

## Financial Analysis

### **Introduction**

This case is about the comparison of the manufacturers of wood furniture in the market. The case is related to WoodTech with its direct competitors being Real Good furniture, Garden concepts and Greenbriar. This report analyzes the fundamental difference between the four companies in terms of sales and revenues. Looking at the market share, the share of Woodtech is 30% in the market, RealGood Furniture is also having 30% market share, Garden Concepts and Greenbriar holds market share of less than 5%.

### **Discussion**

The financial statements of Garden Furniture Industry shows the performance of the company and thus the ratios will help to determine the purpose of this spending.

Garden Furniture Industry	
Quick Ratio	0.94
Current Ratio	1.72
D/E Ratio	3.81
Liability/Assets	0.79
ROA	7.79%
ROE	37.45%
Profit Margin	4.10%
COGS/Inventory	3.9
Sales/T. Assets	1.9

The quick ratio calculated is less than 1, thus the company is able to meet up its long term debt. The higher the company's quick ratio the more liquid is the financial condition of the company to pay its debt and obligations. The current ratio also shows the financial stability of the company; the current ratio of greater than 1 gives an idea of the operating activity of the

company. Although the capability to pay back its obligations varies from industry to industry but still Woodtech has enough liquidity to meet the debt requirements. The debt to equity ratio is higher for the company which means that the company is operating on the debt financing. The percentage of return to equity is calculated as 37.45% which is incredibly great as far as performance of the company is concerned with. The return on assets is 4.10% which shows that majority of the assets are utilized for the investment point of view and are not idle for the company. The ratio of assets and liabilities are less than 1 which means that the liabilities.

Comparing the market share and performance of the four companies; we can conclude that Woodtech and Real Good Furniture are leading the market and are the direct competitors while, Garden concepts and Greenbriar are also contributing to the furniture market. Comparing the competencies of the four companies; Woodtech is showing the highest ranking in new product capacity, product differentiation, distribution and brand recognition. On the other hand, Real Good furniture is leading in sales force and advertising in the market to position the target customers. Garden Concepts is leading in dealer satisfaction and cost structure while Greenbriar is not leading in any of the discussed categories.

The net revenue generated by the Woodtech is different from the various platforms from where the company is dealing to sell the product and capture the market share. The greatest revenue is generated from the chain stores which amounts to \$1,638,271 and shows a forecast of \$1,150,437. The total sales generated are \$2,602,939 for 2003 which is expected to be \$1,502,483 in 2004. The inventory of Woodtech is involved in managing higher ratio of inventory with the turnover of 3.9 times with the COGS. The higher inventory and its turnover portray the fact of rapid sales of the product from the retail store s well as from other sources. The development of the brand and the brand worth has made the equity of the company for \$1.5

billion. Although the manufacturing capabilities will increase from 2003 to 2004 but the COGS will decrease from 95% in 2003 to 70% in 2004.

### **Recommendations**

Financial growth demands that this economic condition supply an opportunity for the Woodtech to obtain sources from your succumbing, static areas of your financial system thus funding of creativity is a central take into account financial progress. Meaning, seeing that asserted over, that the banking process capable of figuring out knowledge-based creativity and also supporting the idea as a result of credit- and also capital-market outlays. While doing so, your platform has revealed that this macro character of start capitalist economic climates are likely to endogenously make fiscal fragility, which banking competition possesses altered the information which finance institutions make use of to create earnings clear of detailed understanding of debtor firms' capacity and also in the direction of cost activities with fiscal market segments. Basically, your banking associations which Schumpeter considered essential with supporting progress are usually vulnerable through existing world-wide movements.

Any time finance institutions along with other finance institutions provide the savings which result in prosperous creativity as compared to the competitors of Woodtech, these people are likewise funding companies in whose aggressive tactics don't succeed. Flawlessly secure and also secure finance institutions means at standstill financial improvement. That thus looks distinct that this significant goal of insurance policy is not your eradication of transform and also lack of stability, just for this could eliminate financial improvement. Somewhat, insurance policy should be led in the direction of being sure funding of revolutionary money jobs.

The role of fiscal insurance policy while observed from your improvement perspective should be, consequently, to counteract your endemic systemic lack of stability that can cause reversals of money passes and also improvements with fiscal price ranges by giving intended for appropriate integration of finance institutions and also market segments. This will include numerous significant regions. The first is risk managing. Seeing that witnessed over, your significant task of finance institutions can be danger managing, not really undertaking your risks of maturation mismatches. A second insurance policy target should be with supervising your manner in which risks are usually altered from finance institutions to other stability sheets, mainly these in the general public. That places focus on your supply of market place liquidity.

Woodtech are often more prepared to store long-term possessions if a few of his or her cost risk are usually balance out through his or her chance to sell these kinds of possessions from quick notice with fluid market segments. That liquidity, therefore, is determined by the experience of finance institutions offering seeing that market place designers, often straight or maybe in a roundabout way. Their chance to help make market segments is determined by Woodtech funding, especially on their gearing or maybe power proportions. Within quantity, insurance policy need to target risk managing strategies of finance institutions, your manner in which this kind of risk managing adjustments risks to stability sheets away from the fiscal field, your supply of market place liquidity, and also the level of power of stability sheets. Ultimately, these kinds of things to consider claim that developing places should be granted your method for mold nation's fiscal houses which best aid your progress of knowledge-absorbing groups, granted Woodtech financial and also sociable houses, his or her historical trajectories, and also his or her institutional inheritances. Nevertheless this kind of isn't going to imply that every land are able to distinguish a fiscal model which makes it possible for progress and also diminishes risks from

just about every point with their improvement process Growth demands funding, and also the two means of progress and also the means of funding progress are usually inherently risky and also unsound.

## Works Cited

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