

FAME Malta October 2022

Advice on Assignment (Financial Ratios section)

These are the steps that you have to go through when completing part 1 of the Assignment

Step 1: Choose the ratios that you are going to use for each section of the analysis (you might want to use more than the number suggested and then choose which ones are the best)

Step 2: Get the data from the financial statements and compute the ratios for each company/year

Keep a record of these calculations as these need to be added in the ANNEX

Step 3: Group the results of the ratios in families so that you can interpret them

Step 4: Present your ratios in a table on a per family basis to be included in main body of assignment

See below for example

What to include in Annex (see below)

Ratio Calculations

Current ratio (show generic formula for each ratio)

Current Ratio (CR) = current assets/current liabilities

Company A

Show detailed calculations (not just result)

CR 2021 = x/y (example = 2)

CR 2020 = w/z (example = 1.9)

.. you do this for three years + same for company B

What to include in main body of assignment (see below)

Make a table for each family of ratio

Table 2.1 Liquidity Ratios

	2021	2020	2019
Current Ratio Company A	2	1.9	
Current Ratio Company B			
Quick Ratio Company A			
Quick Ratio Company B			