

BASIC RATIO ANALYSIS

Instructions: From the financial statements presented to you in the board papers, select the income statement and balance sheet items noted below and type into the space provided. The ratios will be calculated on the next "sheet" (click the tab "Ratio Analysis" below), with a corresponding explanation regarding each ratio and its importance to the financial performance of the company.

	Current Year/Period 2005	Previous Year/Period 2004	Growth (%)
Income Statement			
Net Sales	46,259	43,637	6%
Cost of Sales	40,288	39,299	3%
Gross Profit	5,971	4,338	38%
Operating Profit	5,818	187	3011%
Interest Expense	2,588	2,211	17%
Depreciation	0	0	#DIV/0!
Profit Before Taxes (PBT)	8,156	(6,211)	-231%
Profit After Taxes (PAT)	6,527	(6,415)	-202%

Balance Sheet

Current Assets	17,351	15,544	12%
Current Liabilities	24,964	30,566	-18%
Net Current Assets	(7,613)	(15,022)	-49%
Fixed Assets	55,282	57,156	-3%
Total Assets	72,633	72,700	0%
Long-Term Liabilities	30,710	32,217	-5%
Total Liabilities	55,674	62,783	-11%
Net Worth	16,959	9,917	71%

RATIO ANALYSIS

		Current Year	Previous Year	% Change	
Debt Paying Ability and Risk					
Current Ratio	Definition	0.70	0.51	37%	A basic measure of the adequacy of a company's working capital to meet day to day obligations.
Debt/Equity Ratio	Definition	0.24	0.21	12%	One of several measures of the relative importance of debt in the firm's capital structure.
Long Term Debt Ratio	Definition	1.8	3.2	-44%	Used as a measure of risk since these liabilities fall due in future periods.
Interest Coverage	Definition	2.2	-3.8	-156%	Measures the ability to meet interest payments from income.
Profitability					
Profit Margin <i>PBT / Net Sales</i>	Definition	17.6%	-14.2%	-224%	Basic measure of profitability unaffected by bias in tax treatment. Source of retained profit to enhance working capital
Return on Assets <i>PBT / Total Assets</i>	Definition	7.67%	-11.58%	-166%	Useful measure to compare earnings from assets (%) with cost of obtaining those assets.
Return on Equity <i>PAT / Net Worth</i>	Definition	38.5%	-64.7%	-159%	Measures the percentage of return on invested capital. An after tax measure.
Efficiency					
Total Asset Turnover	Definition	0.64	0.60	6%	Measures the amount of income generated from a unit of assets. A measure of efficient use of assets.
Trading Ratio <i>Net sales / Net Worth</i>	Definition	2.73	4.40	-38%	Measures the extent to which the firm's sales volume is supported by invested capital. Refer to industry benchmark.