

organizations. Furthermore, comparability may be compromised when estimates and judgments are utilized.

Another complication arises when organizations exploit accounting loopholes to secure financing without the need for it to be disclosed in the statement of financial position.

Categorization of ratios

It is worth noting that ratios can be classified into the following four categories:

- Profitability and return
- Debt and gearing
- Liquidity: management of cash and other working capital items
- Shareholders' investment ratios (or 'stock market ratios')

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