Ratio Analysis

[Name of the Writer]

[Name of the Institution]

Ratio Analysis

The current ratio of the company is 1.19 which implies that the current assets of the company are more than the current liabilities of the company and they are able to pay their short term loans through current assets. The ideal current ratio of the company must be between 1 to 1.2 because if the current ratio of the company will be less then 1 or greater then 1.5 it will be a concern for the company. The current ratio analysis also gives rough idea to the company that they will be able to survive or not in a year. The Dept to equity ratio of the company is 5.08 which is considered as a high-debt equity ratio that shows the company is using the leverage to increase equity returns. Another benefit of high debt-equity is that the cost of the equity is typically greater than the cost of Dept. However, If the company has a debt-equity ratio which is very high, then the company may not be able to service its debt.