

# Ameresco inc.(amrc)

[Business](#), [Management](#)



Corporate Financial Performance with that of Similar Corporations: The major competitor of Ameresco is Johnson Controls Incl. Ameresco has participated in various energy projects in the health care, education sectors, and government. The company claims considerable experience in energy saving projects, demand-side management, energy procurement, renewable energy sources and cogeneration facilities, etc. In its 2013/2013 financial period, the current ratio of Ameresco was 1.90 (Ameresco Inc, 2015). This is an indication that the company has enough money that it can use to finance its daily activities or operations. It is important to explain that current ratio under 1 indicates that a company does not have enough money which can be used in financing its daily operations or activities.

A high current ratio is good for the organization. During the same period, the quick ratio of Ameresco was 0.98 (Ameresco Inc, 2015). This is a good indication, and it means that the company has enough liquidity, to meet its short term liabilities. On the other hand, the debt/equity ratio of the company is 0.37 (Ameresco Inc, 2015). This is a very low figure, which denotes that the company does not use debts for purposes of financing its operations. Based on this analysis, it is important to explain that the financial health of Ameresco as per the year 2012/2013 was very good. The major competitor of Ameresco is Johnson Controls.

Johnson Controls is one of the Fortune 500 companies, and it has an employee base, of around 170,000 people. Due to its large size, it enjoys the benefits of economies of scale, in comparison to Ameresco. As of 2013, the current ratio of the company was 1.13 (Johnson Controls Inc, 2015). This is a lower figure compared to that of Ameresco, which stood at 1.90. This is

an indication that Ameresco had a better capability of catering to its short term liabilities, when compared to Johnson Controls. In the same year, the quick ratio of the company was 0.68 (Johnson Controls Inc, 2015). This is a very low figure compared to Ameresco, and it is an indication that the company is struggling to pay off its bills. The debt to equity ratio of the company for the year 2013 was 0.37 (Johnson Controls Inc, 2015). This figure is the same, compared to that of Ameresco, and it is an indication that the company does not rely on debt to finance its operations. Based on this analysis, it is important to explain that despite the large size of Johnson Controls, Ameresco has a better financial health.

Financial Managers and Financial Concepts:

The uses of ratios, currency evaluations, capital budgeting and financial leverages are important methods of evaluating and improving divisional performance. For example, ratios have the capability of identifying the financial health of the organization, in regard to its ability to pay short term and long term debts (Cinnamon and Larsen, 2010). This includes ratios such as the quick and current ratios, and other leverage ratios. For example, the current, quick and leverage ratios of Ameresco indicates that it is financially stable, and it has the capability of financing its daily operations without reliance on debts

Currency evaluation is important for any multi-national corporation, and this is mainly because fluctuations in currency can affect the profitability of an organization. For instance, an increase in the price of Euro has the capability of making Ameresco to experience losses in its European markets (Cinnamon and Larsen, 2010). This is if the Euro has a lesser value compared to the

dollar. As a multinational company, Ameresco must consistently monitor the movement of the dollar against the major currencies. This is because most of its international trade occurs through the use of the dollar, and hence a strong dollar is advantageous to the company. This is because the company would not make losses due to the fluctuations of the value of the dollar, which may definitely affect the prices of their commodities.

Financial leverages help in the identification of the capabilities of the company, in regard to meeting its obligations, i. e. does the company rely on debts to finance its operations or not. Information derived from these financial tools is therefore useful, as it guides managers on the kind of policy or action to take, regarding the improvement of the performance of their departments (Cinnamon and Larsen, 2010). For instance, the leverage ratio of Ameresco indicates that it does not rely on debts, to finance its activities. Managers of Ameresco can use this information to initiate policies aimed at taking advantage of its strength, for purposes of achieving a competitive advantage over its rivals.

Adjustment of Finance:

Ameresco has branches in North America, and these countries have different financial and taxation laws. This therefore means that the financial capability of the company has to adjust, for purposes of satisfying the various financial laws of the countries it operates in. Furthermore, fluctuations in currencies has an impact in the financial health of the company, hence there is a need of a stronger dollar, for the financial position of the company to be stable (Cinnamon and Larsen, 2010).

Currently, the American dollar is stronger against the major currencies, such

as the Euro, the British Pound, etc. This is because of an improvement in its economy. Ameresco must therefore take advantage of this situation, and invest in its North American markets. This is because chances of making losses, based on currency fluctuations are minimal.

#### References:

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