

## Financial Statement Analysis

**Company:**

**Date:** Feb 18, 2011

**Acct Mgr :**

**Accounting Period (Months)**

**Audited as at:**

**Industry Comparative**

**Median**

**% Assets**

**% Assets**

**% Assets**

**% Assets**

**% Assets**

**Current Assets**

Bank and Cash \*

Accounts Receivable \*

Inventory & Work in Progress \*

Advances To Shareholder

Advances To Affiliated Company

Prepaid Expenses & Sundry

Income Tax Recoverable

Other Current Assets

**Total Current Assets \***

**Fixed Assets & Investments**

Land and Building

Plant/Machinery/Equipment

Computer & Office Equipment

Automotive Equipment

Leasehold Improvements

Accumulated Depreciation

Other Fixed Assets & Investments

**Total Fixed Assets & Investments \***

**Total Assets \***

**Industry Comparative**

**% Assets**

**% Assets**

**% Assets**

**% Assets**

**% Assets**

**Current Liabilities**

Bank Indebtedness

Bills/Accounts Payable & Trades \*

Shareholder Advances to Company

Current Portion of Long Term Debt \*

Other Current Liabilities

**Total Current Liabilities**

**Long Term Liabilities**

Other Long Term Liabilities

**Total Long Term Liabilities \***

**Total Liabilities**

**Equity**

Capital

Retained Earnings

Current Profit and Loss

+ Subordinated Loans - Fixed. Assets

Less Capital Stock Balance

Less Dividends

**Total Equity \***

**Total Liabilities & Equity \***

**[NET WORTH] \***

**[WORKING CAPITAL] \***

**Industry Comparative**

% Sales

% Sales

% Sales

% Sales

% Sales

**Sales \***



**Cost of Goods Sold**

Cartage and freight

Factory

Machine

Payroll

Purchases

Rent and storage

Truck

Utilities

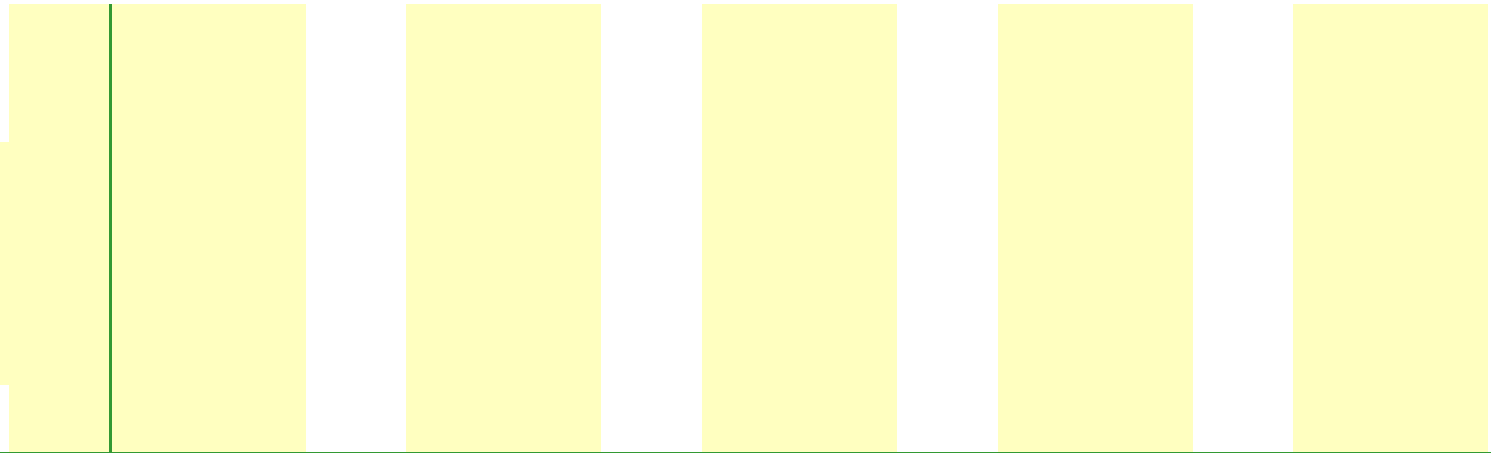
Wages and salaries

Workers' compensation

Amortization \*

Other Costs of Goods Sold

**Total Cost of Goods Sold**



**[GROSS PROFIT MARGIN]**

**Industry Comparative**

% Sales

% Sales

% Sales

% Sales

% Sales

**Expenses**

Commission

Advertising and promotion

Automobile

Bad debts

Business taxes

Consulting

Insurance

Legal and audit

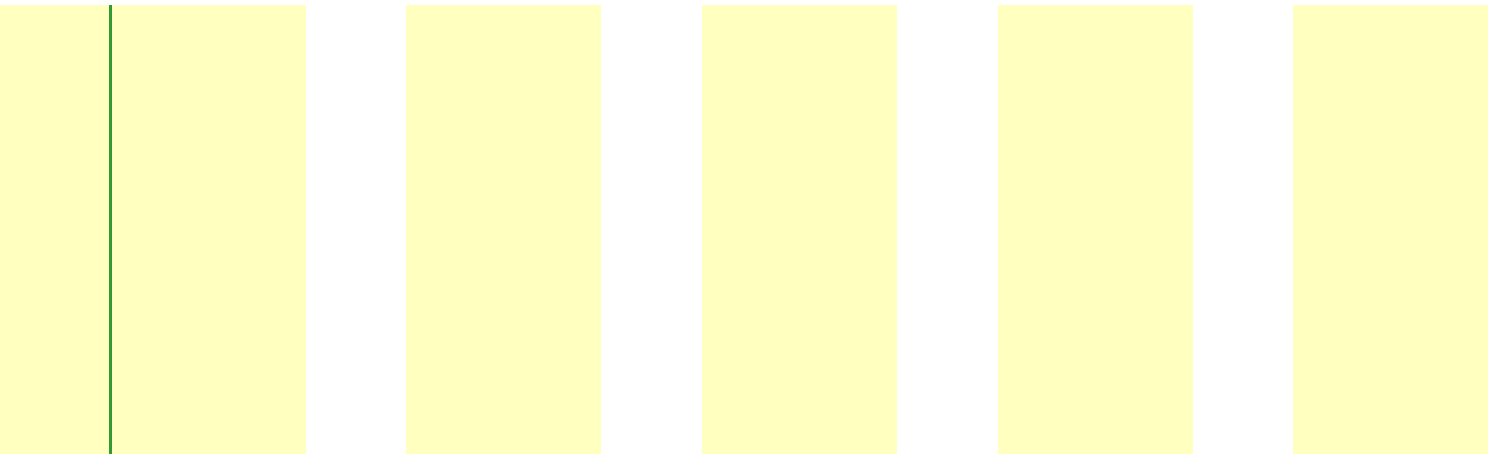
Management

Office

Telephone

Travel

Salaries



**Industry Comparative**

% Sales

% Sales

% Sales

% Sales

% Sales

**Expenses (Continued):**

Payroll						
Interest: *						
Interest: *						
Interest Long Term Debt *						
Gain on Sale of Assets *						
Gain on Disposal of Fleet *						
Other Operating Expenses						
<b>Total Operating Expenses</b>						

**[OPERATING CASH FLOW] \***

Amortization *						
<b>Total Expenses</b>						

**[OPERATING PROFIT]**

Other Income or Unusual Items						
Current or Deferred Taxes *						

**[NET PROFIT AFTER TAX] \***

Dividends Paid & Proposed						
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**[PROFIT (LOSS) RETAINED] \***

## Performance Ratios (\*)

### Liquidity

Quick Ratio					
Current Ratio					
Current Liabilities to Net Worth (%)					
Current Liabilities to Inventory (%)					
Total Liabilities to Net Worth (%)					
Fixed Assets to Net Worth (%)					

### Operating

Collection Period (Days)					
Sales to Inventory					
Assets to Sales (%)					
Sales to Net Working Capital					
Accounts Payable to Sales (%)					

### Profitability

Return on Sales (Profit Margin) (%)					
Return on Assets (%)					
Return on Net Worth (Equity) (%)					

### Coverage

Times Interest Earned					
Cash Flow Coverage (%)					
Net Liquid Balance					
Creditor Payments (Days)					
Owner's Equity Turnover					
Debt Ratio					

### Independent Review Terms and Conditions

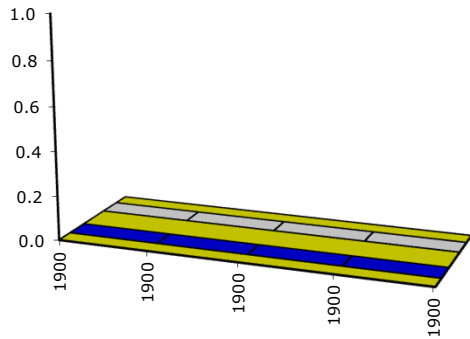
We have not attempted to audit, and consequently, we do not express an audit opinion on these financial statements.

Our Independent review process and report consisted primarily of enquiry, observation, analytic procedures and discussion related to information supplied to us by the company.

# Liquidity Ratios

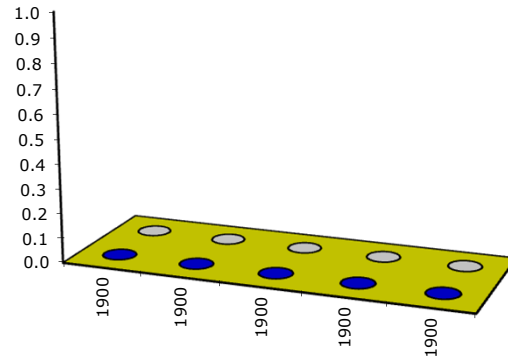
## Quick Ratio

*Ability to pay bills.*



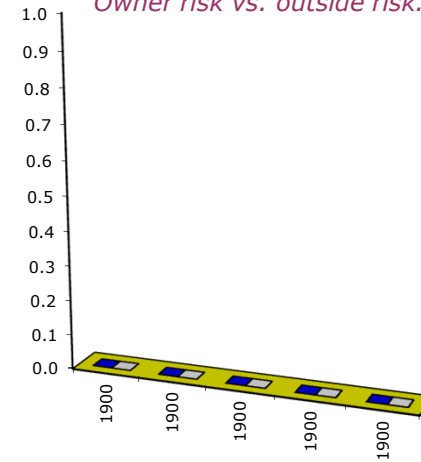
## Current Ratio

*Ability to pay existing debts.*



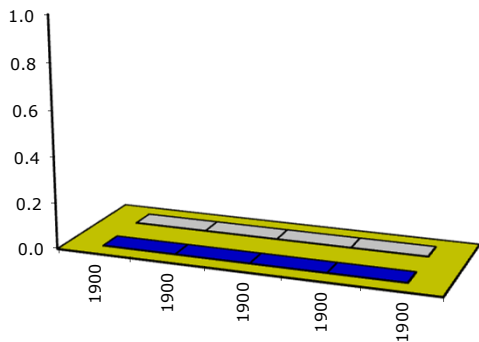
## Current Liabilities to Net Worth (%)

*Owner risk vs. outside risk.*



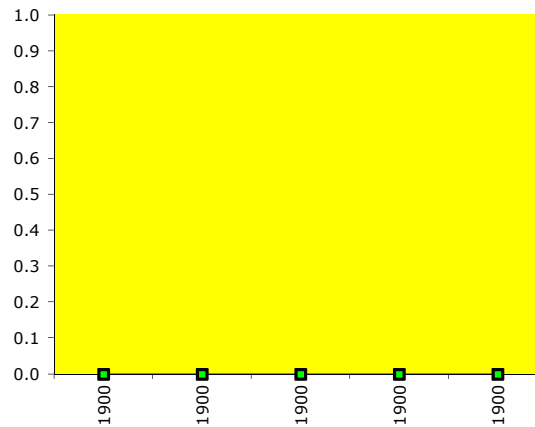
## Current Liabilities to Inventory (%)

*Inventory status.*



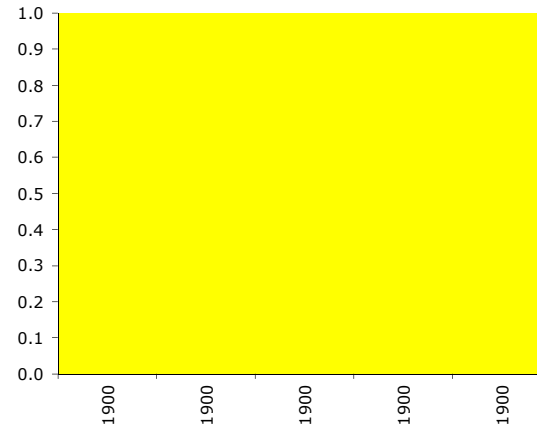
## Total Liabilities to Net Worth (%)

*Asset spending.*



## Fixed Assets to Net Worth (%)

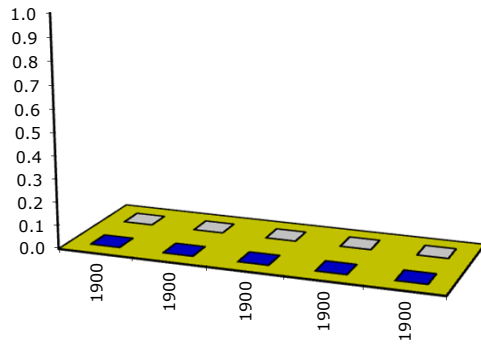
*Ability to repay financing.*



# Operating Ratios

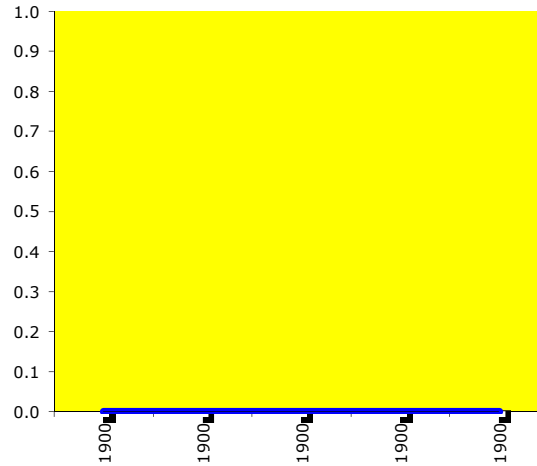
### Collection Period (Days)

*Collection methods.*



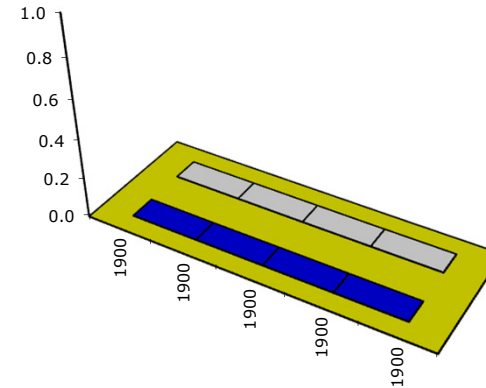
### Sales to Inventory

*Inventory management.*



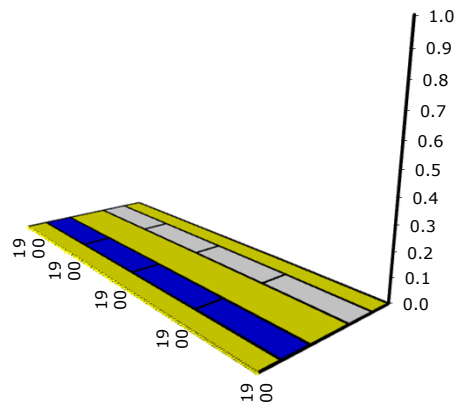
### Assets to Sales (%)

*Sales process.*



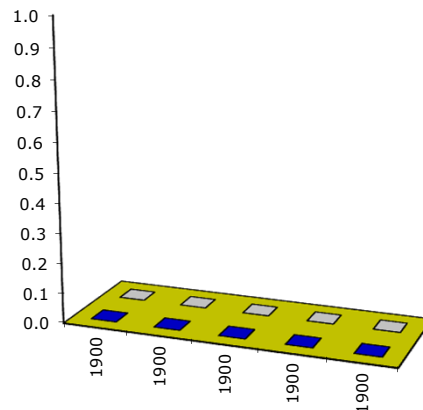
### Sales to Net Working Capital

*Current capital burden.*



### Accounts Payable to Sales (%)

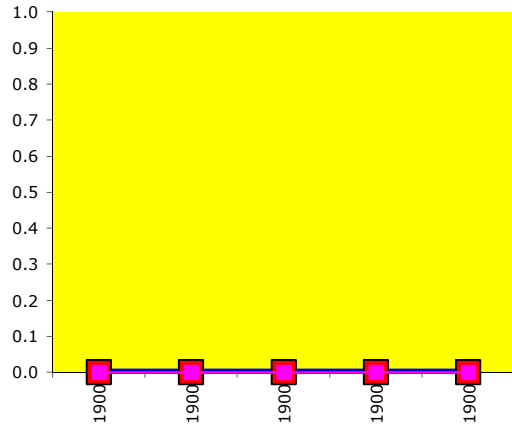
*Supplier payments.*



## Profitability Ratios

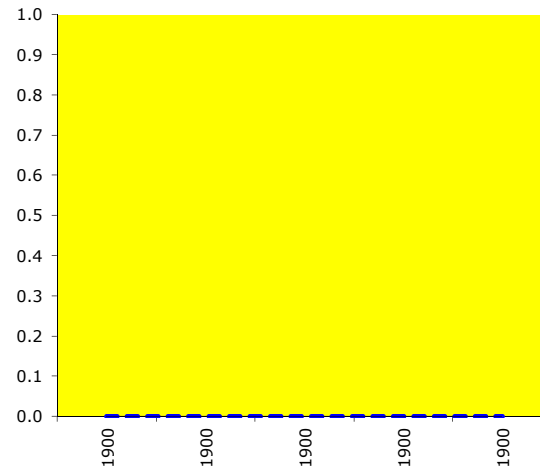
### Return on Sales (Profit Margin) (%)

*Ability to withstand adversity.*



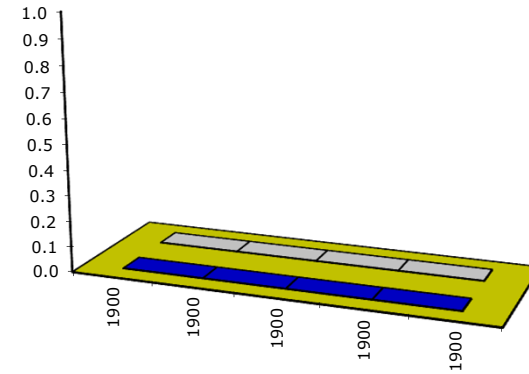
### Return on Assets (%)

*Long-term profitability.*



### Return on Net Worth (Return on Equity) (%)

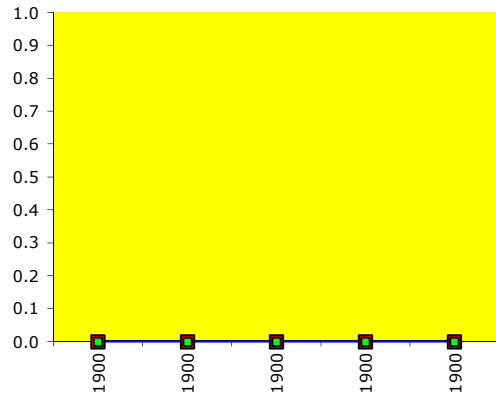
*Owner compensation.*



# Coverage Ratios

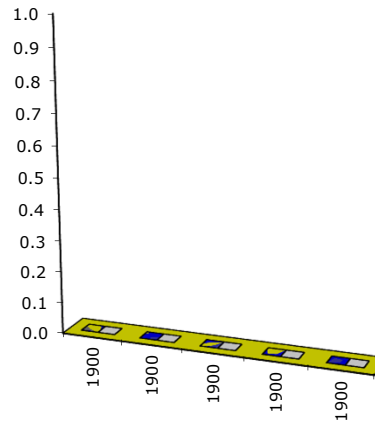
## Times Interest Earned

*Capacity for additional financing.*



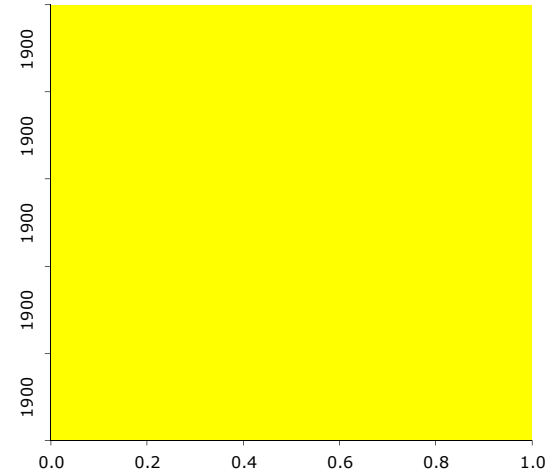
## Cash Flow Coverage (%)

*Available cash generated.*

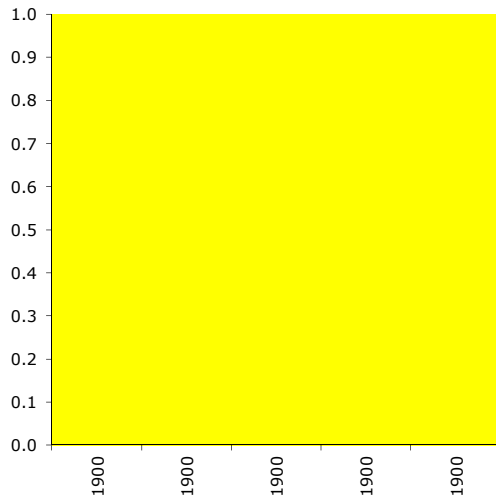


## Net Liquid Balance

*Dependence on bank.*

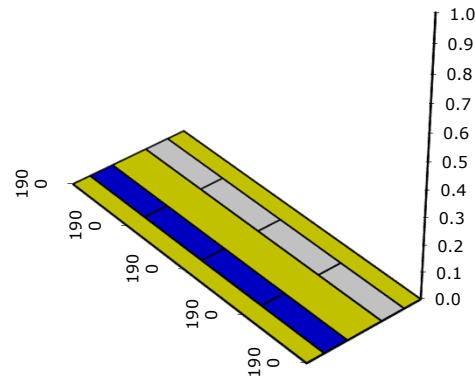


## Sales



## Owner's Equity Turnover

*Base to sustain growth.*



## Performance Ratios

An explanation of each ratio interpreted to get the proper perspective of the company's financial status.

### **Liquidity Ratios**

**Quick Ratio** (Acid Test Ratio): Quick assets that may be converted into cash are compared to the current obligations to determine the firm's ability to meet obligations in a very short period of time.

**Current Ratio:** Generally indicates the firm's ability to meet its current obligations.

**Current Liabilities to Net worth:** A measure of the relationship of current debt and the total investment of the owners.

**Current Liabilities to Inventory:** An indication of the extent to which the firm must rely on funds from the sale or disposal of unsold inventories to meet its debts.

**Total Liabilities to Net Worth:** The ratio of capital obtained from creditors and the capital and provided by owners.

**Fixed Assets to Net Worth:** Measures the extent to which the owner's equity has been invested in fixed assets (plant and equipment).

### **Operating Ratios**

**Collection Period** (Days): A measure of the length of time the firm must wait to collect for sales made on credit on average.

**Inventory Turnover:** Indicates the relationship of inventory to sales.

**Fixed Assets Turnover:** A measure of the productive use of the firm's fixed assets to produce sales.

**Working Capital Turnover:** The ratio shows how efficiently working capital is being employed.

**Accounts Payable to Sales Ratio:** This ratio shows the portion of total sales spent to produce those sales. It measures the effectiveness and efficiency of the performance of accounts payable.

### **Profitability Ratios**

**Net Profit Margin:** After tax profits as a percentage of sales.

**Return on Total Assets:** A measure of the after tax profitability of the total resources of the firm, indicating how well they have been used. This is also called Return on Investment.

**Return on Net Worth:** A measure of how effectively the total investment of the owners has been used and an indication of how effectively the firm has used leverage.

### **Coverage Ratios**

**Times Interest Earned:** This ratio measures the firm's ability to pay the interest on its debts.

**Cash Flow/Current Maturing:** Shows the firm's ability to meet current maturity (principal and interest) of long-term debt from the cash flow of its operations.

**Net Liquid Balance:** An indication of the extent to which the firm must rely on funds from the bank to meet its debts.

**Creditor Payments:** An indication of readily available cash and how long on average creditors wait for payment.

**Net Worth Turnover:** A measure of the turnover of the capital invested by the owners.

**Debt Ratio:** Measures the extent to which debt has been used to finance the firm's operations.

### **Other Profitability Ratios**

**Operating Profit Margin:** A measure of the profitability of current operations not considering the interest charges that may result from the nature of the capital structure.

**Return on Working Capital:** An indication of how effectively the firm's working capital has been employed.

**Operating Return on Net Worth %:** A measure of before-tax return on net worth, indicates management performance - but care must be taken in interpreting this ratio because it is based on net worth.

**Operating Return on Total Assets %:** A measure of before tax return on total investment, this ratio measures the total effectiveness of management in using the resources available.

### **Other Operating Ratios**

**Total Assets Turnover:** An indication of the relationship between the volume of sales activity and the size of asset investment.

**Receivables Turnover:** A measure of the number of times receivables turn over in a year.

**Days Inventory:** The average length of time, units are in inventory.

### **Expense/Cost Structure Ratios**

**Gross Profit Margin:** A measure of the total amount available, to cover operating expenses and yield a profit.

**Selling Expense Ratio:** This ratio shows the portion of total sales spent to produce those sales. It measures the effectiveness and efficiency of the performance of marketing and sales.

**Depreciation Expense Ratio %:** Shows what percentage depreciation, depletion, and amortization of total sales.

**Lease and Rental Expense Ratio %:** Shows the percentage of total sales revenue spent for leases and rentals.

