

# [Harrow’s sporting company](https://assignbuster.com/harrows-sporting-company/)

[Business](https://assignbuster.com/essay-subjects/business/)

This ratio explains the efficiency of the company in generating revenues by using its assets . Alt also decreased from 1.

35 to 1. 33 in 2005 and it further increased to 1. 43 in 2006. Return on equity explains the relationship between the net income and shareholders’. It increased from 2004 to 2005 by .

04 and then it again further increased by . 04 from 2005 which is due to increase in net income. Debt to total assets shows the relationship between the debt and total assets. This ratio shows the % by how much the assets are financed by the debts.

This ratio declined slightly in 2005 and then increased slightly from 2006.

5. Once again, using the revised profitability ratios for 2006 that you developed in Question 3, write a complete one paragraph analysis of the company’s profitability ratios compared to the industry ratios (figure 3). Make sure to include asset turnover and debt to total assets as supplemental material in your analysis. Net profit margin ratio of Harrow’s Sporting Company is more than the industry ratio. This shows that the company’s operating expenses are less than the industry Inch was a good sign for the company.

Return on assets of the company was 8.

85% Inheres for the industry it was 5. 10%. It shows that the company is efficiently using its assets to generate the net income than the industry. Assets Turnover ratio of the company is 1. 43 xx whereas for the industry it was 1. 33 xx which shows that the company is efficiently using its assets to generate the revenues than the industry.

Return on equity of the company is 23. 30% whereas for the industry it was 9. 80% Inch shows that the company is giving more return to their shareholder’s than the industry. Debt to total assets ratio of the company is . 9 whereas for the industry it Nas .

48. It shows that the company is not using more of the debt to finance its assets than the industry. Therefore from this it was clear that the overall profitability position of the company is better than the industry. 5. Harrow’s has superior sales to total assets ratio compared to the industry.

For 2006, compute ratios 4, 6 and 7 as described in the text and compare them to industry data to see why this is so. Write a brief one-paragraph description of the results. Note: for ratio 4, only half the sales are on credit terms.

Sales / Receivables ratio of the company is higher than the industry which shows that the company is able to collect its receivables more efficiently than the industry . Sales / Inventory ratio of the company is less than the industry which shows that the inventory is converting the sales more efficiently than the industry. Fixed assets turnover ratio is also lower than the industry which shows that the company’s assets are not efficiently used in creating net credit sales.

But the overall performance of the company is good than the industry. Conclusion: Based on your analysis in answering Questions 4 and 5, do you think that Becky Harrows has a legitimate complaint about being charged oh percent over prime instead of one percent over prime? There is no absolute right answer to this question, but use your best Judgment fees, Becky Harrows has a legitimate complaint about being charged 2 h % over time instead of 1% because the overall financial position of the company is very good. Referrer bank must charge 1% over prime to renew loan and line of credit because the overall financial position of the company is very satisfactory.