

RATIOS AS ANALYTICAL TOOLS IN
PHYSICAL AND FINANCIAL PERFORMANCE
OF AN ENTERPRISE

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SUMMARY

Financial ratio analysis is one of the many branches of financial statements analysis. Financial statements analysis is not a new subject in the accounting field. It has been discussed at length by various writers in the financial analysis literature.

This project paper concentrates on some aspects of financial statements analysis with special reference to ratio analysis. There are many other aspects which have not been covered. With respect to ratio analysis only four principal ratios have been considered for the discussion. The rest of the discussion is merely confined to other related aspects of ratio analysis.

In addition, this paper should not be considered as comprehensive or even exhaustive and material enough to impart the readers with the respective knowledge. The readers are kindly advised to make reference to various accounting books or other financial literature which undoubtedly can provide valuable knowledge and better understanding. This project paper is undertaken to fulfill part of the course requirement. In this view, the writer will be able to familiarise the various aspects of the said subject-matter. To this end, this paper is made available to all readers for reference.

Hope this material will be useful to all readers!

1. INTRODUCTION

Ratio analysis is one of the analytical technique used in the interpretation of financial statements which in turn benefit the user of the statements. These ratio analysis are derived and analysed from the corporate report of the enterprise. The objective of the corporate report is to satisfy, as far as possible, the information needs of users: they should be useful and meaningful to those have reasonable rights to such information. There is an implicit responsibility to report publicly (whether or not required by law or regulation) incumbent on every economic entity such as a limited company, department of central government, trade or professional association etc., whose size or format renders it significant. The report that we are concerned with are on general purpose reports and designed for general purpose use. The corporate report includes more than basic financial statements, by which we mean those statements required to be published by law or other competent authority and which are primarily concerned with reporting financial transactions.