

FINANCIAL RATIOS ANALYSIS AND DECISION MAKING A CASE STUDY OF BRALIRWA LTD

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ABSTRACT

This study dealt with financial ratios analysis in decision-making a case study of Bralirwa S.A. Despite the analysis made in Bralirwa, some of the decisions taken are not appropriate and this impacted its solvency and profitability. This was due to the low knowledge of users of financial statements about accounting ratios to aid decision-making, low number of professionals and the summarised nature of financial statements used by management in decision making. The purpose of the study was to identify the role financial ratios analysis in making rational decisions. The objectives of the study were to show how ratio analysis facilitated proper understanding of information contained in financial statements of Bralirwa, to identify the usefulness of financial ratios in measuring and predicting the performance and financial position of Bralirwa and to identify the problems to proper use of financial ratios in decision making. Literature review was reviewed to enable the researcher to explicitly understand what other authors have written about the ratio analysis and decision making. This study was of importance to the researcher as it equipped him the knowledge of financial analysis techniques and interpretation of financial statements for managerial purpose. The research enabled managers to understand better the role that played financial ratio analysis in decision making and it attempted to make a causative analysis and designed the possible alternative to make Bralirwa more competitive in its industry. This study was a new source of information to MKU and other researchers as it was added to existing literature review. In the research methodology, the research design used quantitative and qualitative research design. This design was suitable for the subject under investigation because it helped the researcher to derive explanations of how ratio analysis of the financial performance was of great importance in taking decision; it was descriptive and analytical in nature. The researcher used stratified sampling methodology in order to get the sample representing all population. The study population was composed of the staff and management of Bralirwa. To achieve the objectives of the study, 56 people received each a questionnaire. The results of this study helped to establish the role of financial ratios in decision making. Findings of this research showed financial ratios are helpful to summarize large quantities of financial data so as to enable the financial information users make qualitative judgment and decision about company financial performance. This study recommended to BRALIRWA that it should change its accounting and reporting period to make it possible to identify and analysis financial deviations at an early stage and take corrective action before the situation worsens. BRALIRWA should endeavor to find out the average ratios of the industry so that their ratios do not greatly vary from the average ratios of the industry that it is under. Ratio analysis reveals that BRALIRWA total assets turnover ratio was not stable, therefore BRALIRWA, management are recommended to take into account those variations and try to bring stability in effective utilization of company's total assets. BRALIRWA management is recommended to strengthen their selling strategy so that their inventories cannot take too long in the stock.