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Introduction: This memo was primarily composed for the purpose of evaluating the financial status and performance of this Company. This memo will therefore demonstrate the financial performance of this company with comparison to the industry averages. It is hoped that this analysis and discussion will help the concerned managers have more clarity as to why the financial performance of the company is in such a state
Profitability: The net profit margins were 4% which is equal to the same indicators of the industry averages. The return on assets is 7% and the return on equity was 18% compared to the industry average of 16. 4% and 26. 3% respectively. This is an indication that the company’s cost of services and production is lower than the industry players. The reason is that the low operating margin is as a result of low net profit margin and not from commercial and administration expenses. It is recommended that the rising administration and business expenses be expertly controlled.
Operational efficiency: The Company’s assets turnover ratio for the year was 2 this value indicates that it is using its assets slightly less efficiently than its competitors who had 4. 11. The figure also indicates that the company is slightly less efficient than the industry players. The inventory turnover ratio was 11. 42 which is an indication of good inventory management and control. However this below the industry average of 16. 22 meaning the competition is stiff in the market.
Liquidity: the current ratio is 2. 0 which were slightly lower than the industry average of 1. 6. This is an indication that the company is able to solve all its liabilities with its current assets. The quick ratio was 0. 6 which is also lower than the industry average ratio of 6. 9. This means that the company sales and overall revenue is below most of the industry players due to high competition.
Financial leverage: The company debt to equity ratio is 1. 25 compared to the industry average of 0. 9. The time interest was 3% which is an indication of poor financial leverage since it is far lower than industry average. This means that the company’s borrowing is average and most of financing is sourced from the company’s profits and other internal financing sources. The interest is also low meaning the company has borrowed less amounts from external financing compared to its competitors.
Conclusion: This memo recommends that the concerned be focused on various issues as noted from the analysis. First, the administration and business activities including manufacturing expenses are controlled and more improvements be made in the research and design departments to enhance creativity and innovation. The sales should also be conducted in a proactive and strategically approach. This will ensure higher profitability and financial leverage. The liquidity is to be maintained and if possible be strategically positioned to ensure it is maintained or gets higher.

## Works cited

Charles K. Vandyke, Financial Ratio Analysis: A Handy Guidebook, 2006, Trafford Publishing: London
S. A. Siddiqui, Managerial Economics and Financial Analysis, 2006 New Age International: London