

# [Marine supply case study](https://assignbuster.com/marine-supply-case-study/)

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Our a analysis is based on financial ratios calculated from your provided financial statements. . Liquidity According to the current ratio, it indicates that the company is still doing well in comparison to the Industry average. However, the liquidity is decreasing annually, which means the company needs to keep a better track of their current assets and current liabilities.

Furthermore, the Inventory to working capital percentage is fluctuated due to poor inventory management skills This reflected negatively in year 3 which indicates poor quality of liquidity.

As a solution, M ARIN apply should keep the Inventories In order to Improve ten Inventory remover and to decrease the percentage of inventory to working capital. Other hand, the receivables to working capital is increasing over time and is currently higher than the industry average which will result in collateral problems ; attention from the company is needed for the receivables collection. B. Financial Risk Marine s On the apply needs to focus on financial risks.

After calculating the financial ratios, we discovered that some numbers indicate that company will face several problem in the next ewe years.

For instance, analyzing the debt to asset ratio , found that it s much higher than the industry average. Particularly, we can see that the account s payable is three times great than in year 1. As a result, we can tell the company has a lack of cash and is unable to pay off their account payable which will cause them OTF ace a higher financial risk. Moreover, the time interest earned has decreased significantly from year 1 to year 4 , which will definitely result in a higher financial risk in the long UN.

Also, ten company wall nave a Doolittle time recover Inning from high loan interest rates and banks might avoid issuing any loans to the company. As a solution, we would suggest that the company should focus on collecting account receivable since it will allow them to pay off their interest payments as well as their other current liabilities on time c. Operations Efficiency Inventory management is an essential issue for Marine Supply, maintaining an excel . NET percentage of inventory turnover is a must to keep a DOD track of the companies operation fluency is a main pillar in operations.

In addition, our suggestions for preventing the greater inventory problem are to determine the items that are no longer used in the present manufacturing operations and remove them from the inventory records, and to establish a perpetual inventory records to ensure inventory is not purchased in an excessive quantity or in much advance of need. Another suggestion for solving the accounts receivable collection problem is to determine which customer s are not paying the