- Profitability
  - Gross Margin
    - Gross Profit/Sales x 100
    - 2002
      - 45150/169500 x 100 = 26.6%
    - 2003
      - 40950/157500x100 = 26%
    - This formula tell us what percentage of each euro of sale that is returned to the business in Gross Profit (profit from trading)
    - The figures above suggest a slight decline in the gross margin. This is a negative trend
    - In order to reverse the decline the business might look for cheaper suppliers for its purchases. They might increase the selling price if possible.

- Profitability
  - Net Margin
    - Net Profit/Sales x 100
    - 2002
      - 15100/169500 x 100 = 8.9%
    - 2003
      - 12285/157500x100 = 7.8%
    - This formula tell us what percentage of each euro of sale that is returned to the business in Net Profit (profit after expenses)
    - The figures above suggest a decline in the net margin. This is a negative trend
    - In order to reverse the decline the business might look to cheaper suppliers for utilities. They may shop around for cheaper insurance cover. They may need to look at their wage bill to see if the redundancies or pay cuts are necessary.

- Profitability
  - Return on Investment
    - Net Profit/Capital Employed x 100
    - 2002
      - 15100/ (100000 + 20000) x 100 = 12.6%
    - 2003
      - 12285/ (105000 + 21000)x100 = 9.75%
    - This formula tell us how effectively the business turns capital invested in it into Net Profit
    - One should always compare return with the potential return available from a risk-free investment
    - The figures above suggest a decline in the ROI. This is a negative trend. However the figure of 9.75% still compares favourably with a risk-free return
    - In order to reverse the decline the business might look to provide further training to management or change the management structure to ensure the business is making the most efficient use of resources at its disposal.

- Liquidity
  - Working Capital Ratio
    - Current Assets/Current Liabilities
    - 2002
      - 15900/ 8100 = 1.96:1
    - 2003
      - 16800/7400 = 2.27:1
    - This formula tell us how easily a business will be able to pay its short term debts as they fall due
    - The ideal ratio here is at least 2:1
    - The figures above suggest an improvement in the liquidity position of the firm as the have gone above the 2:1 threshold
    - In order to further cement their strong liquidity position the business could buy less on credit, prepay expenses, raise cash through selling investments.

- Liquidity
  - Acid Test Ratio
    - Current Assets (less closing stock)/Current Liabilities
    - 2002
      - (15900 – 9100)/ 8100 = 0.84:1
    - 2003
      - (16800 – 12400)/7400 = 0.59:1
    - This formula tell us how easily a business will be able to pay its short term debts as they fall due without taking into account closing stock which may not be readily convertible into cash.
    - The ideal ratio here is at least 1:1
    - The business had a liquidity problem in 2002 and this is worsening in 2003.
    - In order to rectify their liquidity problem they must make an effort to turn their stock into cash. Perhaps they made need to sell shares in the business to generate cash to pay debts.