

Course project

Finance



March 4, Finance and Accounting Financial ratios Equity investors use financial ratios to scrutinize financial performance when making investments. Financial ratios disclose how a company gets financed, its resources, and ability to pay debts and generate profits. Ratios portray the company's position and compare it with other companies in the industries. Liquidity ratios will analyze the company ability to pay bills. It is in the form of current ratio and acid test ratio. Macy's current ratio is 1.52 which means that the company can pay its current liabilities. The acid test ratio is 0.55 which gives an accurate view of the company and portrays the inventory that a company can sell at a given time. The company is quite strong compared to the peer group and the top competitors whose current ratio is 2.01 and 1.10 respectively. The strength emanates from the fact that the current ratio of the company is in between to indicate the assets are steering the growth of the company.

The profitability ratio will measure the company's ability to generate profits.

Aswath argues that the gross margin indicates the percentage of net sales going towards fixed costs and profit (34-35). Macys aim for high gross margins that mean more money to cover fixed costs and increase profits.

Asset management ratio is a good measure of the company's efficiency and effectiveness in using the assets in revenue generation. Market value ratios relate to the stock price, observable market value and book value will get obtained in the company financial statement. Therefore, Equity Investors can extend credit to investors due to the report found in its financial ratios. The ratios show an upward trend to indicate that the company is stable.

Work Cited

Aswath Damodaran. Investment Valuation: Tools and Techniques for
<https://assignbuster.com/course-project-essay-samples/>

Determining s the Value of any Asset. New York: Wiley and Sons. 2012. Print.

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