

Business memorandum

Business



The paper "Users and the Types of Ratios They Would Be Interested in" is an outstanding example of an assignment on finance and accounting. Thank you for allowing us the opportunity to work with your company. As requested we evaluated the liquidity, profitability, and solvency ratios and what they reveal about the company's financial position. From our analysis on the financial data used we have reached the following conclusion:

1. The current liquidity ratio is 5.987 and the quick ratio is 5.316, which means the company is able to meet its short-term debts and obligations comfortably.
2. The common stockholders' equity ratio on the selected financial data is 7.045, which means the company is having much success in making profits on the stockholder's equity.
3. From the selected financial data, the debt to total assets ratio is 0.159, which means that 15.9% of the company is financed by debt while the rest of it is financed using equity.

Liquidity ratios are of most importance to short term creditors since liquidity ratios measure the ability of the firm to meet its short-term obligations and pay off its short term debts when they are due (Bull, 2007). Solvency ratios are of particular interest to long-term creditors and shareholders since they are interested in the long-term success of the business. This is because the long-term creditors and shareholders are interested in whether the company will service their debt and pay the interest accrued plus the principal in the future (Bull, 2007). According to Bull (2007), Profitability ratios are valuable financial statements to the investors of a company since they are interested in the returns on their investments. Profitability ratios are also relevant to the company managers since it shows the company's performance and

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productivity (Bull, 2007). The data collected from the selected financial data reveal a highly positive outlook at the company's position and performance. The liquidity ratios are high meaning the immediate future of the company is secure, and its day to operations will continue. The profitability ratios are encouraging meaning the company is running an efficient and profitable business. From the solvency ratios, the long-term survival of the company is almost assured since most