**EFFECTIVE FINANCIAL MANAGEMENT**

**Learning Outcome 2: ACTIVITY 3**

**Key financial ratios**

Financial statements are a key source of financial information in financial management. An ability to examine, understand and interpret the information in financial statements also provides a grounding for much of the rest of the work of a financial manager.

#### In small groups

Identify a business with which you are familiar. This could be a multinational company from which you have purchased goods/services, a business that owns your favourite brand or the business for which you work (or wish to work in the future).

From your research:

1. Consider the financial statements of your chosen business (alternatively, consider the financial statements of a business with which you are familiar). Identify the data items that are used to calculate:
   1. Return on capital employed
   2. Current ratio
   3. Financial gearing
2. Calculate each of the financial ratios that are specified in (1).
3. Compare the results of the calculations with calculations by other members of the group. Interpret the results of the calculations to compare and contrast the financial performance and financial position of each of the businesses.
4. Prepare a short presentation on your findings.