CHAPTER 5

Summary

Analysis and interpretation

- Calculate ratios using information from current financial statements.
- Compare current year's ratios with same ratios using previous year's financial indicators or generally acceptable norms and standards.
- Comment on the variances between the two financial periods.

Why analyse and interpret?

- To be able to make important business decisions.
- To determine the financial stability, i.e. profitability, efficiency of policies, patterns of progression/stagnation.
- Analysing results will assist management to determine whether the business should expand.
- Will assist management to determine if the business will be able to pay off its long term (repayment period more than 12 months) and/or short term (repayment period of 12 months of less) debts
- Assist management to determine if the business' expenses are within the budgeted amounts for that particular financial period.

Stakeholders interested in the analysis and interpretation

Owner, management, financial institutions, debtors, creditors, employees/trade unions, SARS, media and competitors