Choice Hotels

Name of Student

Name of Institution

Executive Summary

The purpose of this proposal is to provide a financial analysis of Choice hotels. The Choice hotels are run with the help of franchises as a business model and the analysis will take a look on the financial performance of the group before and after some major acquisitions. Financial performance is analysed with the help of financial ratios. As per the financial statements of the year 2018, the company had over $ 1 billion in assets (Choice Hotels, 2017). There were certain risks which could badly affect the hotels. Any change in government legislations, in any country, would affect the business. The income statement showed that there had been a higher increase in some of the revenues from the year 2017 to 2018 as compared to 2016 to 2017 (Choice Hotels, 2018). One notable aspect in the income statement was the gain on sale of assets which had decreased in the year 2018. This meant that there was a considerable decrease in an item in the operating expenses section of the income statement. As from the shareholder’s perspective, there had been an increase in the earnings per share which was a positive element (Chen, 2019). The change in income taxes had affected the hotels as there was a lower rate of income taxes applied in 2018. When we saw the balance sheet, there had been more increase in assets from 2017 to 2018 as compared to the liabilities. This meant that net worth of the business had increased during this time span. Cash provided by the operating activities had declined in 2018 as compared to 2017. Due to major investments undertaken, there was a negative cash flow from investing activities in 2018. There was a considerable decrease in the value of current ratio in the year 2018 as compared to 2017. This meant that company had a better performance related to liquidity in 2018 as compared to 2017. The assets of company were financed by creditors which meant that it could not generate enough equity to finance its assets. Company was able to control its expenses and increase the net profit as percentage of sales. The hotel was doing well in controlling the inventory. Company should try to increase the reliance on equity financing and decrease its reliance on debt financing.

# **References**

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