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ACC 556

RATIO AS AN ANALYTICAL TOOL IN FINANCIAL PERFORMANCE EVALUATION
- A CASE STUDY -

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PREFACE.

Financial analysis is a tool in aiding management in planning, controlling, evaluating performance and many others. One important financial analysis technique in evaluating performance is **Ratio Analysis**. Ratio analysis derives its usefulness from providing measure for comparison and not from providing absolute measure. The ratio discussed in this paper are liquidity, profitability and leverage ratio.

This project paper analyst and evaluate the performance of Cekap Express Sdn Bhd from 1987 to 1991. Analysis done covers overall financial performance wuth specific reference to liquidity, profitability and capital structure or leverage ratio.

CHAPTER ONE

1.1 INTRODUCTION.

Financial statements contain a lót of information that is very useful to the company and those outside the company. From the financial statements, management are able to analyse the performance of a business. Performance are evaluated to see planning and controlling effectiveness and also to see that company's objectives can be achieved.

One of the most important objective of a company is to make a satisfactory Return on Investment (ROI), also known as the primary ratio. To be satisfied with ROI there must be a fair return to shareholders. If the business is risky then shareholders expect a higher return and with lower risk they expect a lesser return.

Other company's objective is to make enough profit for the company to expand. For company to grow, funds would be needed and this shall come from reserves retained in the business. Due to this, company must from time to time evaluate the profitability of the company.

The company must evaluate the performance of its business for this may aid the company in achieving the company's objectives, so that the strength and weaknesses of the company can be identified. One of the analytical tool in evaluating financial performance is by using **Ratio Analysis**.