**TO :** [INSERT NAME OF RECIPIENT]

**FROM :** [INSERT NAME OF PERSON]

**CC :** [INSERT NAME]

**DATE :** [INSERT COMPLETE DATE]

**FINANCIAL MEMO**

**RE: FINANCIAL MEMO**

The reason for this financial memo is to make an analysis of the financial performance of [INSERT COMPANY NAME] for the period of [INSERT PERIOD] compared to the financial performance of [INSERT NAME OF COMPETITOR] for the period of [INSERT PERIOD].

In this memorandum, a comparison shall be made between the company and the competitors’ financial performance in the apparel industry. An overview of the financial performance of the two companies shall be analyzed within the same period. The analysis shall include the following categories: (1) the business industry; (2) the ratio analysis; (3) the effect of the price of raw materials to the finished product; and (4) the effect of the prices on the consumers.

1. **THE BUSINESS INDUSTRY**

[INSERT COMPANY NAME] and [INSERT COMPETITOR’S NAME] have been operating in the industry for almost the same length. [INSERT COMPANY NAME] and [INSERT COMPETITOR’S NAME] offer almost the same products. Both competing companies have the same number of retail stores. They market their products on the same consumers and target the same consumer behavior. As expected, both companies also compete within the same service.

1. **THE RATIO ANALYSIS**

[INSERT COMPANY NAME] and [INSERT COMPETITOR’S NAME]’s financial performance for the period [INSERT PERIOD] shall be compared using a ratio analysis.

**The Most Liquid Asset**:

Cash is the most liquid asset for both companies. The cash on hand can easily pay current liabilities. The cash on hand ratio for [INSERT COMPANY NAME] is [INSERT RATIO] while [INSERT COMPETITOR’S NAME] is [INSERT RATIO]. This means that [INSERT COMPANY NAME WHICH HAVE A HIGHER RATIO] has a higher liquid asset than the other. This does not mean that the company has more sales than the other company, but an indication that the competitor company has higher current liabilities.

**Inventories:**

As for stock inventories, both companies have an accounting rule which is first in, first out. This means that the first finished products from the factory are the first ones being sold to customers. The company sees to it that a percentage of the total number of products being manufactured are on stock in the warehouses. This is slightly the same for [INSERT COMPETITOR’S NAME], which sees to it that [INSERT PERCENTAGE] % of goods must be in stock. The number of inventories being kept are based on the total asset turnover which computes for the turnover ratio of the inventories, converting into liquid assets. The asset turnover for [INSERT COMPANY NAME] is [INSERT PERCENTAGE] % while for [INSERT COMPETITOR’S NAME], the asset turnover ratio is [INSERT PERCENTAGE] %.

**Market Risk:**

Although the company and its competitor are two of the most popular organizations offering apparel to customers, they should not feel too confident for another company may be established offering the products. Both companies allocated contingency budgets and plans in the event some unforeseeable events may impact their targeted market. The company allocated [INSERT PERCENTAGE] % from its total budget for this contingency plan, while [INSERT COMPETITOR’S NAME] allocated [INSERT PERCENTAGE] from its total budget.

**Financial Risk:**

Every company must be prepared for financial threats. The threats are usually determined by the liabilities of each entity. The financial risk is determined by the capability of each company to pay for its current and noncurrent liabilities. Both companies have set up debt management leverage and coverage ratios. The company has set up this amount: [INSERT AMOUNT] for this purpose. [INSERT COMPETITOR’S NAME] has set up [INSERT AMOUNT].

**Profitability:**

Both companies have determined their profitability using a tool called profitability ratios. The profitability ratio for [INSERT COMPANY NAME] is [INSERT RATIO], while [INSERT COMPETITOR’S NAME] has a ratio of [INSERT RATIO]. The profitability ratio is used in order to determine how productive the companies are. In doing so, both companies will be able to anticipate their return on assets and respective break even points in the business.

**Advancement:**

Both companies have determined their life span in the market through the going concern analysis. The company has determined its life span based on the return of investment generated per year which is indexed at [INSERT RATIO]. [INSERT COMPETITOR’S NAME] has determined its life span at [INSERT RATIO] based on the return of investment it has generated per year.

1. **THE EFFECT OF THE PRICE OF RAW MATERIALS ON THE FINISHED PRODUCTS**

The raw materials used by both companies are more or less the same since they offer similar products to the market. Prices of raw materials affect product price.

1. **THE EFFECT ON THE PRICES ON THE CONSUMERS**

Price affect consumer behavior, but consumer loyalty is much greater with quality products. The company wants to continue its focus on quality product development.

Prepared by:

[INSERT NAME AND SIGNATURE]

[INSERT JOB TITLE]

Accepted and Acknowledged by:

[INSERT NAME AND SIGNATURE]

[INSERT JOB TITLE]

[INSERT DATE SIGNED]