802180

656071

total asset turnover

sales

3095576

1909051

1. 654831

1. 146973

total assets

1870630

1664425

solvency and liquidity ratios

interest coverage

EBIT

359501

244229

20. 69547

12. 76881

interest payment

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17371

19127

current ratio

current assets

1068450

1008354

1. 211764

1. 105099

Current liab.

881731

912456

profitability /investment ratio

GP margin

GP

692967

467101

22. 38572

24. 46771

sales

3095576

1909051

NP margin

NP

226930

177030

7. 330784

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9. 273194

sales

3095576

1909051

ROE

NP

226930

177030

0. 878984

0. 685703

Total equity

258173

258173

RoC

EBIT

359501

244229

1. 392481

0. 94599

Total equity

258173

258173