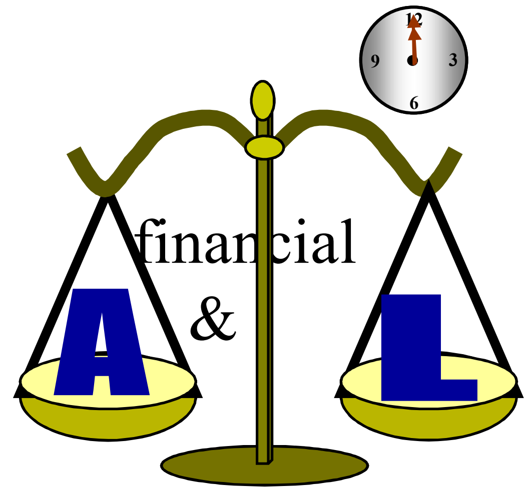
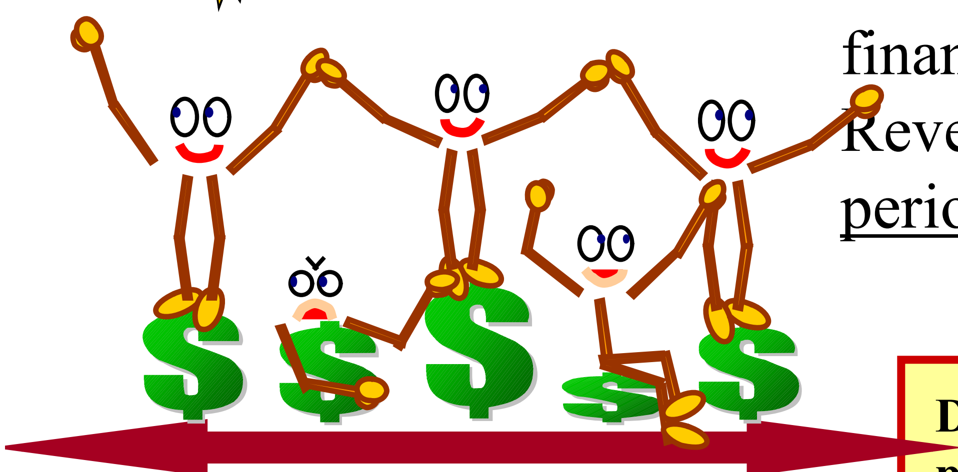
Assessing financial health:

Financial statements:



- **The Balance Sheet** - shows the financial situation in terms of Assets & Liabilities <u>at a point</u> in time

- **The Profit & Loss Account** - shows the financial situation in terms of Revenues & Outflows <u>over a period</u> of time



Different companies use different accounting practices, and accounting rules vary from one country to another

Calculating financial ratios

2. a) Calculate the following short-term solvency ratios for Years 1 and 2

	Year 1	Year 2
Current Ratio		
Acid Ratio		

b) What does this trend say about the company's short-term liquidity?

c) What do these short-term liquidity ratios say about the management of this company?