Case study part pinnacle

Business

Based on your calculations, assess the likelihood (high, medium, or low) that Pinnacle is likely to fail financially in the next 12 months. When reviewing the ratio calculations, it is apparent that the company's likelihood of failing financially in the next 12 months is low. This is because it is apparent that the short-term debt paying ratios are down from the previous years.

For example, the current ratio has decreased from the preceding year concluding that the current assets can cover the current liabilities successfully. Also looking at days to collect receivables is also lowered which presents that it takes less days for the company to collect their receivables implying that the monies owed to them are coming in more quickly. Lastly, In order Tort a company to succeed teeny need to nave a good turnover rate Tort the inventory which is Just what Pinnacle company has. The inventory turnover ratio is low indicating that it is taking fewer days than before to sell inventory.

Explain why.

I believe that the information in requirement d provides the most useful data for valuating the potential for misstatements because you can see exactly what each division is claiming in each sub-category. When using the information in requirement c, you are getting an overview of what all the divisions have done and cannot tell which division each misstatement is coming from.

Also, by using information from requirement d, the auditor has a better chance of depicting the misstatements because you are focused on one specific division instead of trying to fugue out which division the misstatement might have been from. Requirement d is more informative than using requirement c.