The financial performance of the best pty ltd

Business

To make matters worse, finance costs more than tripled at 355% from 2003 to 2007.

Turning to the balance sheet accounts of the business organization, it should be noted that the mounting finance costs can be traced to the ballooning of assets which is unmatched by the growth in equity. This indicates that the company's acquisition of the asset is financed by the more costly liabilities. Logically, when Best resort to its creditors to finance the acquisition of its assets, it incurs the obligation to pay interest at specific intervals thus boosting its finance cost. The company's cash account grew weakly at 18% during the seven-year period.

Table 2 highlights the financial ratios of Best from 2003 to 2007 utilizing the selected data provided. In terms of profitability, the year 2007 saw a decline both in return to assets and return to ordinary shareholders. It should be noted that this decline indicates the company's inability to create net income which adds to shareholder wealth and value to its assets. From the high return of shareholder's equity ratio of . 25 in 2006, this slumped to . 12 in 2007 meaning that for every dollar invested in the company's stocks, a shareholder gets 12 cents in 2007 compared to the 25 cents in 2006. Asset turnover also declined from 0. 53 to 0. 47 signaling lower asset utilization and possibly an inability to maximize the company's resources. The profit margin ratio is also in decline from . 18 to 0. 09. The decrease in profitability ratios from good performance in 2006 can be an indication of the company's difficulty in providing profits to its stakeholders.