

Demo Company (Global)

October 2020

Prepared by :

CLIC

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Executive Summary

Revenue

Revenue for the month of October 2020 was \$50,200, a decrease of 17.5% from September 2020's revenue of \$60,850. October 2020's revenue of \$50,200 was less than the average monthly revenue for the financial year of \$54,705 per month. Current financial year to date revenue at the end of October 2020 is \$437,640, an increase of 0.9% from the prior financial year to date revenue at the end of October 2019 of \$433,870.

Customers

The top customers for the month of October 2020 were:

| | |
|------------------|---------|
| 1. Jarvis | \$7,700 |
| 2. Groot | \$4,800 |
| 3. Scarlet Witch | \$4,600 |
| 4. Rocket | \$4,360 |
| 5. Thor | \$3,850 |

Expenses

Expenses for the month of October 2020 was \$15,172, a decrease of 31.3% from September 2020's expenses of \$22,072. October 2020's expenses of \$15,172 was less than the average monthly expenses for the financial year of \$17,694 per month. Current financial year to date expenses at the end of October 2020 is \$141,550, a decrease of 13.6% from the prior financial year to date expenses at the end of October 2019 of \$163,754.

The top expenses for the month of October 2020 were:

| | |
|--------------------|---------|
| 1. Rent Paid | \$4,348 |
| 2. Advertising | \$1,739 |
| 3. Client Meetings | \$1,659 |
| 4. Insurance | \$1,579 |
| 5. Fuel | \$1,572 |

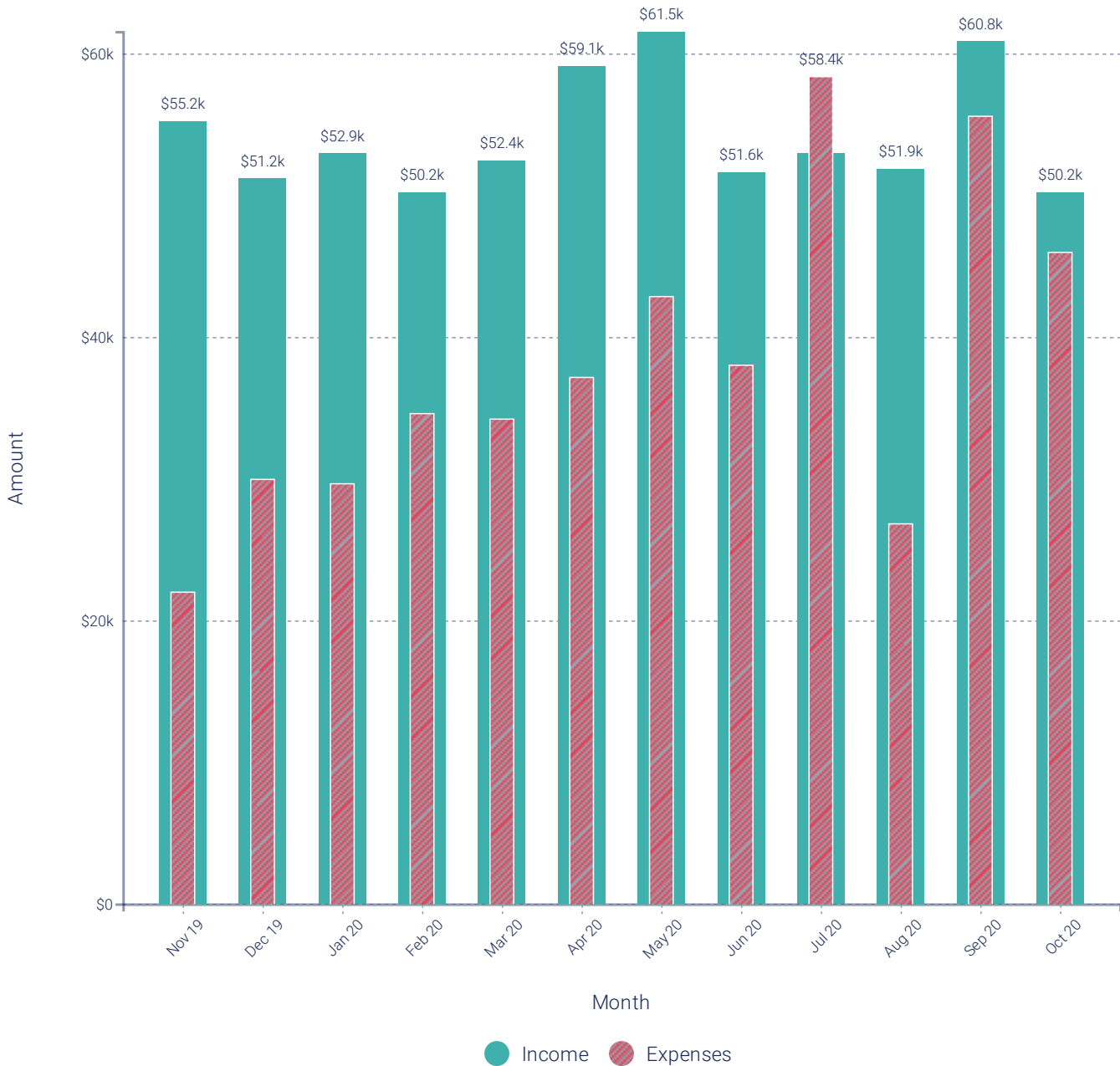
Executive Summary

Net Profit

Net profit after tax for the month of October 2020 was \$4,228, a decrease of 19.9% from September 2020's net profit of \$5,278. October 2020's net profit of \$4,228 was less than the average monthly net profit after tax for the financial year of \$12,699 per month. Current financial year to date net profit at the end of October 2020 is \$101,592, a decrease of 26.8% from the prior financial year to date net profit at the end of October 2019 of \$138,836.

Net margin for the month of October 2020 was 8.4%, a decrease of 0.3% from September 2020's net margin of 8.7%. Current financial year to date net margin at the end of October 2020 is 23.2%, a decrease of 8.8% from the prior financial year to date net margin of the end of October 2019 of 32.0%.

Income vs. Expenses By Month



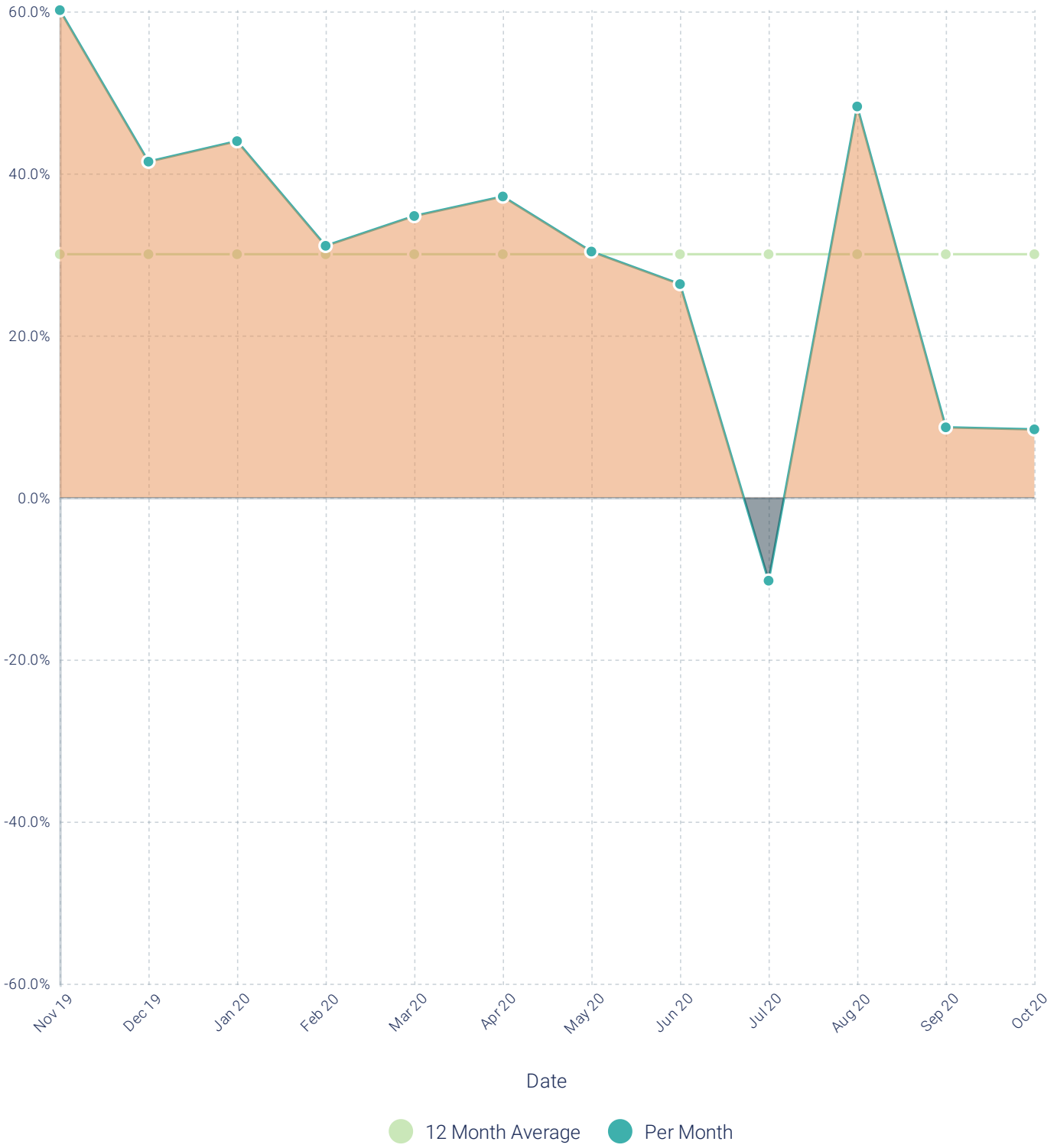
Graph Insights

Income for the period November 2019 to October 2020 was \$650.1k. Average income per month was \$54.2k. The best performing month was May 2020 (income of \$61.5k) while the worst performing months were February 2020 and October 2020 (income of \$50.2k).

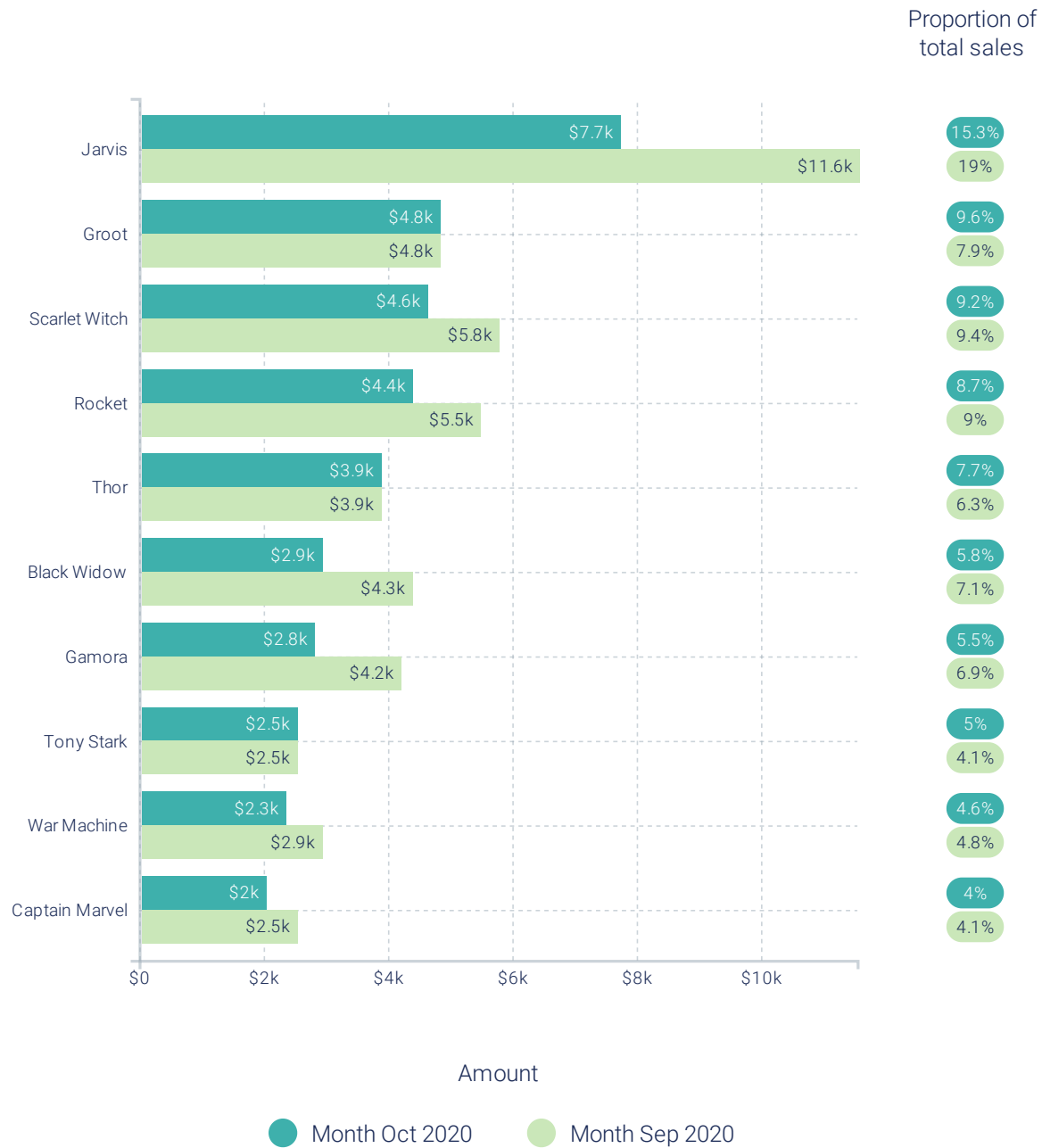
Expenses for the period November 2019 to October 2020 were \$455.1k. Average expenses per month were \$37.9k. The most expenses were incurred in July 2020 (expenses of \$58.4k) while the least expenses were incurred in November 2019 (expenses of \$22k).

Profit for the period November 2019 to October 2020 was \$194.9k. Average profit per month was \$16.2k. The best performing month was November 2019 (profit of \$33.2k).

Net Margin



Top Customers By Sales



Graph Insights

The top customer by sales for the month of October 2020 was Jarvis. Jarvis accounts for 15.3% of sales (down versus 19.0% in September 2020). The top 3 clients account for 34.1% of total sales (down versus 36.3% in September 2020). Jarvis exhibited the largest change in proportion of sales from 19.0% in September 2020 to 15.3% in October 2020.

Customer Balances

At 31 October 2020

| Customers | Email | Mobile | 120+ Days | 90-120 Days | 60-90 Days | 30-60 Days | 0-30 Days | Total Due | % of Total |
|----------------------------|-------|--------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|-------------|
| Hulk | | | \$5,000 | \$10,723 | (\$15,723) | \$25,946 | - | \$25,946 | 17.0% |
| Jarvis | | | - | - | - | \$12,556 | \$8,778 | \$21,334 | 14.0% |
| Groot | | | (\$5,472) | \$5,472 | \$5,472 | \$5,472 | \$5,472 | \$16,416 | 10.8% |
| Rocket | | | (\$5,073) | \$1,830 | \$4,970 | \$6,213 | \$4,970 | \$12,911 | 8.5% |
| Black Widow | | | - | - | \$1,653 | \$4,959 | \$3,306 | \$9,918 | 6.5% |
| The Wasp | | | \$1,856 | \$1,824 | \$2,280 | \$1,824 | \$1,824 | \$9,608 | 6.3% |
| Gamora | | | (\$1,585) | - | \$3,169 | \$4,754 | \$3,169 | \$9,508 | 6.2% |
| Captain Marvel | | | - | - | \$1,710 | \$2,850 | \$2,280 | \$6,840 | 4.5% |
| War Machine | | | (\$2,911) | \$250 | \$3,306 | \$2,645 | \$2,645 | \$5,934 | 3.9% |
| Thor | | | (\$456) | - | - | \$1,845 | \$4,389 | \$5,778 | 3.8% |
| Scarlet Witch | | | - | - | - | - | \$3,933 | \$3,933 | 2.6% |
| Drax the Destroyer | | | - | - | \$1,140 | \$1,140 | \$1,140 | \$3,420 | 2.2% |
| Dr Strange | | | - | - | \$1,129 | \$1,129 | \$1,129 | \$3,386 | 2.2% |
| Tony Stark | | | - | - | - | - | \$2,850 | \$2,850 | 1.9% |
| Hawk Eye | | | - | - | \$570 | \$570 | \$570 | \$1,710 | 1.1% |
| Pepper Potts | | | (\$570) | - | - | \$570 | \$1,710 | \$1,710 | 1.1% |
| Vision | | | (\$445) | - | - | \$445 | \$1,710 | \$1,710 | 1.1% |
| Mantis | | | \$1,867 | - | - | (\$80) | (\$108) | \$1,679 | 1.1% |
| Nick Fury | | | - | - | - | - | \$1,459 | \$1,459 | 1.0% |
| Captain America | | | (\$456) | \$456 | \$456 | \$456 | \$456 | \$1,368 | 0.9% |
| Iron Patriot | | | (\$1,322) | - | \$239 | \$1,083 | \$1,083 | \$1,083 | 0.7% |
| Odin | | | - | - | - | - | \$1,026 | \$1,026 | 0.7% |
| Black Panther | | | \$1,000 | - | - | - | - | \$1,000 | 0.7% |
| The Falcon | | | - | - | - | - | \$935 | \$935 | 0.6% |
| Spider Man | | | - | - | - | - | \$798 | \$798 | 0.5% |
| Starlord | | | (\$855) | \$285 | \$285 | \$285 | \$285 | \$285 | 0.2% |
| Total | | | (\$9,422) | \$20,841 | \$10,657 | \$74,661 | \$55,809 | \$152,545 | 100% |
| Percentage of Total | | | -6.2% | 13.7% | 7.0% | 48.9% | 36.6% | 100% | - |

Currency Pairs

Rate Applied

USD/ZAR

16.2306707554

*Rates At 2020-10-31 16:00 per XE.com. Note that the balance sheet may reflect a slightly different total for accounts receivable (payable) as the exchange rate provided by your accounting software is rounded to fewer decimal places than provided by XE.com.

Report Insights

The top debtor as at October 2020 is Hulk with an outstanding balance of \$25.9k and Hulk accounts for 17.0% of the top 26 debtors. The top 3 debtors (Hulk, Jarvis and Groot) have a combined outstanding balance of \$63.7k, which represents 41.8% of the outstanding balance of the top 26 debtors.

Total debt outstanding for the top 50 debtors as at October 2020 is \$152.5k. \$55.8k (36.6%) is less than 30 days outstanding, \$74.7k (48.9%) is between 30 and 60 days outstanding, \$10.7k (7.0%) is between 60 and 90 days outstanding, \$20.8k (13.7%) is between 90 and 120 days outstanding and -\$9.4k (-6.2%) is more than 120 days outstanding.

USD Exposure

| Customers | Email | Mobile | 120+ Days | 90-120 Days | 60-90 Days | 30-60 Days | 0-30 Days | Total Due | % of Total |
|----------------------------|-------|--------|---------------|-------------|-------------|--------------|--------------|--------------|-------------|
| Mantis | | | \$115 | - | - | (\$5) | (\$7) | \$103 | 100.0% |
| Total | | | \$115 | - | - | (\$5) | (\$7) | \$103 | 100% |
| Percentage of Total | | | 111.2% | 0.0% | 0.0% | -4.8% | -6.4% | 100% | - |

Month on Month Retention



Graph Insights

Month-on-month customer retention illustrates the proportion of customers invoiced in a given month that were also invoiced in the previous month. The highest retention rate was recorded in November 2019, December 2019, January 2020, February 2020, March 2020, April 2020, May 2020, July 2020, August 2020, September 2020 and October 2020 with 100.0% while the lowest retention rate was recorded in June 2020 with 95.8%.

Cash In vs. Cash Out By Month



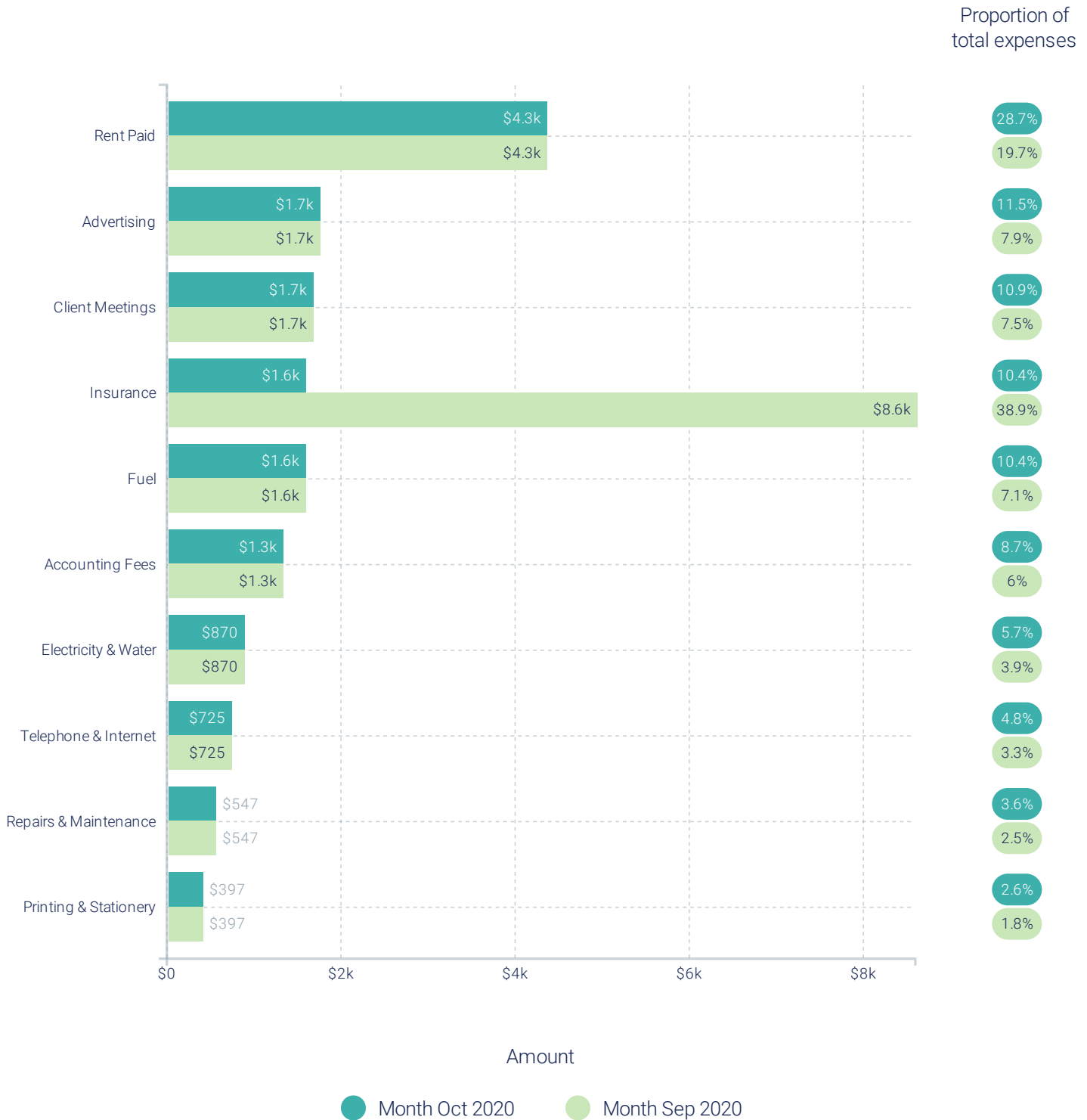
Graph Insights

Cash received for the period November 2019 to October 2020 was \$985.4k. Average cash received per month was \$82.1k. The most cash was received in December 2019 (cash received of \$165.4k) while the least cash received was in February 2020 (cash received of \$31.9k).

Cash paid for the period November 2019 to October 2020 was \$709.2k. Average cash paid per month was \$59.1k. The most cash paid was in December 2019 (cash paid of \$99.1k) while the least cash paid was in January 2020 (cash paid of \$17.3k).

Net cash for the period November 2019 to October 2020 was \$276.2k. Average net cash per month was \$23k. The best performing month was March 2020 (net cash of \$76.5k).

Top Expenses Accounts



Graph Insights

The top expense for the month of October 2020 is Rent Paid. Rent Paid represents 28.7% of total expenses (up versus 19.7% in September 2020). The top 3 expenses represent 52.5% of total expenses (down versus 67.5% in September 2020). Insurance exhibited the largest change in expenses from 38.9% in September 2020 to 10.4% in October 2020.

Supplier Balances

At 31 October 2020

| Supplier | 120+ Days | 90-120 Days | 60-90 Days | 30-60 Days | 0-30 Days | Total Due | % of Total |
|----------------------------|-----------------|-----------------|-----------------|----------------|-----------------|-----------------|-------------|
| The Ridler | - | - | \$19,950 | - | - | \$19,950 | 22.6% |
| Penguin | - | - | \$13,680 | \$4,560 | - | \$18,240 | 20.6% |
| Superman | - | - | - | - | \$17,100 | \$17,100 | 19.4% |
| The Flash | \$15,223 | - | - | - | - | \$15,223 | 17.2% |
| Two Face | - | \$6,488 | (\$6,488) | \$15,136 | - | \$15,136 | 17.1% |
| Lex Luther | - | - | - | - | \$5,000 | \$5,000 | 5.7% |
| Lois Lane | (\$12,768) | \$17,768 | - | - | - | \$5,000 | 5.7% |
| Green Lantern | \$13,085 | (\$8,085) | \$3,420 | (\$16,505) | \$808 | (\$7,277) | -8.2% |
| Total | \$15,540 | \$16,171 | \$30,562 | \$3,191 | \$22,908 | \$88,372 | 100% |
| Percentage of Total | 17.6% | 18.3% | 34.6% | 3.6% | 25.9% | 100% | - |

Report Insights

The top creditor as at October 2020 is The Ridler with an outstanding balance of \$19.9k and The Ridler accounts for 22.6% of the top 8 creditors. The top 3 creditors (The Ridler, Penguin and Superman) have a combined outstanding balance of \$55.3k which represents 62.6% of the outstanding balance the top 8 creditors.

Total creditors payable for the top 50 creditors as at October 2020 is \$88.4k. \$22.9k (25.9%) is less than 30 days outstanding, \$3.2k (3.6%) is between 30 and 60 days outstanding, \$30.6k (34.6%) is between 60 and 90 days outstanding, \$16.2k (18.3%) is between 90 and 120 days outstanding and \$15.5k (17.6%) is more than 120 days outstanding.

Profit and Loss

01 October 2020 - 31 October 2020 vs 01 September 2020 - 30 September 2020

| | Oct 2020 | Sep 2020 | Variance | Variance (%) | YTD |
|-------------------------------|-----------------|-----------------|-------------------|-----------------|------------------|
| Sales | | | | | |
| Art Sales - Items | \$16,350 | \$20,200 | (\$3,850) | ▼ (-19%) | \$138,500 |
| Artifact Sales - Items | \$19,250 | \$24,000 | (\$4,750) | ▼ (-20%) | \$166,270 |
| Collection Sales - Items | \$3,550 | \$3,550 | - | | \$27,450 |
| Comic Sales - Items | \$7,350 | \$8,500 | (\$1,150) | ▼ (-14%) | \$68,340 |
| Hardware Sales - Items | \$400 | \$400 | - | | \$3,200 |
| Homeware Sales - Items | \$500 | \$500 | - | | \$4,000 |
| Other Income | - | - | - | | \$2,999 |
| Other Sales | - | - | - | | \$425 |
| Sales | - | - | - | | \$1,755 |
| Services Rendered | \$2,800 | \$3,700 | (\$900) | ▼ (-24%) | \$24,700 |
| Total Sales | \$50,200 | \$60,850 | (\$10,650) | ▼ (-18%) | \$437,640 |
| Cost of Sales | | | | | |
| Art Purchases - Items | - | \$29,500 | (\$29,500) | ▼ (-100%) | \$51,350 |
| Artifact Sales - Purchases | \$9,800 | - | \$9,800 | ▲ | \$67,850 |
| Collection Purchases - Items | \$6,000 | - | \$6,000 | ▲ | \$25,700 |
| Comic Purchases - Items | \$15,000 | - | \$15,000 | ▲ | \$48,497 |
| Homeware Purchases - Items | - | \$4,000 | (\$4,000) | ▼ (-100%) | \$4,000 |
| Total Cost of Sales | \$30,800 | \$33,500 | (\$2,700) | ▼ (-8%) | \$197,397 |
| Gross Profit | \$19,400 | \$27,350 | (\$7,950) | ▼ (-29%) | \$240,242 |
| Other Income | | | | | |
| Insurance Proceeds | - | - | - | | \$3,000 |
| Interest Received | - | - | - | | (\$100) |
| Total Other Income | - | - | - | | \$2,900 |
| Expenses | | | | | |
| Accounting Fees | \$1,316 | \$1,316 | - | | \$10,526 |
| Advertising | \$1,739 | \$1,739 | - | | \$13,913 |
| Bad Debts | - | - | - | | \$946 |
| Bank Charges | \$87 | \$87 | - | | \$696 |
| Client Meetings | \$1,659 | \$1,659 | - | | \$12,773 |
| Depreciation | - | - | - | | \$999 |
| Dividends | - | - | - | | \$900 |
| Drawings | - | - | - | | \$800 |
| Electricity & Water | \$870 | \$870 | - | | \$6,957 |
| Forex Realised Gains/Losses | - | - | - | | \$30 |
| Forex Unrealised Gains/Losses | \$74 | (\$44) | \$118 | ▲ (+266%) | \$43 |
| Fuel | \$1,572 | \$1,572 | - | | \$12,577 |
| Insurance | \$1,579 | \$8,596 | (\$7,018) | ▼ (-82%) | \$30,175 |
| Printing & Stationery | \$397 | \$397 | - | | \$3,172 |

| | Oct 2020 | Sep 2020 | Variance | Variance (%) | | YTD |
|-----------------------------------|-----------------|-----------------|------------------|--------------|---------------|------------------|
| Rent Paid | \$4,348 | \$4,348 | - | | | \$34,783 |
| Repairs & Maintenance | \$547 | \$547 | - | | | \$4,376 |
| Security | \$261 | \$261 | - | | | \$2,087 |
| Telephone & Internet | \$725 | \$725 | - | | | \$5,797 |
| Total Expenses | \$15,172 | \$22,072 | (\$6,900) | ▼ | (-31%) | \$141,550 |
| Net Profit/Loss Before Tax | \$4,228 | \$5,278 | (\$1,050) | ▼ | (-20%) | \$101,592 |
| Tax | | | | | | |
| Net Profit/Loss After Tax | \$4,228 | \$5,278 | (\$1,050) | ▼ | (-20%) | \$101,592 |
| Distributions | | | | | | |
| Retained Earnings | \$4,228 | \$5,278 | (\$1,050) | ▼ | (-20%) | \$101,592 |

Balance Sheet

31 October 2020 vs 30 September 2020

| | Oct 2020 | Sep 2020 | Variance | Variance (%) |
|--------------------------------------|------------------|------------------|------------------|----------------|
| Assets | | | | |
| Current Assets | | | | |
| Current A/C | \$517,997 | \$499,283 | \$18,714 | ▲ (+4%) |
| Fixed Deposit | \$113,000 | \$113,000 | - | |
| Members Loan | \$5,999 | \$5,999 | - | |
| Petty Cash | \$6,500 | \$6,500 | - | |
| Staff Loans | \$4,344 | \$4,344 | - | |
| Trade Receivables | \$152,546 | \$173,013 | (\$20,467) | ▼ (-12%) |
| Total Current Assets | \$800,386 | \$802,139 | (\$1,753) | ▼ (+0%) |
| Non-Current Assets | | | | |
| Fixed Assets - Equipment | \$19,762 | \$19,762 | - | |
| Fixed Assets - Furniture & Fittings | \$17,544 | \$17,544 | - | |
| Fixed Assets - Motor Vehicles | \$50,000 | \$50,000 | - | |
| Total Non-Current Assets | \$87,306 | \$87,306 | - | |
| Total Assets | \$887,692 | \$889,445 | (\$1,753) | ▼ (+0%) |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Deposit Owing to Tenants | \$1,700 | \$1,700 | - | |
| Income Tax Payable | \$10,000 | \$10,000 | - | |
| Trade Payables | \$88,372 | \$94,838 | (\$6,466) | ▼ (-7%) |
| VAT Payable | \$123,569 | \$123,083 | \$485 | ▲ (+0%) |
| Total Current Liabilities | \$223,641 | \$229,621 | (\$5,981) | ▼ (-3%) |
| Non-Current Liabilities | | | | |
| Shareholder Loan | \$45,380 | \$45,380 | - | |
| Total Non-Current Liabilities | \$45,380 | \$45,380 | - | |
| Total Liabilities | \$269,021 | \$275,001 | (\$5,981) | ▼ (-2%) |
| Net Assets | \$618,671 | \$614,443 | \$4,228 | ▲ (+1%) |
| Owners Equity | | | | |
| Opening Balance and VAT Adjustments | \$27,000 | \$27,000 | - | |
| Owners Contribution | \$100 | \$100 | - | |
| Profit and Loss (This Year) | \$101,592 | \$97,364 | \$4,228 | ▲ (+4%) |
| Retained Earnings | \$489,979 | \$489,979 | - | |
| Owners Equity | \$618,671 | \$614,443 | \$4,228 | ▲ (+1%) |

Profit and Loss Ratios

01 October 2020 - 31 October 2020 vs 01 September 2020 - 30 September 2020

| | Oct 2020 | Sep 2020 | Variance | Variance (%) | YTD |
|-------------------------|----------|----------|----------|--------------|---------------|
| Gross Profit Margin | 38.6% | 44.9% | -6.3% | ▼ (-13%) | 54.9% |
| Operating Expense Ratio | 30.2% | 36.3% | -6.0% | ▼ (-17%) | 32.3% |
| Net Profit Margin | 8.4% | 8.7% | -0.3% | ▼ (-11%) | 23.1% |
| Interest Cover | n/a | n/a | n/a | | 1016.92 times |

Profitability Ratios

Profitability ratios are a class of financial metrics that are used to assess an entity's ability to generate earnings relative to its sales and operating costs.

- **Gross Profit Margin:** Gross Profit / Revenue

$$\$19,400 / \$50,200 = 38.6\%$$

The gross profit margin ratio represents the amount of profit that an entity retains after incurring the direct costs associated with producing and selling its goods or services. The higher the ratio, the more the entity retains to service its other costs and debt obligations.

- **Operating Expense Ratio:** (Operating Expenses - Amortisation - Depreciation - Interest Expense) / Revenue

$$\$4,228 / \$50,200 = 8.4\%$$

The operating expense ratio represents the efficiency of an entity's management by comparing operating expenses to sales. The ratio illustrates how efficient an entity's management is at keeping costs low while generating sales. More efficient entities have lower ratios.

- **Net Profit Margin:** Net Profit / Income

$$\$4,228 / \$50,200 = 8.4\%$$

The net profit margin ratio represents the amount of profit that an entity retains after incurring all costs. The higher the ratio, the more profit is generated per each unit of sales.

Balance Sheet Ratios

31 October 2020 vs 30 September 2020

| | Oct 2020 | Sep 2020 | Variance | Variance (%) |
|-------------------------|------------|-----------|-----------|--------------|
| Liquidity | | | | |
| Current Ratio | 3.58 | 3.49 | 0.09 | ▲ (+3%) |
| Quick Ratio | 3.53 | 3.45 | 0.08 | ▲ (+2%) |
| Debtors days | 100.5 days | 68.4 days | 32.1 days | ▲ (+47%) |
| Creditors days | 61.8 days | 45.9 days | 15.9 days | ▲ (+35%) |
| Solvency | | | | |
| Debt to Equity | 0.43 | 0.45 | -0.01 | ▼ (-4%) |
| Du Pont Analysis | | | | |
| Operating Efficiency | 8.4% | 8.7% | -0.3% | ▼ (-11%) |
| Asset Use Efficiency | 5.6% | 6.9% | -1.3% | ▼ (-14%) |
| Financial leverage | 1.44 | 1.43 | 0.01 | ▲ (+1%) |
| Return on Equity | 0.7% | 0.9% | -0.2% | |

Liquidity Ratios

Liquidity ratios are used to determine an entity's ability to settle current debt obligations.

- Current Ratio: Current Assets / Current Liabilities

$$\$800,386 / \$223,641 = 3.58$$

The current ratio represents an entity's ability to pay short-term obligations (those due within one year). Lenders, investors, and creditors often use this ratio to understand how an entity can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

- Quick Ratio: (Cash + Receivables) / Current Liabilities

$$(\$637,497 + \$152,546) / \$223,641 = 3.53$$

The quick ratio represents an entity's ability to pay short-term obligations (those due within one year) using its most liquid assets. The most liquid assets are assets that can be converted quickly to cash. The quick ratio is also known as the acid test ratio.

- Debtor Days: (Average Accounts Receivable / Revenue) x Number of Days in the Period

$$(\$162,780 / \$50,200) \times 31 = 100.5 \text{ days}$$

The debtor days ratio indicates the average number of days that an entity takes to collect its receivables or money owed to it by clients. The ratio demonstrates how effective an entity manages the credit it extends to customers and how quickly that short-term debt is collected. The lower the ratio, the faster the entity receives money from its debtors.

- Creditor Days: (Average Accounts Payable / (Cost of Sales + Expenses)) x Number of Days in the Period

$$(\$91,605 / (\$30,800 + \$15,172)) \times 31 = 61.8 \text{ days}$$

The creditors days ratio indicates the average number of days that an entity takes to pay its bills, invoices and expenses to suppliers, vendors and employees. A higher ratio indicates that the entity takes longer to pay its bills and expenses which means that it retains the available funds for a longer duration. A higher ratio may allow the entity an opportunity to utilize the available cash in a better way to maximize return.

Solvency Ratios

Solvency ratios measure an entity's ability to sustain operations indefinitely by comparing debt levels with equity.

- Debt to Equity (D/E): Total Liabilities / Total Equity

$$(\$269,021 / \$618,671) = 0.43$$

The debt to equity ratio represents an entity's financial leverage. The ratio is a measure of the degree to which an entity is financing its operations through debt versus wholly owned funds. A lower ratio reflects the ability of shareholder equity to cover all outstanding debts.

DuPont Analysis

DuPont analysis is a useful technique used to decompose the different drivers of return on equity (ROE). The decomposition of ROE allows investors to focus on the key metrics of financial performance individually to identify strengths and weaknesses in an entity.

There are three major financial metrics that drive ROE: operating efficiency, asset use efficiency and financial leverage.

- Return on Equity: Operating Efficiency x Asset Use Efficiency x Financial Leverage

$$(8.4\% \times 5.6\% \times 1.44) = 0.7\%$$

The return on equity ratio is considered a measure of how effectively management is using an entity's assets, leverage and expenses to create profits for shareholders. ROE can be increased by improving operating efficiency, asset use efficiency or by increasing financing leverage via more debt funding.

- Operating Efficiency: Net Profit / Income

$$(\$4,228 / \$50,200) = 8.4\%$$

The operating efficiency ratio is identical to the net margin ratio and represents the amount of profit that an entity retains after incurring all costs. The higher the ratio, the more profit is generated per each unit of sales.

- Asset Use Efficiency: Income / Average Total Assets

$$(\$50,200 / \$888,568) = 5.6\%$$

The asset use efficiency ratio is used to demonstrate how effective an entity is at utilizing its assets to generate sales. The higher the ratio, the lower the quantum of assets required to generate sales.

- Financial Leverage: Average Total Assets / Absolute Value of Average Equity

$$(\$888,568 / \$616,557) = 1.44$$

The financial leverage ratio demonstrates how much debt the entity has utilized to finance its business. The higher the ratio, the more debt the entity is using in its funding structure.