FIN/375J

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Current ratio represents the ratio of current assets to current liabilities; this ratio indicates how liquid the company is when it comes to meeting the short term demand of cash (Elliott, and Elliott, 2009). However the moserk current ratio is 1.34 while the industry ratio is 2.10. This difference is brought about by having a large number of current liabilities as compared to current assets. Also the company has a quick ratio of 0.20 and the industry ratio is 0.75. This is difference indicates that a large portion of the firms current assets does not consist of the inventory. Thus the liquidity position of the firm is stronger as compared to the industry liquidity (Modigliani, & Miller, 1958).

The company has a gross profit margin of 21.68% while the industry has a gross profit margin of 25%. This is difference shows that the company has more expense related to the production and distribution of the product. Also the net profit margin is 9.22% and the industry has 10.00%, this indicates that the company additional sources of income are not enough to generate enough income. The debt ratio is smaller as compared to the industry ratio, this is due to the fact the company has included lower percentage of the debt in the capital structure. The company has a low gearing ratio since it has a debt to equity ratio of 0.03 against the industry of 1.20.

Moserk has a time interest earned value of 1.15 while the industry has 15, this difference is due to the fact the company has a higher gearing ratio and thus the company is more risky. The return on asset of the company is 56.68% while the industry has 14.50%, this indicates that all the available assets are well utilized to generate revenue. The difference in the return on equity indicates higher efficiency.

References

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