

FINANCIAL MANAGEMENT

FINANCIAL STATEMENT ANALYSIS

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SECTION 1

Introduction to Financial Statement Analysis

Chapter Introduction

Financial statements provide information about:

- Financial position
- Operating performance
- Cash flows
- Changes in equity
- Financial obligations
- Business resources

Financial-statement analysis converts these accounting amounts into meaningful evidence for decisions.

Why This Chapter Matters

A company may report a large profit and still experience:

- Cash shortages
- Excessive borrowing
- Slow receivable collection
- Obsolete inventory
- Weak operating efficiency
- Inadequate returns
- Difficulty paying obligations

Financial analysis connects reported profit with liquidity, efficiency, solvency and risk.

Opening Business Case

Kuraz Manufacturing Share Company reports:

- Sales growth of 25%
- Net-income growth of 48.8%
- Current ratio of approximately 1.96
- Quick ratio of approximately 1.04
- Debt financing of approximately 50% of total assets

DISCUSSION QUESTION

Does the company appear financially strong?

Central Accounting Question

How can users combine financial statements, percentage analysis, ratios, cash-flow information and qualitative evidence to evaluate a company's financial condition and performance?

Learning Objectives

By the end of this chapter, students will be able to:

1. Explain the purpose of financial-statement analysis.
2. Identify the main users and information sources.
3. Perform horizontal and trend analysis.
4. Perform vertical and common-size analysis.
5. Calculate profitability ratios.
6. Calculate leverage and solvency ratios.
7. Calculate efficiency ratios.
8. Calculate liquidity and cash-flow ratios.
9. Apply the DuPont and ratio-pyramid approaches.
10. Calculate selected market-valuation ratios.
11. Interpret annual reports and MD&A.
12. Recognize limitations of ratio analysis.
13. Prepare an integrated financial assessment.

Chapter Roadmap

1. Foundations of financial analysis
2. Information sources
3. Horizontal analysis
4. Trend analysis
5. Vertical analysis
6. Common-size statements
7. Profitability ratios
8. Leverage ratios
9. Efficiency ratios
10. Liquidity and cash-flow ratios
11. Ratio pyramid and DuPont analysis
12. Market-valuation ratios
13. Annual-report analysis
14. Integrated case study

Opening Reflection

Two companies each earn ETB 2 million.

Company A

- Average assets: ETB 10 million
- Average equity: ETB 5 million

Company B

- Average assets: ETB 40 million
- Average equity: ETB 25 million

QUESTION

Did the two companies perform equally well?

ANSWER

No. Profit must be evaluated relative to the resources used to generate it.

What Is Financial-Statement Analysis?

The systematic examination of financial information to evaluate:

- Changes over time
- Relationships among accounts
- Profitability
- Liquidity
- Efficiency
- Solvency
- Financial risk
- Investment value

Main Analytical Questions

Financial analysis asks:

- Is the company growing?
- Are profits sustainable?
- Can current obligations be paid?
- Is inventory moving efficiently?
- Are receivables collected promptly?
- Is debt manageable?
- Are assets producing adequate revenue?
- Are stockholders receiving satisfactory returns?

Internal Users

Internal users include:

- Board of directors
- Executive management
- Finance managers
- Department heads
- Internal auditors
- Budget officers
- Risk managers
- Strategic planners

External Users

External users include:

- Investors
- Banks
- Suppliers
- Employees
- Regulators
- Tax authorities
- Credit-rating agencies
- Donors and funding partners

Investor Perspective

Investors commonly examine:

- Revenue growth
- Profit margins
- Return on assets
- Return on equity
- Earnings per share
- Dividend return
- Market valuation
- Financial leverage

Lender Perspective

Lenders commonly examine:

- Working capital
- Current and quick ratios
- Operating cash flow
- Debt-to-equity ratio
- Interest coverage
- Debt repayment capacity
- Asset security
- Earnings stability

Management Perspective

Management uses analysis to:

- Monitor performance
- Control costs
- Allocate resources
- Manage working capital
- Evaluate financing options
- Identify business risks
- Set operational targets
- Support strategic decisions

SECTION 2

Sources and Methods of Analysis

Main Information Sources

Financial analysis may use:

- Income Statement
- Balance Sheet
- Statement of Cash Flows
- Statement of Stockholders' Equity
- Notes to the financial statements
- Auditor's report
- Management discussion
- Budgets and forecasts
- Industry information

Income-Statement Information

The Income Statement provides information about:

- Revenue
- Cost of sales
- Gross profit
- Operating expenses
- Operating income
- Interest expense
- Income tax
- Net income

Balance-Sheet Information

The Balance Sheet provides information about:

- Cash
- Receivables
- Inventory
- Fixed assets
- Current liabilities
- Long-term debt
- Stockholders' equity
- Financial structure

Cash-Flow Information

The Statement of Cash Flows explains cash generated or used through:

- Operating activities
- Investing activities
- Financing activities

A profitable company may still experience financial difficulty when operations fail to generate sufficient cash.

Notes and Disclosures

Notes may explain:

- Accounting policies
- Debt maturity schedules
- Contingencies
- Related-party balances
- Inventory methods
- Depreciation methods
- Revenue-recognition policies
- Significant estimates

Management Discussion and Analysis

MD&A may explain:

- Changes in revenue
- Changes in expenses
- Liquidity conditions
- Capital resources
- Material trends
- Significant uncertainties
- Operational risks
- Future commitments

The SEC describes MD&A as a narrative explanation that provides context for understanding financial position and operating results.
(Securities and Exchange Commission)

Comparison Standards

Financial results may be compared with:

- Prior years
- Budgets
- Management targets
- Competitors
- Industry averages
- Loan covenants
- Strategic plans
- Economic conditions

Types of Comparison

Intracompany Analysis

Compares the same company across:

- Periods
- Departments
- Branches
- Products
- Projects

Intercompany Analysis

Compares the company with:

- Competitors
- Industry leaders
- Industry averages
- Benchmark organizations

Main Analytical Methods

The principal methods are:

1. Horizontal analysis
2. Trend analysis
3. Vertical analysis
4. Common-size analysis
5. Ratio analysis
6. Cash-flow analysis
7. Integrated qualitative analysis

SECTION 3

Common Case Data

Case Company

Kuraz Manufacturing Share Company

The following comparative information will be used throughout the chapter. All amounts are stated in Ethiopian birr.

Comparative Income Statements

Item	2025	2026
Net Sales	ETB 12,000,000	ETB 15,000,000
Cost of Goods Sold	7,200,000	8,700,000
Gross Profit	4,800,000	6,300,000
Operating Expenses	2,700,000	3,300,000
Operating Income — EBIT	2,100,000	3,000,000
Interest Expense	420,000	500,000
Income before Tax	1,680,000	2,500,000
Income Tax	504,000	750,000
Net Income	1,176,000	1,750,000

Comparative Balance Sheets — Assets

Asset	2025	2026
Cash	ETB 600,000	ETB 800,000
Marketable Securities	200,000	300,000
Accounts Receivable	1,500,000	1,800,000
Inventory	2,000,000	2,300,000
Prepaid Expenses	200,000	300,000
Total Current Assets	4,500,000	5,500,000
Property, Plant and Equipment — Net	6,500,000	7,500,000
Intangible Assets	500,000	500,000
Total Assets	11,500,000	13,500,000

Comparative Balance Sheets — Financing

Liability and Equity	2025	2026
Current Liabilities	ETB 2,500,000	ETB 2,800,000
Long-Term Liabilities	3,500,000	4,000,000
Total Liabilities	6,000,000	6,800,000
Stockholders' Equity	5,500,000	6,700,000
Total Liabilities and Equity	11,500,000	13,500,000

Additional 2026 Information

- Net credit sales: ETB 14,400,000
- Cash flow from operations: ETB 2,400,000
- Capital expenditure: ETB 1,500,000
- Depreciation and amortization: ETB 600,000
- Cash interest paid: ETB 480,000
- Cash taxes paid: ETB 700,000
- Common shares outstanding: 500,000
- Market price per share: ETB 50
- Cash dividends: ETB 600,000

SECTION 4

Horizontal Analysis

What Is Horizontal Analysis?

Horizontal analysis compares financial-statement amounts across accounting periods. It identifies:

- Amount changes
- Percentage changes
- Growth patterns
- Declining accounts
- Unusual movements

OpenStax describes horizontal analysis as comparison across periods using a selected base year. (OpenStax)

Amount-of-Change Formula

$$\text{Amount of Change} = \text{Current-Year Amount} - \text{Base-Year Amount}$$

Percentage-Change Formula

$$\text{Percentage Change} = (\text{Current Amount} - \text{Base Amount}) \div \text{Base Amount} \times 100$$

Horizontal Analysis of Sales

$$15,000,000 - 12,000,000 = \text{ETB } 3,000,000$$

$$3,000,000 \div 12,000,000 \times 100 = 25\%$$

CONCLUSION

Sales increased by ETB 3 million, or 25%.

Horizontal Analysis of Cost of Sales

$$8,700,000 - 7,200,000 = \text{ETB } 1,500,000$$

$$1,500,000 \div 7,200,000 \times 100 = 20.83\%$$

Cost of sales grew more slowly than revenue.

Horizontal Analysis of Gross Profit

$$6,300,000 - 4,800,000 = \text{ETB } 1,500,000$$

$$1,500,000 \div 4,800,000 \times 100 = 31.25\%$$

Horizontal Analysis of Operating Income

$$3,000,000 - 2,100,000 = \text{ETB } 900,000$$

$$900,000 \div 2,100,000 \times 100 = 42.86\%$$

Horizontal Analysis of Net Income

$$1,750,000 - 1,176,000 = \text{ETB } 574,000$$

$$574,000 \div 1,176,000 \times 100 \approx 48.81\%$$

Horizontal Income-Statement Summary

Item	Amount Change	Percentage Change
Net Sales	ETB 3,000,000	25.00%
Cost of Goods Sold	1,500,000	20.83%
Gross Profit	1,500,000	31.25%
Operating Expenses	600,000	22.22%
Operating Income	900,000	42.86%
Net Income	574,000	48.81%

Horizontal Analysis of Accounts Receivable

$$1,800,000 - 1,500,000 = \text{ETB } 300,000$$

$$300,000 \div 1,500,000 \times 100 = 20\%$$

Accounts receivable increased more slowly than sales.

Horizontal Analysis of Inventory

$$2,300,000 - 2,000,000 = \text{ETB } 300,000$$

$$300,000 \div 2,000,000 \times 100 = 15\%$$

Inventory increased more slowly than sales.

Horizontal Analysis of Assets

$$13,500,000 - 11,500,000 = \text{ETB } 2,000,000$$

$$2,000,000 \div 11,500,000 \times 100 \approx 17.39\%$$

Horizontal Analysis of Liabilities

$$6,800,000 - 6,000,000 = \text{ETB } 800,000$$

$$800,000 \div 6,000,000 \times 100 = 13.33\%$$

Horizontal Analysis of Equity

$$6,700,000 - 5,500,000 = \text{ETB } 1,200,000$$

$$1,200,000 \div 5,500,000 \times 100 \approx 21.82\%$$

Preliminary Horizontal Interpretation

Positive indications include:

- Sales increased by 25%.
- Net income increased by 48.81%.
- Receivables increased by only 20%.
- Inventory increased by only 15%.
- Equity grew faster than liabilities.

Further ratio analysis is still required.

SECTION 5

Trend Analysis

What Is Trend Analysis?

Trend analysis compares several periods with a selected base year. The base year is assigned:



100%

Trend Formula

$$\text{Trend Percentage} = \text{Current-Year Amount} \div \text{Base-Year Amount} \times 100$$

Five-Year Sales Trend

Year	Net Sales	Trend Percentage
2022	ETB 9,000,000	100.00%
2023	9,900,000	110.00%
2024	10,800,000	120.00%
2025	12,000,000	133.33%
2026	15,000,000	166.67%

Trend Interpretation

A trend percentage of 166.67% means:

- 2026 sales are 166.67% of 2022 sales.
- Sales increased by 66.67% compared with 2022.

It does not mean that sales increased by 166.67%.

SECTION 6

Vertical and Common-Size Analysis

What Is Vertical Analysis?

Vertical analysis expresses each financial-statement item as a percentage of a selected base amount.

Income Statement

- Net Sales = 100%

Balance Sheet

- Total Assets = 100%

OpenStax explains that vertical analysis compares line items within the same financial statement and produces common-size percentages. (OpenStax)

Vertical-Analysis Formula

$$\text{Component Percentage} = \text{Individual Item} \div \text{Base Amount} \times 100$$

2026 Cost-of-Sales Percentage

$$8,700,000 \div 15,000,000 \times 100 = 58\%$$

ETB 0.58 of each ETB 1 of sales was used to cover cost of goods sold.

2026 Gross-Profit Percentage

$$6,300,000 \div 15,000,000 \times 100 = 42\%$$

2026 Operating-Expense Percentage

$$3,300,000 \div 15,000,000 \times 100 = 22\%$$

2026 Operating-Profit Percentage

$$3,000,000 \div 15,000,000 \times 100 = 20\%$$

2026 Net-Profit Percentage

$$1,750,000 \div 15,000,000 \times 100 = 11.67\%$$

Common-Size Income Statement

Item	2025	2026
Net Sales	100.00%	100.00%
Cost of Goods Sold	60.00%	58.00%
Gross Profit	40.00%	42.00%
Operating Expenses	22.50%	22.00%
Operating Income	17.50%	20.00%
Interest Expense	3.50%	3.33%
Income Tax	4.20%	5.00%
Net Income	9.80%	11.67%

Income-Statement Interpretation

The common-size analysis indicates:

- Gross margin increased by 2 percentage points.
- Operating expenses declined slightly relative to sales.
- Operating margin increased from 17.5% to 20%.
- Net margin increased from 9.8% to 11.67%.

Vertical Analysis of Cash

$$800,000 \div 13,500,000 \times 100 \approx 5.93\%$$

Vertical Analysis of Receivables

$$1,800,000 \div 13,500,000 \times 100 = 13.33\%$$

Vertical Analysis of Inventory

$$2,300,000 \div 13,500,000 \times 100 \approx 17.04\%$$

Vertical Analysis of Fixed Assets

$$7,500,000 \div 13,500,000 \times 100 \approx 55.56\%$$

Common-Size Balance Sheet

Item	2025	2026
Current Assets	39.13%	40.74%
Property, Plant and Equipment	56.52%	55.56%
Intangible Assets	4.35%	3.70%
Total Assets	100.00%	100.00%
Current Liabilities	21.74%	20.74%
Long-Term Liabilities	30.43%	29.63%
Stockholders' Equity	47.83%	49.63%

Balance-Sheet Interpretation

The analysis indicates:

- Current assets represent a slightly larger share of total assets.
- Current liabilities declined as a percentage of total financing.
- Long-term liabilities also declined proportionately.
- Equity financing increased from 47.83% to 49.63%.

SECTION 7

Financial Ratio Framework

Principal Ratio Categories

The Financial Ratios source material covers:

1. Profitability ratios
2. Leverage ratios
3. Efficiency ratios
4. Liquidity ratios
5. Valuation ratios

Ratio Interpretation Framework

For every ratio, consider:

- Formula
- Meaning
- Direction of change
- Prior-year comparison
- Industry comparison
- Causes
- Consequences
- Management response

No Ratio Stands Alone

A ratio should be interpreted with:

- Other ratios
- Cash-flow information
- Accounting policies
- Industry conditions
- Business strategy
- Economic conditions
- Qualitative information

SECTION 8

Profitability Ratios

What Are Profitability Ratios?

Profitability ratios evaluate the company's ability to generate income relative to:

- Revenue
- Assets
- Operating costs
- Capital employed
- Stockholders' equity

The source material divides profitability measures into return ratios and margin ratios.

Gross Margin Ratio

$$\text{Gross Margin} = \text{Gross Profit} \div \text{Net Sales} \times 100$$

Gross margin measures the proportion of revenue remaining after cost of goods sold.

Gross Margin Calculation

$$6,300,000 \div 15,000,000 \times 100 = 42\%$$

INTERPRETATION

The company retains ETB 0.42 of each ETB 1 of sales after covering product cost.

Gross Margin Drivers

Gross margin may change because of:

- Selling-price changes
- Supplier prices
- Production efficiency
- Product mix
- Inventory losses
- Purchase discounts
- Currency movements
- Competitive pressure

Operating Profit Margin

$$\text{Operating Margin} = \text{Operating Income (EBIT)} \div \text{Net Sales} \times 100$$

Operating margin measures profit generated from operations before interest and income tax.

Operating Margin Calculation

$$3,000,000 \div 15,000,000 \times 100 = 20\%$$

The company earns ETB 0.20 of operating income from each ETB 1 of sales.

Net Profit Margin

$$\text{Net Profit Margin} = \text{Net Income} \div \text{Net Sales} \times 100$$

It measures the net profit generated from each unit of revenue after all expenses.

Net Margin Calculation

$$1,750,000 \div 15,000,000 \times 100 = 11.67\%$$

Profit-Margin Comparison

Margin	2025	2026
Gross Margin	40.00%	42.00%
Operating Margin	17.50%	20.00%
Net Profit Margin	9.80%	11.67%

All three profitability margins improved.

Return on Assets

$$\text{ROA} = \text{Net Income} \div \text{Average Total Assets} \times 100$$

ROA evaluates profit relative to the assets used by the company.

Average Total Assets

$$(11,500,000 + 13,500,000) \div 2 = \text{ETB } 12,500,000$$

ROA Calculation

$$1,750,000 \div 12,500,000 \times 100 = 14\%$$

The company generated ETB 0.14 of net income for each ETB 1 invested in average assets.

Return on Equity

$$\text{ROE} = \text{Net Income} \div \text{Average Stockholders' Equity} \times 100$$

ROE evaluates the return generated for the company's owners.

Average Stockholders' Equity

$$(5,500,000 + 6,700,000) \div 2 = \text{ETB } 6,100,000$$

ROE Calculation

$$1,750,000 \div 6,100,000 \times 100 \approx 28.69\%$$

Return on Capital Employed

$$\text{ROCE} = \text{EBIT} \div \text{Capital Employed} \times 100$$

$$\text{Capital Employed} = \text{Total Assets} - \text{Current Liabilities}$$

ROCE measures operating profit relative to long-term capital committed to the business.

ROCE Calculation

$$\text{Capital Employed} = 13,500,000 - 2,800,000 = \text{ETB } 10,700,000$$

$$\text{ROCE} = 3,000,000 \div 10,700,000 \times 100 \approx 28.04\%$$

Comparing Return Ratios

Ratio	Result	Main Perspective
ROA	14.00%	Return generated by assets
ROE	28.69%	Return generated for owners
ROCE	28.04%	Return generated by long-term capital

Profitability Interpretation

The company's profitability appears to have strengthened because:

- Sales increased.
- Gross margin improved.
- Operating margin improved.
- Net margin improved.
- ROA is positive.
- ROE substantially exceeds ROA.

The difference between ROE and ROA partly reflects financial leverage.

Profitability Exercise

Given

- Sales: ETB 8,000,000
- Gross profit: ETB 3,200,000
- Operating income: ETB 1,600,000
- Net income: ETB 960,000
- Average assets: ETB 6,000,000
- Average equity: ETB 3,000,000

Calculate

1. Gross margin
2. Operating margin
3. Net margin
4. ROA
5. ROE

Profitability Exercise Solution

$$\text{Gross Margin} = 3,200,000 \div 8,000,000 = 40\%$$

$$\text{Operating Margin} = 1,600,000 \div 8,000,000 = 20\%$$

$$\text{Net Margin} = 960,000 \div 8,000,000 = 12\%$$

$$\text{ROA} = 16\% \quad \text{ROE} = 32\%$$

SECTION 9

Leverage and Capital-Structure Ratios

What Are Leverage Ratios?

Leverage ratios evaluate:

- Use of borrowed funds
- Capital structure
- Creditor exposure
- Long-term solvency
- Financial risk

The source material identifies debt-to-equity, equity and debt ratios as principal leverage measures.

Interest-Bearing Debt-to-Equity Ratio

$$\text{Debt-to-Equity} = \text{Interest-Bearing Debt} \div \text{Stockholders' Equity}$$

Assume the company has:

- Short-term interest-bearing debt: ETB 800,000
- Long-term debt: ETB 4,000,000

Debt-to-Equity Calculation

$$\text{Total Interest-Bearing Debt} = 800,000 + 4,000,000 = \text{ETB } 4,800,000$$

$$4,800,000 \div 6,700,000 \approx 0.72$$

The company has approximately ETB 0.72 of interest-bearing debt for each ETB 1 of equity.

Liabilities-to-Equity Ratio

A broader measure is:

$$\text{Liabilities-to-Equity} = \text{Total Liabilities} \div \text{Stockholders' Equity}$$

$$6,800,000 \div 6,700,000 \approx 1.01$$

Difference between the Measures

Debt-to-Equity

- Uses interest-bearing debt only

Liabilities-to-Equity

Uses all liabilities, including:

- Trade payables
- Accrued expenses
- Tax obligations
- Interest-bearing loans

Analysts must clearly state which definition is used.

Equity Ratio

$$\text{Equity Ratio} = \text{Stockholders' Equity} \div \text{Total Assets} \times 100$$

The equity ratio indicates the proportion of assets financed by owners.

Equity-Ratio Calculation

$$6,700,000 \div 13,500,000 \times 100 \approx 49.63\%$$

Approximately 49.63% of total assets are financed by equity.

Debt Ratio

$$\text{Debt Ratio} = \text{Total Liabilities} \div \text{Total Assets} \times 100$$

The ratio indicates the proportion of assets financed through liabilities.

Debt-Ratio Calculation

$$6,800,000 \div 13,500,000 \times 100 \approx 50.37\%$$

Financing Relationship

$$\text{Debt Ratio} + \text{Equity Ratio} = 100\%$$

$$50.37\% + 49.63\% = 100\%$$

Interpreting Financial Leverage

Higher leverage may:

Increase Potential Return

- When operating returns exceed borrowing costs

Increase Financial Risk

- Because interest and principal payments are contractual obligations

Leverage Warning Signs

Possible warning signs include:

- Debt increasing faster than assets
- Interest expense increasing faster than EBIT
- Declining operating cash flow
- Repeated loan refinancing
- Low interest coverage
- Covenant violations
- High short-term borrowing

Leverage Exercise

A company reports:

Data

- Total assets: ETB 20,000,000
- Total liabilities: ETB 12,000,000
- Interest-bearing debt: ETB 9,000,000
- Equity: ETB 8,000,000

Calculate

1. Debt ratio
2. Equity ratio
3. Debt-to-equity ratio
4. Liabilities-to-equity ratio

Leverage Exercise Solution

$$\text{Debt Ratio} = 12,000,000 \div 20,000,000 = 60\%$$

$$\text{Equity Ratio} = 40\%$$

$$\text{Debt-to-Equity} = 9,000,000 \div 8,000,000 = 1.125$$

$$\text{Liabilities-to-Equity} = 12,000,000 \div 8,000,000 = 1.50$$

SECTION 10

Efficiency Ratios

What Are Efficiency Ratios?

Efficiency ratios evaluate how effectively a business uses:

- Receivables
- Inventory
- Fixed assets
- Total assets
- Working capital

The source material includes receivables turnover, receivable days, asset turnover, inventory turnover and inventory days.

Why Use Average Balances?

Income-statement amounts cover an entire period, while balance-sheet amounts represent one date. Therefore, efficiency ratios commonly use:

$$\text{Average Balance} = (\text{Beginning Balance} + \text{Ending Balance}) \div 2$$

Accounts Receivable Turnover

$$\text{Receivables Turnover} = \text{Net Credit Sales} \div \text{Average Accounts Receivable}$$

It measures how frequently average receivables are collected during the year.

Average Accounts Receivable

$$(1,500,000 + 1,800,000) \div 2 = \text{ETB } 1,650,000$$

Receivables-Turnover Calculation

$$14,400,000 \div 1,650,000 \approx 8.73 \text{ times}$$

Accounts Receivable Days

$$\text{Receivable Days} = 365 \div \text{Receivables Turnover}$$

The measure estimates the average collection period.

Receivable-Days Calculation

$$365 \div 8.73 \approx 41.82 \text{ days}$$

INTERPRETATION

The average customer balance remains outstanding for approximately 42 days.

Receivables Interpretation

Compare receivable days with:

- Contractual credit terms
- Prior years
- Industry averages
- Overdue-account reports
- Allowance for doubtful accounts
- Customer concentration

A low number is not always better if the credit policy is excessively restrictive.

Inventory Turnover

$$\text{Inventory Turnover} = \text{Cost of Goods Sold} \div \text{Average Inventory}$$

It measures how frequently the average inventory balance is sold and replaced.

Average Inventory

$$(2,000,000 + 2,300,000) \div 2 = \text{ETB } 2,150,000$$

Inventory-Turnover Calculation

$$8,700,000 \div 2,150,000 \approx 4.05 \text{ times}$$

Inventory Days

$$\text{Inventory Days} = 365 \div \text{Inventory Turnover}$$

$$365 \div 4.05 \approx 90.20 \text{ days}$$

The company holds approximately 90 days of inventory.

Inventory Interpretation

A high turnover may indicate

- Strong sales
- Efficient stock management
- Low inventory levels

An excessively high rate may indicate

- Frequent stockouts
- Lost sales
- Weak safety-stock levels
- Supply-chain risk

Total Asset Turnover

$$\text{Asset Turnover} = \text{Net Sales} \div \text{Average Total Assets}$$

It measures the amount of sales generated for each birr invested in average assets.

Asset-Turnover Calculation

$$15,000,000 \div 12,500,000 = 1.20 \text{ times}$$

The company generated ETB 1.20 of sales for each ETB 1 invested in average assets.

Fixed-Asset Turnover

Fixed-Asset Turnover = Net Sales ÷ Average Net Fixed Assets

Average Fixed Assets = (6,500,000 + 7,500,000) ÷ 2 = ETB 7,000,000

Fixed-Asset-Turnover Calculation

$$15,000,000 \div 7,000,000 \approx 2.14 \text{ times}$$

Working-Capital Turnover

Working-Capital Turnover = Net Sales ÷ Average Working Capital

Working Capital = Current Assets – Current Liabilities

Working-Capital-Turnover Calculation

$$\text{2025 Working Capital} = 4,500,000 - 2,500,000 = \text{ETB } 2,000,000$$

$$\text{2026 Working Capital} = 5,500,000 - 2,800,000 = \text{ETB } 2,700,000$$

$$\text{Average} = (2,000,000 + 2,700,000) \div 2 = \text{ETB } 2,350,000$$

$$15,000,000 \div 2,350,000 \approx 6.38 \text{ times}$$

Efficiency Dashboard

Ratio	Result
Receivables Turnover	8.73 times
Receivable Days	41.82 days
Inventory Turnover	4.05 times
Inventory Days	90.20 days
Total Asset Turnover	1.20 times
Fixed-Asset Turnover	2.14 times
Working-Capital Turnover	6.38 times

SECTION 11

Liquidity and Cash-Flow Ratios

What Are Liquidity Ratios?

Liquidity ratios evaluate a company's ability to meet short-term obligations. The source material covers:

- Current ratio
- Quick ratio
- Cash ratio
- Defensive interval
- Times interest earned
- Cash-basis interest coverage
- Capital expenditure to operating cash
- Operating cash-flow ratio

Working Capital

Working Capital = Current Assets – Current Liabilities

5,500,000 – 2,800,000 = ETB 2,700,000

Current Ratio

$$\text{Current Ratio} = \text{Current Assets} \div \text{Current Liabilities}$$

$$5,500,000 \div 2,800,000 \approx 1.96$$

Current-Ratio Interpretation

The company has approximately ETB 1.96 of current assets for each ETB 1 of current liabilities. A high current ratio is not automatically favourable when current assets consist mainly of:

- Slow inventory
- Uncollectible receivables
- Excess cash
- Obsolete supplies

Quick Ratio

$$\text{Quick Ratio} = (\text{Cash} + \text{Marketable Securities} + \text{Receivables}) \div \text{Current Liabilities}$$

Quick-Ratio Calculation

$$(800,000 + 300,000 + 1,800,000) \div 2,800,000$$

$$2,900,000 \div 2,800,000 \approx 1.04$$

Cash Ratio

$$\text{Cash Ratio} = (\text{Cash} + \text{Cash Equivalents}) \div \text{Current Liabilities}$$

$$(800,000 + 300,000) \div 2,800,000 \approx 0.39$$

Liquidity Strictness

Ratio	Assets Included	Result
Current Ratio	All current assets	1.96
Quick Ratio	Cash, securities and receivables	1.04
Cash Ratio	Cash and cash equivalents	0.39

Each successive measure applies a stricter definition of liquid resources.

Defensive Interval Ratio

The defensive interval estimates the number of days a company can meet cash operating expenditures using its quick assets.

$$\text{Defensive Interval} = \text{Quick Assets} \div \text{Daily Cash Operating Expenditure}$$

Daily Cash Operating Expenditure

Assume cash operating costs are COGS + Operating Expenses – Non-Cash Charges.

$$8,700,000 + 3,300,000 - 600,000 = \text{ETB } 11,400,000$$

$$\text{Daily Expenditure} = 11,400,000 \div 365 \approx \text{ETB } 31,232.88$$

Defensive-Interval Calculation

$$2,900,000 \div 31,232.88 \approx 92.85 \text{ days}$$

The company could support approximately 93 days of cash operating expenditure using quick assets.

Times Interest Earned

Times Interest Earned = EBIT ÷ Interest Expense

3,000,000 ÷ 500,000 = 6 times

Interest-Coverage Interpretation

The company's operating income covers interest expense six times. A higher ratio generally indicates:

- Stronger interest-paying ability
- Lower default risk
- Greater debt capacity

Interpretation must also consider operating cash flow and debt maturity.

Cash Interest Coverage

One cash-based formulation is:

$$\text{Cash Interest Coverage} = (\text{CFO} + \text{Cash Interest} + \text{Cash Taxes}) \div \text{Cash Interest}$$

Cash Interest Coverage Calculation

$$(2,400,000 + 480,000 + 700,000) \div 480,000$$

$$3,580,000 \div 480,000 \approx 7.46 \text{ times}$$

Operating Cash-Flow Ratio

Operating Cash-Flow Ratio = Cash Flow from Operations ÷ Current Liabilities

$$2,400,000 \div 2,800,000 \approx 0.86$$

CAPEX to Operating Cash Ratio

CAPEX-to-Operating-Cash = Capital Expenditure ÷ Cash Flow from Operations

1,500,000 ÷ 2,400,000 = 62.5%

CAPEX Interpretation

The company used 62.5% of operating cash flow for capital investment. The remaining operating cash flow before financing activities was:

$$2,400,000 - 1,500,000 = \text{ETB } 900,000$$

Liquidity Dashboard

Measure	Result
Working Capital	ETB 2,700,000
Current Ratio	1.96
Quick Ratio	1.04
Cash Ratio	0.39
Defensive Interval	92.85 days
Times Interest Earned	6.00 times
Cash Interest Coverage	7.46 times
Operating Cash-Flow Ratio	0.86
CAPEX to Operating Cash	62.50%

SECTION 12

Ratio Pyramid and DuPont Analysis

Why Use a Ratio Pyramid?

A ratio pyramid connects high-level returns with their underlying drivers. The ratio-pyramid framework decomposes return on equity into:

- Profitability
- Asset efficiency
- Financial leverage

The source material includes the pyramid as a separate analytical framework.

Three-Step DuPont Formula

$$\text{ROE} = \text{Net Profit Margin} \times \text{Asset Turnover} \times \text{Equity Multiplier}$$

DuPont Component 1 — Profitability

$$\text{Net Profit Margin} = \text{Net Income} \div \text{Sales}$$

$$1,750,000 \div 15,000,000 = 11.67\%$$

DuPont Component 2 — Efficiency

$$\text{Asset Turnover} = \text{Sales} \div \text{Average Assets}$$

$$15,000,000 \div 12,500,000 = 1.20$$

DuPont Component 3 — Leverage

Equity Multiplier = Average Assets ÷ Average Equity

12,500,000 ÷ 6,100,000 ≈ 2.05

DuPont ROE Calculation

$$11.67\% \times 1.20 \times 2.05 \approx 28.69\%$$

This equals the directly calculated return on equity.

Interpreting DuPont Results

ROE can improve because of:

1. Higher profit margins
2. More efficient use of assets
3. Greater financial leverage

WARNING

An increase in ROE caused mainly by debt may also increase financial risk.

Deeper Profitability Drivers

Net profit margin may be analysed through:

- Gross margin
- Operating-expense ratio
- Depreciation and amortization
- Interest burden
- Tax burden
- Non-operating items

Deeper Efficiency Drivers

Asset turnover may be analysed through:

- Receivables turnover
- Inventory turnover
- Fixed-asset turnover
- Working-capital turnover
- Cash management
- Payables management

Ratio-Pyramid Diagnostic Question

When ROE declines, management should ask:

- Did margins fall?
- Did assets grow faster than sales?
- Did inventory accumulate?
- Did collection slow?
- Did leverage decline?
- Did interest costs increase?
- Did tax or non-operating costs increase?

SECTION 13

Market and Valuation Ratios

Purpose of Valuation Ratios

Valuation ratios compare company performance with:

- Share price
- Market capitalization
- Enterprise value
- Earnings
- Revenue
- Operating profit
- Cash generation

The source material covers P/E, EV/EBITDA, EV/EBIT and EV/Revenue.

Earnings per Share

$$\text{EPS} = (\text{Net Income} - \text{Preferred Dividends}) \div \text{Weighted-Average Common Shares}$$

$$1,750,000 \div 500,000 = \text{ETB } 3.50$$

Assume no preferred dividends.

Price-to-Earnings Ratio

$\text{P/E Ratio} = \text{Market Price per Share} \div \text{Earnings per Share}$

$50 \div 3.50 \approx 14.29 \text{ times}$

P/E Interpretation

A P/E ratio of 14.29 indicates that investors are paying approximately:

ETB 14.29 for each ETB 1 of current earnings per share

A high or low P/E should not automatically be interpreted as favourable or unfavourable.

Enterprise Value

A simplified enterprise-value formula is:

$$\text{EV} = \text{Market Capitalization} + \text{Debt} - \text{Cash and Cash Equivalents}$$

Enterprise-Value Calculation

$$\text{Market Capitalization} = 500,000 \times \text{ETB } 50 = \text{ETB } 25,000,000$$

$$\text{Net Debt} = 4,800,000 - 1,100,000 = \text{ETB } 3,700,000$$

$$\text{Enterprise Value} = 25,000,000 + 3,700,000 = \text{ETB } 28,700,000$$

EBITDA

$$\text{EBITDA} = \text{EBIT} + \text{Depreciation and Amortization}$$

$$3,000,000 + 600,000 = \text{ETB } 3,600,000$$

EV/EBITDA

$$\text{EV/EBITDA} = 28,700,000 \div 3,600,000 \approx 7.97 \text{ times}$$

EV/EBIT

$$\text{EV/EBIT} = 28,700,000 \div 3,000,000 \approx 9.57 \text{ times}$$

EV/EBIT includes the economic effect of depreciation and amortization through EBIT.

EV/Revenue

$$\text{EV/Revenue} = 28,700,000 \div 15,000,000 \approx 1.91 \text{ times}$$

The market values the operating business at approximately 1.91 times annual revenue.

Comparing Valuation Multiples

Multiple	Result	Main Basis
P/E	14.29×	Equity value and net earnings
EV/EBITDA	7.97×	Enterprise value and EBITDA
EV/EBIT	9.57×	Enterprise value and operating profit
EV/Revenue	1.91×	Enterprise value and revenue

Strengths and Limitations

P/E

- Easy to understand
- Directly relates share price to earnings
- Affected by capital structure and accounting choices

EV/EBITDA

- Useful for comparing operating businesses
- Reduces financing differences
- Ignores capital expenditure and depreciation

EV/EBIT

- Includes depreciation
- Useful for asset-intensive businesses
- Still affected by accounting policies

EV/Revenue

- Useful when earnings are negative
- Does not measure profitability

Dividends per Share

DPS = Common Cash Dividends ÷ Common Shares Outstanding

600,000 ÷ 500,000 = ETB 1.20

Dividend Yield

$$\text{Dividend Yield} = \text{Dividend per Share} \div \text{Market Price per Share} \times 100$$

$$1.20 \div 50 \times 100 = 2.40\%$$

Dividend Payout Ratio

$$\text{Dividend Payout Ratio} = \text{Common Dividends} \div \text{Net Income} \times 100$$

$$600,000 \div 1,750,000 \times 100 \approx 34.29\%$$

Book Value per Share

Book Value per Share = Common Stockholders' Equity ÷ Common Shares Outstanding

$$6,700,000 \div 500,000 = \text{ETB } 13.40$$

Book value per share is not the same as market price per share.

SECTION 14

Annual-Report and Qualitative Analysis

Components of an Annual Report

A corporate annual report may include:

- Financial statements
- Notes
- Auditor's report
- MD&A
- Risk disclosures
- Governance information
- Selected financial data
- Business and operational information

Why Read MD&A?

MD&A may explain:

- Why revenue changed
- Why margins changed
- Liquidity pressures
- Financing plans
- Major commitments
- Known trends
- Operational risks
- Management priorities

The SEC states that MD&A should add context rather than merely repeat the financial statements. (Securities and Exchange Commission)

Questions for Reviewing MD&A

Ask:

- Are explanations specific?
- Are negative trends addressed?
- Are risks quantified where possible?
- Are cash-flow pressures discussed?
- Are unusual changes explained?
- Are future commitments identified?
- Are management claims consistent with the statements?

Auditor's Report

The auditor's report provides an independent conclusion on whether the statements are fairly presented under the applicable reporting framework. It does not guarantee:

- Future profitability
- Continued business success
- Detection of every fraud
- Accuracy of every estimate
- Future share-price performance

Accounting-Policy Review

Ratios may be affected by:

- Inventory costing methods
- Depreciation methods
- Useful-life estimates
- Bad-debt estimates
- Revenue-recognition policies
- Asset impairment
- Provisions and contingencies
- Lease accounting

Quality of Earnings

High-quality earnings are generally supported by:

- Operating cash flows
- Repeatable operations
- Consistent accounting policies
- Reasonable estimates
- Limited dependence on unusual gains
- Transparent disclosures

Earnings versus Cash Flow

Possible warning signs include:

- Net income rising while operating cash declines
- Receivables growing faster than sales
- Inventory growing faster than cost of sales
- Large non-cash gains
- Frequent restructuring adjustments
- Repeated asset sales supporting profit

SECTION 15

Limitations of Financial Analysis

Historical Nature

Financial statements mainly report past transactions. Historical performance does not automatically predict:

- Future demand
- Future costs
- Economic conditions
- New competition
- Regulatory changes
- Technological disruption

Different Accounting Methods

Companies may apply different:

- Inventory methods
- Depreciation methods
- Estimates
- Reporting policies
- Fiscal year-ends
- Classification practices

These differences may reduce comparability.

Inflation and Price Changes

Historical-cost statements may combine amounts measured at different price levels. Inflation may distort:

- Asset values
- Depreciation
- Profit margins
- Return on assets
- Inventory comparisons

Industry Differences

A favourable ratio in one industry may be weak in another. Examples:

- Supermarkets normally operate with low margins and high turnover.
- Utility companies may have high fixed assets and lower asset turnover.
- Consulting firms may have high margins and limited inventory.

Seasonal Effects

A year-end balance may not represent normal operations. Seasonal businesses may experience major variations in:

- Inventory
- Receivables
- Cash
- Payables
- Short-term borrowing

Average monthly or quarterly data may provide better insight.

Window Dressing

Management may temporarily improve financial-statement appearance by:

- Delaying purchases
- Accelerating collection
- Postponing payments
- Selling assets
- Reducing inventory near year-end
- Refinancing current obligations

Analysts should examine cash flows and multi-period patterns.

Qualitative Factors

Ratios do not directly measure:

- Management quality
- Employee competence
- Customer satisfaction
- Reputation
- Product quality
- Innovation
- Safeguarding performance
- Environmental or social risk

SECTION 16

Financial Warning Signs

Growth Warning Signs

- Sales grow but cash flow declines.
- Receivables grow faster than sales.
- Inventory grows faster than cost of sales.
- Assets grow without corresponding revenue.
- Borrowing finances routine operating losses.

Profitability Warning Signs

- Declining gross margin
- Declining operating margin
- Increasing administrative costs
- Repeated unusual gains
- Increasing interest burden
- Significant difference between EBIT and cash flow

Liquidity Warning Signs

- Current ratio below expectations
- Quick ratio substantially below current ratio
- Negative working capital
- Repeated overdrafts
- Late supplier payments
- Declining operating cash flow
- Increasing short-term debt

Solvency Warning Signs

- Rapidly increasing debt ratio
- Low times interest earned
- Loan-covenant breaches
- Short-term borrowing used for fixed assets
- Large maturities without refinancing plans
- Continued losses reducing equity

SECTION 17

Integrated Case Assessment

Case Ratio Dashboard — Profitability

Ratio	Result
Gross Margin	42.00%
Operating Margin	20.00%
Net Profit Margin	11.67%
ROA	14.00%
ROE	28.69%
ROCE	28.04%

Case Efficiency Dashboard

Ratio	Result
Receivables Turnover	8.73×
Receivable Days	41.82 days
Inventory Turnover	4.05×
Inventory Days	90.20 days
Asset Turnover	1.20×
Fixed-Asset Turnover	2.14×

Case Liquidity Dashboard

Ratio	Result
Working Capital	ETB 2,700,000
Current Ratio	1.96
Quick Ratio	1.04
Cash Ratio	0.39
Defensive Interval	92.85 days
Operating Cash-Flow Ratio	0.86

Case Solvency Dashboard

Ratio	Result
Interest-Bearing Debt to Equity	0.72
Liabilities to Equity	1.01
Debt Ratio	50.37%
Equity Ratio	49.63%
Times Interest Earned	6.00×
Cash Interest Coverage	7.46×

Case Valuation Dashboard

Ratio	Result
EPS	ETB 3.50
P/E	14.29×
EV/EBITDA	7.97×
EV/EBIT	9.57×
EV/Revenue	1.91×
Dividend Yield	2.40%
Dividend Payout	34.29%

Integrated Strengths

Potential strengths include:

- Strong sales growth
- Faster growth in net income than sales
- Improved profit margins
- Receivables and inventory growing more slowly than sales
- Positive working capital
- Interest coverage of six times
- Operating cash flow exceeding net income
- Increasing equity proportion

Areas Requiring Attention

Potential concerns include:

- Inventory remains on hand for approximately 90 days.
- Average receivable collection requires approximately 42 days.
- Cash alone covers only 39% of current liabilities.
- Operating cash flow does not fully cover current liabilities.
- Capital expenditure consumes 62.5% of operating cash flow.
- Debt finances slightly more than half of assets.

Overall Case Conclusion

Kuraz Manufacturing Share Company shows:

- Improving profitability
- Reasonable short-term liquidity
- Positive operating cash generation
- Moderate financial leverage
- Strong interest coverage
- Significant capital investment
- Opportunities to improve inventory and receivable management

OVERALL ASSESSMENT

Financially improving, but working-capital efficiency should remain a management priority.

SECTION 18

Practical Exercise

Group Exercise — Financial Data

Abay Commercial Company

- Net sales: ETB 20,000,000
- Cost of sales: ETB 13,000,000
- Operating income: ETB 2,800,000
- Net income: ETB 1,500,000
- Beginning assets: ETB 14,000,000
- Ending assets: ETB 16,000,000
- Beginning equity: ETB 6,000,000
- Ending equity: ETB 7,000,000

Group Exercise — Additional Data

- Current assets: ETB 6,000,000
- Cash and equivalents: ETB 1,200,000
- Accounts receivable: ETB 2,000,000
- Current liabilities: ETB 3,000,000
- Total liabilities: ETB 9,000,000
- Interest expense: ETB 400,000
- Beginning inventory: ETB 2,200,000
- Ending inventory: ETB 2,800,000
- Net credit sales: ETB 18,000,000

Group Exercise Requirements

Calculate:

1. Gross margin
2. Operating margin
3. Net margin
4. ROA
5. ROE
6. Current ratio
7. Quick ratio
8. Debt ratio
9. Times interest earned
10. Receivables turnover
11. Receivable days
12. Inventory turnover
13. Inventory days

Group Exercise Solution — Profitability

$$\text{Gross Profit} = 20,000,000 - 13,000,000 = \text{ETB } 7,000,000$$

$$\text{Gross Margin} = 7,000,000 \div 20,000,000 = 35\%$$

$$\text{Operating Margin} = 2,800,000 \div 20,000,000 = 14\%$$

$$\text{Net Margin} = 1,500,000 \div 20,000,000 = 7.5\%$$

Group Exercise Solution — Returns

$$\text{Average Assets} = (14,000,000 + 16,000,000) \div 2 = \text{ETB } 15,000,000$$

$$\text{ROA} = 1,500,000 \div 15,000,000 = 10\%$$

$$\text{Average Equity} = (6,000,000 + 7,000,000) \div 2 = \text{ETB } 6,500,000$$

$$\text{ROE} = 1,500,000 \div 6,500,000 \approx 23.08\%$$

Group Exercise Solution — Liquidity

$$\text{Current Ratio} = 6,000,000 \div 3,000,000 = 2.00$$

$$\text{Quick Ratio} = (1,200,000 + 2,000,000) \div 3,000,000 \approx 1.07$$

Group Exercise Solution — Solvency

$$\text{Debt Ratio} = 9,000,000 \div 16,000,000 = 56.25\%$$

$$\text{Times Interest Earned} = 2,800,000 \div 400,000 = 7 \text{ times}$$

Group Exercise Solution — Receivables

Assume beginning accounts receivable was ETB 1,600,000.

$$\text{Average Receivables} = (1,600,000 + 2,000,000) \div 2 = \text{ETB } 1,800,000$$

$$\text{Receivables Turnover} = 18,000,000 \div 1,800,000 = 10 \text{ times}$$

$$\text{Receivable Days} = 365 \div 10 = 36.5 \text{ days}$$

Group Exercise Solution — Inventory

$$\text{Average Inventory} = (2,200,000 + 2,800,000) \div 2 = \text{ETB } 2,500,000$$

$$\text{Inventory Turnover} = 13,000,000 \div 2,500,000 = 5.20 \text{ times}$$

$$\text{Inventory Days} = 365 \div 5.20 \approx 70.19 \text{ days}$$

Group Exercise Interpretation

Abay Commercial Company shows:

- Positive profit margins
- ROE higher than ROA because of leverage
- Current and quick ratios above 1
- Debt financing of 56.25% of total assets
- Strong interest coverage
- Receivables collected in approximately 37 days
- Inventory held for approximately 70 days

SECTION 19

Chapter Assessment

Knowledge Check 1

Which analysis compares a financial-statement item across several accounting periods?

- A. Vertical analysis
- B. Horizontal analysis
- C. Common-size analysis
- D. Capital-structure analysis

ANSWER

B. Horizontal analysis

Knowledge Check 2

Which ratio excludes inventory and prepaid expenses?

- A. Current ratio
- B. Debt ratio
- C. Quick ratio
- D. Asset turnover

ANSWER

C. Quick ratio

Knowledge Check 3

Which ratio measures the average collection frequency of receivables?

- A. Asset turnover
- B. Inventory turnover
- C. Receivables turnover
- D. Equity ratio

ANSWER

C. Receivables turnover

Knowledge Check 4

Which three components determine ROE under the three-step DuPont model?

ANSWER

- Net profit margin
- Asset turnover
- Equity multiplier

Knowledge Check 5

Why should analysts avoid interpreting one ratio by itself?

ANSWER

Because meaningful interpretation requires comparison with:

- Prior periods
- Industry results
- Related ratios
- Cash-flow information
- Accounting policies
- Qualitative evidence

SECTION 20

Summary and Closing

Chapter Summary — Analytical Methods

- Horizontal analysis measures changes across periods.
- Trend analysis uses a selected base year.
- Vertical analysis expresses amounts as percentages of a statement total.
- Common-size statements support comparison between companies of different sizes.
- Ratio analysis evaluates relationships among financial-statement accounts.

Chapter Summary — Ratio Categories

Profitability

- Measures earnings and returns

Leverage

- Measures debt use and capital structure

Efficiency

- Measures use of assets and working capital

Liquidity

- Measures short-term payment capacity

Valuation

- Relates market value to earnings, revenue and operating performance

Chapter Summary — Key Principles

- A high ratio is not always favourable.
- A low ratio is not always unfavourable.
- Definitions must be applied consistently.
- Average balances should be used where appropriate.
- Ratios should be benchmarked.
- Cash flow should be analysed with profit.
- Qualitative information remains essential.

Financial-Analysis Cycle

1 Understand the Business

2 Obtain Reliable Financial Statements

3 Review Accounting Policies and Notes

4 Perform Horizontal and Vertical Analysis

5 Calculate Financial Ratios

6 Compare with Benchmarks

7 Identify Causes and Risks

8 Review Cash Flows and MD&A

9 Form an Integrated Conclusion

10 Recommend Management Action

Steps continue from the left column to the right column.

Final Discussion Questions

1. Which ratios are most important to a bank?
2. Which ratios are most important to an investor?
3. Can a profitable company become insolvent?
4. Why might ROE increase while financial risk also increases?
5. Which working-capital area requires the closest management attention?
6. What non-financial evidence should accompany ratio analysis?

Key Message

Financial-statement analysis is not simply the calculation of ratios. Its real purpose is to connect financial relationships, identify the causes of change and form a balanced conclusion about profitability, liquidity, efficiency, solvency, risk and value.

Reliable financial analysis combines accurate calculation, critical interpretation, industry context, cash-flow evidence and professional judgment.

THANK YOU

Questions and Discussion

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