

# 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 or 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

