

Industry averages
and financial ratios
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Financial management is important for any successful business. Good financial management requires proper planning and keeping up with the conditions of the business' finances situation through ratio analysis and other performance measures. These analysis are done to ultimately keep up with the financial trends in a company and locate their strengths and weaknesses so they can be altered accordingly. In this paper we are going to perform a ratio analysis on Microsoft Corporation paying close attention to the organizations profitability, solvency, and efficiency ratios. We then will compare those ratios to the average ratios within their industry. Microsoft Corporation falls under the SIC code 5734 and is a top competitor in the computer and software industry. In comparison to the industry averages, Microsoft Corporation is either in the high end of averages next to their competitors, and in some cases, rise high above others that are in the same industry.

You can see this when looking at their Sales Inventory Ratio for 2013 that stands at a 19 which is above average in the computer industry and show that they have no problem moving their products off the shelf. When you look at other leading competitors in the same industry such as Dell Inc. they stand at 11. 02 (reference needed) which is still above par but not close to what Microsoft was able to pull off. Looking on, as good as Microsoft sales are and their apparent vast knowledge on what to and what not to do in the computer industry, if you take a look at their Return on Net Worth, they are at 1. 2% which falls on the low end in their industry and shows they could probably make some changes within their financial makeup and bring their Return on Net Worth up in the future.

The financial analysis performed on Microsoft Corporation shows us that they are a strong competitor in the computer industry and are a tough one to beat when it comes to computer sales. By looking at their profitability, solvency, and efficiency ratios we were able to see all the many strengths that Microsoft holds in their organization and even uncover some of their weaknesses. All in all, in comparison to the industry's averages, they are in good financial standing and rank high among their competitors and others in the same industry.

References

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