

Morrison (super market in uk) financial reporting

[Finance](#)



Morrison (Super Market in UK) Financial Reporting Introduction According to the writings by Bull (2008), it is d that investors should base their decision on whether to invest in a company or not by simply evaluating the company's financial position and prospects based on the financial position. The evaluation of a company's financial position primarily rely on financial ratios of which the most critical ratios that give a best opinion on the company's financial health include liquidity ratios and profitability ratios as well as performance at the stock exchange. Therefore, the decision as to whether to invest in Wm Morrison Supermarket plc will be based on these financial measurements.

Liquidity ratios

This ratio particularly shows a firm's ability to satisfy its short-term financial obligations. This ratio is calculated using the following formula; current assets / current liabilities. Based on Morrison financial report ending on February 2015, the liquidity ratio is;

$$1,430 / 2,873 = 0.5$$

In regards to the company's liquidity status in the past financial year, it is noted that it was not at the desirable mark of a ratio of 1: 1. This was attributed to high outstanding creditors' bill and hence, it is probably not wise to invest in the company since the current assets are half of the current liabilities.

Profitability ratio

Under profitability ratio, the key determinant ratio is return on equity, which is calculated by dividing net income by shareholders' equity = $-238 / 4692 * 100 = -5.1\%$. The company made a loss of 238 million in the past financial year and hence why the return on equity was negative (-) 5.1%. This further <https://assignbuster.com/morrison-super-market-in-uk-financial-reporting/>

affirms that the company is not a suitable investment option owing to the fact that the investor will not probably get any return on his / her investment.

Stock market performance

Since the month of September this year, the company's share price has been on a decline, signaling that the financial position of the company is still weak up to this moment. The image below reflects the company's share price performance for the past 3 months.

Source: <http://www.lse.co.uk/SharePrice.asp?shareprice=MRW>

Recommendation

All the key financial indicators show that the company is not in a good financial position and it is correct to assume the future prospects will not be good either; therefore, it will not be wise to invest in Wm Morrison Supermarket plc at the present moment.

References

Bull, R. 2008. Financial ratios: How to use financial ratios to maximise value and success for your business. Amsterdam: Elsevier/CIMA Publications

Morrison's financial report (2014). Annual Report for the Period of 2013 to 2014. Retrieved from: http://www.morrisons-corporate.com/Documents/Corporate2014/Morrisons_AnnualReport13-14_Complete.pdf. Accessed on [27. 10. 2014]