

GUIDANCE NOTES TO ASSIGNMENT:

The financial results show an increase in sales but at a cost of a significant fall in Gross Margin (indicative of competitive economic conditions). This is linked also to an increase in “Debtor’s Days”.

Don’t get turned off by the long winded introduction to the assignment. This can easily be put to one side and go straight into computing the ratios and getting on with your conclusions.

It should be borne in mind that, though there may be adverse trends arising, the company is profitable and the financial position / solvency is not “dire”.

DIRECTION OF SOLUTION:

Exactly as done in class. Compute a table of the key ratios for both years showing clearly for each ratio:

The Formula

The figures going into the formula

The result / outcome.

Then make your comments referring to movement / change in the ratios computed.

Though not essential, the preparation of a Cash Flow Statement will help to support many of your comments (how build up in stocks & debtors together with poor funding of fixed assets have caused the overdraft to arise).

Main area concerning solvency will be in relation to the financing of fixed assets.

You can email me your assignment if you so choose or you can leave them in with Eoin who will arrange to pass them on to me.

Good luck.

Brendan