Guide to Solution for

Question 2.3 Midterm Exercise 2/2013

2.3 Summarize the company's overall financial condition, comparing with its own performance and industry average, as related to liquidity, activity, debt, and profitability. (10 Points)

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Company's liquidity decreased from year 2012 to 2013 implying the ability of firm to pay off their liabilities and when comparing to the industry average, company is still lower which should be improved to the higher number of current and quick ratios. The company performance in liquidity falls over year 2012 to 2013

Activity Ratios as indicated by Inventory and average collection period not quite good comparing to the industry average because company required more day to collect cash but shorten time to turn turn asset to sales

Company assets have been financed by debts not as much as the year before (2012) or the industry average which quite a good sign, however, the ability to pay interest with business income still lower than the industry and the year 2012

Overall, Profitability of firms is quite well. Firm performs quite good as the better/higher ratio over the year 2012 to 2013, And even better than the industry average in ROA and ROE which is the good sign of positive profits and high rate of return to investors.

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For liquidity, the company liquidity decreases and falls below industry average.

For activity, inventory turnover also falls from last year and industry average. There might be some sale problem or ineffective inventory management. And average collection ~~year~~ days is longer than last year and industry average. Might be problem with credit extension and management.

For debt, debt ratio is lower than last year and industry average. Ability of firm to cover interest expense is lower than last year and industry.

For profitability, Overall is above last year and industry average. sign of increase in profitability.