Class	Adm No

Candidate Name: ____________________________________

H

millennia institute

2023 Preliminary Examination

Pre-University 3

PRINCIPLES OF ACCOUNTING **9593/1**

Paper 1

30 August 2023

3 hours

READ THESE INSTRUCTIONS FIRST

An answer booklet will be provided with this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional paper, ask the invigilator for a continuation booklet.

Section A
Answer **all** questions.

Section B
Answer **all** questions.

Start each answer on a new page.
You may use a calculator.
All calculations must be shown adjacent to the answer.

The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **9** printed pages and **1** blank page.

[Turn over

Section A

Answer **all** questions in this section

1 Kuat Pte Limited imports and programmes components for the electronics industry. On 31 March 2023, a short-circuit caused an electrical fire which burnt part of the warehouse of Kuat Pte Limited. Only $47 000 worth of inventory was salvaged. The accountant, Riya was able to get the following financial information, based on records kept in the office.

	31 December 2022	31 March 2023
Inventory	$145 000	**?**
Trade Receivables	$70 000	$55 000
Trade Payables	$62 000	$65 000

Riya was also able to provide the following information for the above period, based on records that were kept in another office:

	$
Cash sales	45 000
Receipts from credit customers	110 000
Payments to credit suppliers	134 000

The company maintains a mark-up of 25% on cost.

REQUIRED

(a) Determine the value of inventory damaged on 31 March 2023. [7]

(b) During a recent meeting between managers in the purchasing department and production department, concerns about holding large quantity of inventory in the warehouse was surfaced. Other than damage to inventory due to fire, state three other concerns which management might have with keeping large amounts of inventory. [3]

Additional information

Following the preparation of the company's accounts, it was discovered that some adjustments needed to be made.

1 There were 3 units that had been valued at a cost of $2000 each. However, these units had not been programmed correctly. Each unit will require an upgrade that will cost $150 to make them into a saleable condition. These units can only be sold for $1500 each.

2 Of the units held in inventory, 2 units that cost $2000 each were damaged and had to be scrapped.

3 The company had received goods on credit to the value $3500 during the last week of April and had recorded them correctly. This inventory, however, had not been included in the inventory count.

4 There were 4 completed units costing $2000 each that had been sent to a customer on a sale or return basis. These units had been included in the closing inventory figure but at a selling price of $3250 per unit.

REQUIRED

(c) Copy the following table into your answer.

Adjustment	Inventory	Profit
1		
2		
3		
4		

Complete the table by placing 'increase' or 'decrease' to indicate the effect of **each** adjustment on inventory and profit. [4]

Additional information

The auditors have highlighted a possible question regarding a contract of $25 000 that has been included in the sales figure for the year ended 31 December 2023.
The components already supplied by Kuat Pte Ltd specifically for this contract have been identified as highly flammable and will be returned as faulty goods in the future.

REQUIRED

(d) **(i)** Advise the financial director of the possible impact of recording the sales in the income statement for the year. [3]

(ii) Recommend **three** adjustments that should be made to the accounts based upon your advice. [3]

[Total: 20]

[Turn over

2 Hilmy, the finance director of a company is preparing the company's final accounts. He has produced draft accounts for his company which showed a profit of $332 000 for the year ended 31 March 2023.

The following two invoices have now been submitted and adjustments will be required to be made to the accounts:

1 An invoice for $36 000, which consists of the purchase of a new machine and $2 500 for the repair of an older machine.

2 A contractor's invoice totalling $38 900. This is made up of $12 500 for replacing and repairing existing wiring. The balance is for improving and extending the lighting in the loading bay area.

REQUIRED

(a) Discuss the differences between capital expenditure and revenue expenditure and state how each is treated in the financial statements. [4]

(b) Calculate the revised profit figure for the year. There is no charge for depreciation on non-current assets in their year of acquisition. [3]

Additional information

1 The company is planning to spend $60 000 on advertising a new product to be launched next year. The marketing director suggests that the advertising should be treated as a capital expenditure and to write off this expenditure in equal instalments over a three year period.

2 The company charges depreciation using the following methods.

Land and buildings	- no depreciation
Plant and machinery	- reducing balance method
Motor vehicles	- straight line method

REQUIRED

(c) Explain how the above advertising costs should be treated in the final accounts. Support with any relevant accounting concepts. Show the effects of treating this expenditure as a capital expenditure in the company's financial statements. [5]

(d) Explain why different methods of depreciation are used for plant and machinery and motor vehicles. [4]

(e) Discuss whether land and buildings should be depreciated. Support with relevant concepts and analysis. [4]

[Total: 20]

PLEASE TURN OVER

[Turn over

3 Kayvani Pte Ltd is considering raising borrowings to purchase a new building for its distribution business during 2023.

The estimated cost is $1.5 million for the building and an extra $300 000 worth of new inventory to be held inside.

The costs will be met from the following funding methods:

1. Raise $750 000 from a 20-year mortgage secured upon the new building. No interest or repayments will be due during the year of commencing the mortgage.
2. Issue additional 400 000 $1 ordinary shares.
3. Take a 6% per annum long-term loan for $350 000. The loan will be repayable in equal instalments over 10 years' time.

Half of the new inventory will be paid from existing company cash and the balance will be raised through increased trade payables.

Balances from the previous accounts are as follows:

	$
Issued share capital $1 ordinary shares	3 000 000
Asset revaluation reserve	1 000 000
Retained earnings	1 700 000
Short-term liabilities	2 400 000
Trade payables	1 200 000

Forecast profit for the year ending 31 December 2023 is $800 000.

Forecast dividend to be paid is $0.15 per share for all shares issued.

As part of the accounting team, you have been asked to consider the impact the new financing will have upon the company based upon the following questions raised by your financial director.

REQUIRED

(a) Calculate the first year's interest payable on the new 6% long-term loan. [2]

(b) Prepare a statement of changes in equity based upon revised balances after the financing is completed. [8]

(c) Calculate the debt-to-equity ratio to **two** decimal places for the company after the purchase is completed. [3]

(d) Evaluate the impact the extra borrowings of the 6% loan will have upon the shareholders of Kayvani Pte Ltd. [3]

Additional information

The company is considering an alternative funding option to the 6% loan for $350 000. In addition to the 400 000 new shares, the directors propose to make a further rights issue of 1 for every 8 ordinary shares held. The proposed dividend will be reduced to $0.14 per share for all shares issued.

REQUIRED

(e) Evaluate this proposal and decide if this alternative is a more cost effective option for Kayvani Pte Ltd. [4]

[Total: 20]

[Turn over

Section B

Answer all questions

4 Nury and Hazi each started business on 1 April 2015 and they then purchased machinery costing $60 000 each.

During her first year of business, Nury operated as a private limited company. The company purchased 30 000 units of Product X on one month's credit at $4 each and sold 25 000 of these on a cash basis at $6 each. The company depreciated its machinery at 15% on cost. Other expenses amounted to $38 000 while Nury drew a director's salary of $8 000.

During her first year of business, Hazi also operated as a private limited company. The company purchased 30 000 units of Product X at $4 each on one month's credit and sold 25 000 of these on one month's credit at $6.20 each. It allowed its customers a 5% discount if they paid within 7 days. Half of its turnover earned this discount. Its trade receivables at 31 March 2016 amounted to $13 500. The company wished to set up an impairment of 8% of trade receivables. Hazi drew a director's salary of $18 000 and the company provided for depreciation on machinery at 25% using the reducing balance method. Its other expenses amounted to $40 000.

REQUIRED

(a) Prepare the Income Statement for **each** of Nury Private Limited and Hazi Private Limited for the year ended 31 March 2016. [6]

(b) Comment and compare on the performance of both companies, as revealed in (a) above. You may also support with relevant ratio(s). [6]

Additional information

After several years, Nury and Hazi decided to pool their resources and together with their good friends, formed Double Rep Pte Limited.

With the combination of resources and skills, the company managed to improve its financial performance.

For the year ended 31 March 2023, no non-current assets were sold or purchased except for vehicles. The company did not pay any interim dividends. 50 000 shares were issued at $1 and there was also a bonus issue of shares.

Double Rep Pte Limited had the following summarised Balance Sheet as at 31 March 2022 and 2023.

Balance Sheet as at 31 March:

	2022		2023	
	$000	$000	$000	$000
Land at cost	450		550	
Buildings (cost $520 000)	428		410	
Machinery (cost $450 000)	330		240	
Vehicles (cost $120 000)	-		90	
Inventories	130		165	
Trade receivables	85		140	
Bank/bank overdraft	35			10
Trade payables		270		150
Dividends payable		190		200
Issued shares of $1 ordinary shares		500		800
Retained earnings		498		435
	1 458	1 458	1 595	1 595

REQUIRED

(c) Calculate the operating profit for the year ended 31 March 2023. [5]

(d) Calculate the net cash flow from operating activities for the year ended 31 March 2023. [5]

(e) Recommend **three** strategies to improve Double Rep's working capital management, based on (d) above. [6]

(f) Calculate the following ratios to two decimal places for the company for the year ended 31 March 2023:

(i) Return on Equity
(ii) Earnings per share [3]

Additional information

Firdous is one of the good friends who had invested in the company. An investor has contacted her to buy her shares in Double Rep Pte Limited at $1.50 per share. The current price earnings ratio per share calculated by the company's accountant is 5.

REQUIRED

(g) Advise Firdous whether or not she should sell her shares of the business. Justify your answer using any relevant calculations and any other considerations. [9]

[Total: 40]

MARKING SCHEME TO PRELIM P1

Question 1

(a) Workings : Opening TR + **Credit sales** - Receipts from TR - DA - SR = Closing TR
70 000 + ? - $110 000 - 0 - 0 = $55 000
Credit Sales = **$95 000** (1)
Total Sales = $95 000 + $45 000 = **$140 000** (1)

Trade Payables
Opening TP + **Credit purchases** - Payments to TP - DR - PR = Closing TP
$62 000 + **?** - $134 000 - $0 - $0 = $65 000
Credit purchases = **$137 000**
Total Purchases = $137 000 + Cash Purchases of $0 = **$137 000** (1)

Mark-Up of 20% (GP/COS = 20/100)		
Gross Profit	**Cost of Sales**	**Sales**
1	4	5
28 000	$112 000 (1) [(140000 / 5) x 4]	$140000

Cost of sales = Opening inventory + Total Purchases – Closing Inventory (1)
$112 000 = $145 000 + $137 000 – **Closing Inventory ?**

Closing inventory at cost on 31 March 2023 = $170 000 (if no fire broke out) (1)
Loss of inventory = $170 000 - $47000 = **$123 000** (1)

(b) Any 3 @ 1m
Cost of storage – Keeping inventory in warehouses or storage facilities comes as a price, especially if inventory are sensitive and/or perishable which might require specialized storage. Manpower costs is also needed to oversee such valuable items at such facilities.

Cost of Obsolescence – this could be due to changing demand for the products. With competition and launch of new superior products by other entities, companies could experience poor sales, slow moving inventory and eventual write offs for inventory.

Risk of theft and pilferage – Entities which keep large quantities of stock are vulnerable to theft and pilferage. Cost of avoiding such instances via surveillance and/or security, also add on the overall cost.

High insurance premiums – Companies which keep large quantities of stock are considered exposed to a higher level of risk than others. In light of this, the insurance premiums are higher, given the risk and corresponding payouts for claims.

Moreover, a larger amount of cash will be tied up in the high amount of inventory, affecting the quick assets available and working capital management of the business.

(c)

Adjustment	Inventory	Profit	
1	Decrease	Decrease	(1)
2	Decrease	Decrease	(1)
3	Increase/Nil	Increase/Nil	(1)
4	Decrease	Decrease	(1)

Workings for adjustment
Adj # 1 : Cost = $6,000 and NRV = ($1500-150) x 3 = $4 050.
Therefore, Impairment loss on inventory is $1950
Adj # 2 : Cost = $4,000 and NRV = $0
Therefore, Impairment loss on inventory is $4,000
Adj # 3 : Given the inventory physical count is latest and used in the accounts, inventory has to be adjusted upwards, thus lowering COS and increasing GP and NP.(If goods remain unsold @ end of period)
But Nil if goods are considered sold.
Adj # 4 : Inventory was overstated by ($3250 - $2000) x 4units = $5000

(d)(i) **[3m]**

The product is not safe/ faulty goods and will be returned to Kuat Pte Ltd (1m)
Company has a responsibility (integrity) to act ethically to its customers and shareholders. (1m)
Ethically the company should not record this contract as sales income as the materials will be returned/ no quarantee the contract will continue. (1m)

Alternative answer to 4(d) (i): (any 3 pts)
1. Sales will be overstated (consequently; gross/net profits, retained earnings etc)
2. Unethical practice as the company should not record this contract as sales income as the materials will be returned/ no quarantee the contract will continue.
3. Not a fair representation of financial state; hence lack integrity/ ethical accountability to shareholders and customers. (Reputation maybe affected if found out)
4. Impact on decision-making -may mislead managers in their decision making/comparison due to the overstated sales amount.

(e)(ii) Accounting adjustments: **[** Any 3 pts @ **3 marks]**
Reduce sales (1m) increase returns inwards/ increase inventory (1m)
Make provision for writing off damaged inventory (1m)
Increase impairment loss on inventory
Decrease trade receivables
Making provision for possible carriage/ transport costs for faulty goods (1m)

Question 2

(a) Difference between capital and revenue expenditure (Notes Pg 2)

Capital Expenditure	Revenue Expenditure
▪ Costs to acquire assets that will benefit the business in the current and future years. ▪ Eg: Purchase of PPE (purchase of new machine)	▪ Costs to acquire assets and services that will be used up in a particular year. ▪ Eg: rent, repairs, salaries, cost of inventory sold. (repairs of old machine)
▪ When incurred, it is charged to an asset account and subsequently allocated as an expense to the years it benefits.	▪ Charged to an expense account and matched against the revenue of the year it benefits.
▪ Includes major improvements and additions to PPE when they: - increase the capacity of the asset - improves the quality of services or efficiency - extends its useful life. (improving and extending lighting)	▪ Includes ordinary repairs – expenditure incurred to maintain the PPE in good working condition or returns the PPE to its prior condition. (replacing existing wiring) Eg: repainting of building, repairs & maintenance of buildings / machines / vehicles.

(a) Capital expenditure involves expenditure for long-term benefits of more than 1 accounting period, such as buying a non-current asset (ie. Office equipment, motor vehicle, etc) and getting the non-current asset ready for use (ie. Installation costs, etc). When incurred, it is charged to an asset account and recorded in the Balance Sheet and subsequently allocated as an expense (depreciation expense) to the years it benefits.

Revenue expenditure refers to expenditure for short term benefits of less than 1 year such as day-to-day expenses like salaries, utility expenses. This will be charged to an expense account and matched against the revenue of the year it benefits, in the Income Statement.

(b)

	Capital Expenditure	Revenue Expenditure
1.	Purchase of new machine: $33 500	Repair of old machine: $2 500
2.	Improving & extending lighting: $26 400 (38 900 – 12 500)	Replacing and repairing existing wiring: $12 500

Computation of revised net profit for the year ended 31 March 2023

	$
Unadjusted net profit	332 000
Less:	
Repairs omitted (1)	(2 500)
Replacement and repairs of existing wiring (2)	(12 500)
Revised net profit	317 000

(c)
In accordance with Matching Concept which recognises the recording of expenses when they can be matched with the revenues which those expenses helped to generate (1m), advertising costs should be treated as revenue expenditure in the final accounts as we are uncertain if it will benefit the business for more than 1 year(1m). Hence, it should be treated as an expense and charged to income statement of the current year.(1m)
If treated as a capital expenditure, the effects on the books will be: Net profit will be reduced by $20 000($60,000/3years) (1m), thus reducing the closing equity on the balance sheet by the same amount. Also, non-current assets in the balance sheet, will be increased by $40 000($60,000/3x2) (1m)

(d)
Depreciation which allocates an asset's cost over its useful life (1m)
Given different assets vary in their rate of decline of service potential/efficiency (1m), different depreciation methods are adopted. Straight line method reduces the asset's value uniformly during each year and is better suited for motor vehicles, because its value decline evenly over time. **(1m)**
Reducing balance method which recognises higher depreciation in the earlier and declines over time, is more suited for plant & machinery which are expected to produce more revenue and thus lose value quickly in its early years and less over time. **(1m)**

4.3. Choice of Depreciation Method (Topic PPE notes Pg 8)

Different methods have different effects on reported profit during the years of useful life.

IAS 16 requires that the depreciation method chosen to reflect the **pattern of consumption of the economic benefits** embodied in the asset. (ie. match the usage pattern). More expense should be recognized in periods when the asset is used more, and less in periods when the asset is used less. As assets are used to produce revenue, matching expense recognition with asset usage also matches expense recognition with revenue recognition.

For PPE with a reasonably constant pattern of consumption, the allocation basis should be done using the straight-line method. The reducing balance method is best for assets that generate more revenue earlier in their useful lives and less in later years.

The method once selected should be applied consistently throughout its useful life unless changes in circumstances make it no longer applicable. This is to comply with the **consistency concept**.

(e)
Buildings have to separated (1m) from the combined amount and depreciated because they have a limited useful life and therefore are depreciable assets (1m), where its service potential or efficiency is expected to decline over time and recorded based on matching principle (1m)- a concept which recognises the recording of expenses when they can be matched with the revenues which those expenses helped to generate.
Land on the other hand other that agricultural land, has an indefinite useful life, where its service potential is not limited or expected to decline over time. (FRS 16 PPE) and may infact, appreciate in value due to its scarcity over its indefinite life.(1m)

Why is depreciation a non-cash item? (Additional question)
Depreciation is a non-cash expense as
- it is a book entry to allocate the cost of PPE over its useful life and does not result in an outflow of cash from the business, unlike other expenses such as salaries and rent

- the outflow of cash occurs when the PPE was first bought, not when depreciation is charged

The cost of using the PPE should be matched with the revenue it helped earn. This is in line with the Matching Concept in accounting which states that for profit determination, all cost incurred to earn a revenue must be matched with the revenue it helped earned.

Question 3

(a) Annual interest = 350 000 X (6/100) = $21 000 **(2)**

(b) Statement of changes in equity for the year ended 31 December 2021

	Share capital $	Retained earnings $	Asset revaluation $	Total $
Beginning balance	3 000 000	1 700 000	1 000 000	5 700 000
Changes in equity for the year				
Issue of share capital	400 000 **(1)**			400 000
Profit for the year (800 000 – 21 000)		779 000 **(2) (1OF)**		779 000
Dividends*		(510 000) **(2) (1 OF)**		(510 000)
Ending balance	3 400 000	1 969 000	1 000 000**(1)**	6 369 000 **(2) (1OF)**

*Dividends=3 400 000 x 0.15 = $510 000

(c) Debt to equity ratio given is : Total liabilities / Equity
Total liabilities = (Long term loan + Mortgage + Short term borrowings + Trade payables)
$350 000 + $750 000 + $2 400 000 + ($1 200 000 + $150 000)
= $4 850 000

Equity (own figure from (b) above) = $6 369 000
Debt to equity = $4 850 000 / $6 369 000 = 0.7615 or 0.76 **(1OF)**

(d) Interest $21 000 has to be paid / interest to be paid annually. Profits will be reduced **(1)**
Reduced profits will mean less profit available for distribution for use of dividends or retained earnings for shareholders. **(1) or 1m if focus on less funds available for dividends**

Higher risk of not being able to settle interest & debt (Gearing ratio) (1m)

(e) Alternative funding option:
Ordinary shares held 3 400 000 / 8 = 425 000 rights shares issued **(1)**

New dividend is 3 825 000 shares X $0.14 = $535 500 **(1)**
Original dividend cost: $510 000 (see answer in **(b)**)
Additional cost + $25 500 **(1OF)**

If additional cost more than interest; $21 000 (see answer in **(a)**) **REJECT (1OF)**
Or less than interest charge (see answer in **(a)**) ACCEPT

Mark awarded only if clear decision made and linked to calculation.

4 (a) Nuri Pte Ltd

Income Statement for the year ended 31 March 2016

	$	$	
Sales (25000 x 6)		150 000	***1***
Less: COS (25000 x 4)		(100 000)	***1***
Gross profit		50 000	
Less: Expenses	38 000		***1***
Depreciation (60000 x 0.15)	9 000		***1***
Director's salary	8 000	(55 000)	***1***
Net loss		(5 000)	

Hazi Pte Ltd
Income Statement for the year ended 31 March 2016

	$	$	
Sales (25000 x 6.2)		155 000	1
Less: COS (25000 x 4)		(100 000)	1
Gross profit		55 000	
Discounts allowed (155 000/2 x 0.05)	3 875		**1**
Impairment Loss on trade receivables (13500 x 0.08)	1 080		**1**
Expenses	40 000		**1**
Depreciation (60000 x 0.25)	15 000		**1**
Director's salary	18 000	(77 955)	**1**
Net loss		(22 955)	

12/2 = 6m

(b)

		Nury	Hazi
Gross margin (1m)	GP x 100 / Net Sales	50000 x 100 / 150000 = 33.33%	55000 / 155 000 = 35.48%
Profit margin (1m)	NP after interest x 100 / Net Sales	(5000) / 150000 = (3.33)%	(22 955) / 155 000 = (14.80)%

Gross Margin	GPM is similar with Hazi selling at a slightly higher selling price (similar cost rice) (1m)
Net Margin	Both companies incurred losses with Hazi performing worse with a margin of -13.50% despite similar GPM. Indicating that Hazi may not be as effective in controlling expenses, in particular, directors' salaries. (1m) Choice of depreciation method increased expenses by $6000.(1m) It appears that Hazi has incurred much higher expenses due to the granting of credit to her customers. Decision to provide for Impairment loss of $1 080 and giving credit customers discounts allowed of $3 875. (1m)

(c) Calculate the operating profit for the year ended 31 March 2023. [5]

Beg RE + NP – Final dividends - BI = End RE

	$'000
Change in retained profit (435 – 498)	(63) [1]
Bonus issue [(800 –500—50=250)] – 100(ARR)	150 [2]
Dividends declared	200 [1]
Operating profit for the year ended 31 Mar 2023	287 [1]

(d) Calculate the net cash inflow from operating activities. [5]

Calculation of operation cash flow for 2023

	$'000	
Cash flows from operating activities		
NPBI	287	1OF
Adjustments for:		
Add: Depreciation on: Buildings (428 – 410) Machinery (330 – 240) Vehicles (120 – 90)	 18 90 30	 1m 1m
Operating cash flows before movements in working capital		425
Increase in inventory (165 – 130)	(35)	
Increase in trade receivables (140 – 85)	(55)	
Decrease in trade payables (270 -150)	(120)	1m
		(210)
Net cash provided by operating activities		**215 (1m)**

(e) Recommendation on Double Reps' working capital management, based on (d) above: where Double Rep has increased its inventory, increased its trade receivables but also reduced its reliance on trade payables.

- Cash tied up in inventory by holding excessive or slow moving inventory. Practice JIT management of inventories[2]
- Cash tied up in receivables, indicating inefficient collection or liberal credit policies. Relook the period of credit allowed for Trade receivables and tighten the collection of debts methods. [2] (offer discounts allowed to improved/encourage prompt payment)
- Reduced reliance on trade credit resulting in greater cash outflows or not maximising credit period. Negotiate for longer credit terms from suppliers (Trade payables). [2]

(f)

(i)	Return on equity	Net profit after interest expense / Average equity	287000 / [(500000+498000) +(800000+435000)]/2 X 100% = 287000 / 1116500 X 100% =25.7% (1m)
(ii)	Earnings per share	(Net Profit – Pref shdividends) / Av # of shares	287000 / (500000+800000)/2 = 0.44 (1m)
		Formula (1m)	

(g)

Price earning = (Market price / Earnings per share) = 5

Therefore, Estimated market price = 5 x $0.44= **$2.20** (1m)

Firdous should not consider the offer at $1.50 per share, because

- Her shares have a current market value of $2.20 and she could attain more by $0.70 ($2.20 - $1.50) per share if she sold it at market rate. (1m)
- A high PE ratio of 5, also suggests possible future growth in the company's earnings. Investors are willing to pay $5 for every $1 of current earnings. (1m)

Other calculations:
-EPS shows a positive return of $0.44 per share and there is also a positive return on equity of 25.7%, meaning for every dollar of equity there's a return of $0.25. The ROE also corroborates future growth for the company. (2m)
- There was also a bonus issue given to all shareholders and they enjoy a high dividend yield of 12.7% (1m)

Dividend yield	Dividend per share x 100 / Market price *Note: ord div per share = (200000/800 000)= $0.25 (1m)*	$\frac{0.25}{2.2}$ x 100 = 11.4%

- other considerations can include: (any 2 pts @ 2m)
  1. Friendship ties as they are good friends and had set up company together.
  2. Comparisons must also be made with other companies or other years to see/check precisely how the company is doing. Ratios are more meaningful when measured and compared with others and not used just on its own.
  3. Other limitations of using ratios as a basis of decision-making. (Check notes)

(9m)