

# [Accounting and finance assignment](https://assignbuster.com/accounting-and-finance-assignment/)

Through the process of analysis of key ratios performed through the company’s financial reports would help the investors get a better understanding about the company performance and therefore, strongly affects their Investing decisions to the company. The purpose of this assignment Is to analyze the data and some key financial ratios In order to acquire an verbal performance assessment about Dialog Group Bertha based on Its financial reports.

The analysis will be much focused on the calculation performance. Then, also an interpretation will be presented to provide general evaluation and comparison of the financial performances of Dialog Group between two said financial years to identify if this company has archived any improvements. Ending the assignment will be some of our positive recommendations to the company for its better performance in future.

It reflected positively on the company when all of the profit ratio increased and made up high percentage in two years of 2010 and 2011. In 2010, the ROE of the company was reported at has increased to $0. 28 for every $1 invested in 2011, citing an increase of 3% ($0. 03 for every $1 invested) in those 2 years. However small, the rising ROE indicates that the company is increasing its ability in generating profit without needing as much capital. The 3% increase of ROE between those two years is a positive result as it lets the shareholders know how effective their capital has been reinvested.

While analyzing the ROE it is also good to note on the movement of the debt or total borrowings. This is because a higher debt could also indicate a high ROE when really the firm Just has more obligations to creditors which could cause trouble in the future. However, in the case of Dialog, the debt has decreased in the sat 2 years, (2010 reported total borrowings of $65, 864 and 2011 reported $58, 421). This could indicate that the company has been raising capitals by increasing its shareholders equity rather than borrowings.

This is an important fact to note as the firm has reduced its obligations from creditors. In 2011, the ROAR has had a positive increase of 2. 16% having reported 18. 44% in 2010 and 20. 6% in 2011. This indicates that in 2011, for every $1 the firm has invested in assets, the company produces $0. 26. This provides a quick indication that the business is continuing to earn an increasing profit for each dollar invested. Page 6 of 25 Reasons that could be driving this increase would be that the Accounts Receivable has decreased.

The gross profit margin for Dialog Group went up 2. 88% from 12. 35% YOU to 15. 23% YOU. It means every RIM of sales revenue in 2011 resulting $0. 15. 23 of gross profit. Similarly, the cost of sales must account for $0. 8477 and $0. 8765 respectively of each sales ARM in 2011 and in 2010 to $1, 208, 378 in 2011 citing an increase of $69, 232 or 6% increase of revenue from last year. Although cost of sales has also increased but the increment was only 2% in comparison with last year (2010 reported $998, 389 and 2011 reported $1

The gross profit margin explains on the profit a company makes on its cost of goods sold. This indicates that the management has efficiently used labor and supply in the production. The operating profit margin has increased from 13. 36% in 2010 to 16. 85% in 2011. This means that for the company makes 0. 13 for every dollar of sales/ revenue. Higher profit margins indicate that the firm is able to keep its cost under control.