

Complete ratio analysis of a firm

Finance



Complete Ratio Analysis of a Firm Financial Analysis Ratios In order to be successful, any business owner has to constantly keep evaluating the performance of his or her company, compare it with its own historical figures, along with its industry competitors and even with successful businesses from other industries. Sales, profits, and total assets however, are not enough to effectively examine your company's numbers. " You must be able to read between the lines of your financial statements and make the seemingly inconsequential numbers accessible and comprehensible" (SBDC).

For an effective financial analysis, there are four major types of ratios used: Profitability sustainability, operational efficiency, liquidity, leverage (Funding —debt, equity, grants)

(BB&T).

1. Profitability Sustainability Ratios

It tells you how well your business is performing over a specific period and whether your social enterprise will have the financial resources to continue serving its constituents tomorrow as well as today.

Sales Growth =

Current Period -Previous Period Sales

Previous Period Sales

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