The Role of Financial Analysis in Managerial Decision-Making: A Case Study of Al-Etihad Food Industries Company

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Abstract -:This study focuses on the importance of financial analysis in the decision-making processes within Al-Etihad Food Industries Company. Financial analysis is a critical tool that helps managers evaluate the company's financial health, profitability, and overall performance. By analyzing financial statements, ratios, and trends, decision-makers can identify areas of strength and weakness, enabling them to make informed strategic decisions.

The research highlights how financial analysis aids in resource allocation, cost control, and forecasting future growth. It also examines specific financial indicators, such as liquidity ratios, profitability margins, and debt management, to demonstrate how these factors impact both short-term and long-term planning.

In the case of Al-Etihad Food Industries, the study demonstrates that financial analysis has played a pivotal role in improving operational efficiency, optimizing investments, and responding to market changes. By integrating financial data into the decision-making process, the company has been able to strengthen its competitive position and achieve sustainable growth.

I. INTRODUCTION

Financial analysis is an essential requirement for sound financial planning, which has become increasingly important in light of the complexity and expansion of economic institutions' activities. It has become imperative for the financial manager to understand the financial position of the institution before considering future plans. As a result of economic developments, the results shown in the final financial statements of institutions can no longer provide a comprehensive picture of the activity without being supplemented by one or more financial analysis tools. Additionally, the absolute figures presented in these statements are no longer capable of providing a clear picture of the financial situation of institutions. Therefore, it is necessary for this data to undergo examination, auditing, and analysis to study the reasons for its success or failure and to identify its strengths and weaknesses.

Moreover, the complexity that accompanies decision-making in a world of increasing competition and uncertainty means that administrative decisions in the areas of operations, investment, or financing are no longer easy for decision-makers to execute based solely on personal experience. They must be supported by the results of financial analysis and forecasts, especially since success and progress should not be a result of luck, chance, or external influences over which the institution has no control. This indicates that planning its activities for the upcoming period should not be done without conducting an in-depth study and numerical analysis of the final financial statements, so that the financial manager can discover strengths and exploit them effectively, as well as identify weaknesses to take the necessary corrective actions.

A. Research Problem

The decision-making process in economic institutions has become essential, and thus it has become imperative for the financial manager to analyze financial statements that contain a vast number of figures gathered daily in accounting books. He must study, analyze, and interpret these figures to understand the true financial situation of the institution and benefit from it in making necessary administrative decisions. This is, of course, what financial analysis aims to achieve. Based on the above, the research problem becomes "The Role of Financial Analysis in Decision-Making within the Institution ".

To delve deeper into this topic, we pose the following sub-questions :

- What is the importance of financial analysis and how effective is it in the institution's policy ?
- What are the tools of financial analysis ?
- What is the decision-making process? What are the types of decisions ?
- How are financial analysis tools relied upon in the decision-making process ?

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B. Research Hypotheses

- The financial manager contributes to decision-making .
- The tools of financial analysis are the fundamental pillar for supporting the institution's decisions .
- Algerian economic institutions use financial indicators to make decisions .

C. Study Objectives

- To identify the efficiency of financial analysis and its effectiveness in diagnosing problems in the field.
- To attempt to understand the approach taken by the institution in decision-making to maintain its financial balance.
- To reveal the flaws and deficiencies present in the decisions made.

D. The Importance of the Study

The research holds significant importance, which is reflected in the following points :

- Financial analysis is considered one of the most topics that has received and continues to receive great attention in the field of financial management within the institution .
- The importance of financial analysis lies in its ability to diagnose the actual financial condition of the institution .
- Financial analysis is an important tool in decision-making.

II. PREVIOUS STUDIES

In light of the studies that addressed the topic of financial analysis and its impact on decision-making, we will attempt in this section to discuss previous studies that enable us to obtain various sources .

- Study by Yamine Saada (thesis submitted in partial fulfillment of the requirements for a master's degree, University of Batna, 2008) .

Yamine Saada addressed in her thesis entitled "The Use of Financial Analysis in Evaluating the Performance of Economic Institutions and Rationalizing Their Decisions." The study examined whether financial analysis is a tool or mechanism for reaching an evaluation of the financial situation of the institution and identifying the problems it faces, and her study was applied to the National Company for the Manufacture of Measuring and Monitoring Devices .

- Study by Toudert Akli (thesis submitted in partial fulfillment of the requirements for a master's degree, University of Algiers, 2009) .

Toudert Akli addressed in her thesis entitled "Financial Analysis in Light of the Financial Accounting System." The study focused on the financial statements within the accounting system and identified the key points that have emerged.

➢ *Methodology and Study Tools*

In our study of this topic, we will rely on a combination of descriptive analytical methodology and case study. The descriptive methodology will be evident in presenting and analyzing all information by providing various concepts of financial analysis and how to use financial analysis tools in the decision-making process, as well as drawing conclusions from the field study at the cable manufacturing company in Biskra Province.

III. WHAT IS FINANCIAL ANALYSIS

A. The Concept of Financial Analysis

Financial analysis is closely related to the needs of the various parties involved with a specific project, to understand the econo000mic changes that have occurred in its operations over a certain period, and the trends that may develop in the future. To understand historical variables and future predictions, financial analysis is used to study the past and compare it with the present to gain insights into the future. In this sense, it is a science that focuses on generating information to assist stakeholders in making decisions related to the project.

Based on the above, definitions of financial analysis have been provided, among which we can mention:

- Financial analysis is a systematic processing of available data aimed at obtaining information used in the decision-making process, evaluating institutional performance in the past and present, and predicting what it will be in the future.
- Financial analysis involves the interpretation and understanding of published financial statements for the purpose of making future decisions.
- At its core, financial analysis involves a detailed study of financial data and the relationships between them, raising questions about their significance in an attempt to explain the reasons that led to the emergence of this data in the forms they currently exist, which helps to identify the strengths and weaknesses in the various financial policies that the institution seeks to demonstrate.
- Financial analysis is a process through which a set of quantitative and qualitative indicators related to the activities of an institution is explored or dissected. This process contributes to determining the significance and characteristics of the institution's operational and financial activities, using information extracted from financial statements and other sources, in order to utilize these indicators to evaluate the institution's performance for the purpose of making appropriate decisions.

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- Financial analysis is a study of the financial position or condition of the institution over a specific period of time, aimed at obtaining information used in decision-making and evaluating the performance of commercial and industrial institutions in the past and present. It is also defined as a phase of studying and diagnosing the institution's condition, which involves analyzing activity, profitability, financial balance, and financing the institution through the analysis of historical data, meaning a detailed study of financial data and making estimates and forecasts concerning the future, based on which procedures to improve the situation are proposed.

B. Characteristics and Types of Financial Analysis

First: Characteristics of Financial Analysis: The characteristics of financial analysis are :

➢ General Introduction to Financial Analysis

- It is the process of converting financial data presented in financial statements into information used as a basis for decision-making .
- It includes all activities at all management levels, not just financial activities .
- It is a continuous activity within the organization .
- It differentiates between data and information that assists in the decision-making process .
- It is not limited to specific financial data but extends to budgets and income statements .

➢ *Types of Financial Analysis*

- *Internal and External Analysis* :

There are different types of financial analysis depending on the subject of research and the conclusions drawn by the analyst, the size of the study, and the time taken for the analytical process .

The analysis based on studying economic-social data and information of a specific unit is called internal analysis, meaning the study of the economic activities of a single project without comparing it to other economic entities related to the project .

This type of analysis remains limited without comparing it to other projects and economic institutions that are similar in nature of work or activity .

If such a comparison is made, then in this case, the analysis is external. To clarify the last mentioned idea, let's assume that one entity conducts a commercial activity in one city, and a second entity conducts the same activity in the same city. If one of the entities performs an analytical process of its activity without comparing it to the second entity, then the analysis is internal; however, if a comparison is made, then the analysis is external.

➢ *The temporal dimension of analysis*:

Financial analysis has a temporal dimension that represents the past and present. Based on this, financial analysis can be categorized in relation to time as follows:

- *Vertical analysis (static or stationary)*:

This means that each financial statement is analyzed independently of others, as it is done vertically for the items in the financial statement being analyzed, where each item is related to the total sum of these items or to the sum of a subset of them.

- *Horizontal analysis (dynamic)*:

This analysis focuses on studying the behavior of each item in the financial statement over a changing period, meaning tracking the movement of this item, whether it increases or decreases, over a specific time frame. Unlike vertical analysis, which is characterized by stability, horizontal analysis is characterized by dynamism as it illustrates the changes that occurred during a specified time period.

➢ *The period covered by the analysis*

Financial analysis can be classified based on the length of the time period it covers as follows:

- *Short-term financial analysis*:

This analysis can be vertical or horizontal, but it covers a short time period. It is useful in measuring the capabilities and achievements of the project in the short term, and it often focuses on the project's ability to cover its current obligations and generate operational revenues in the short term. Therefore, it is often referred to as liquidity analysis, and this type of analysis is primarily of interest to creditors and banks.

- *Long-term financial analysis*:

This analysis focuses on the overall financing structure, fixed assets, and long-term profitability, in addition to covering the project's long-term obligations. This includes the ability to raise interest and debt installments when due, the regularity of dividend distributions, the size of these distributions, and their impact on the project's stock prices in financial markets. To achieve these objectives, the financial analyst analyzes the consistency in the financing structure and its uses. This means combining short-term analysis when studying short-term financing sources and their areas of use with long-term analysis when studying long-term financing sources (internal and external) and their areas of use.

C. Objectives of Financial Analysis

The general aim of financial analysis is to evaluate the performance of the institution from multiple perspectives, and how to achieve the objectives of information users who have financial interests in the institution, with the intention of identifying strengths and weaknesses, and then benefiting

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from the information provided by financial analysis in rationalizing their financial decisions related to the institution.

There are some objectives that financial analysis has gained in our current time, some of which we will mention:

- Understanding the financial position of the institution.
- Knowing the position of the sector to which it belongs.
- Comparing the overall situation of the institution with others in the same sector.
- Assisting in making financial decisions at the lowest cost and highest return.
- Proposing financial policies to change the financial situation and independence of the institution.
- Guiding investors and those interested in various investment fields and the expected return for each area.
- Verifying the financial position of the institution and the financial risks it may face due to the adopted financing policy.
- Determining the return on owners' funds in each establishment and the degree of associated risks.
- Assessing the institution's success in achieving its objectives and the percentage of profits realized

IV. INTRODUCTION TO THE DECISION-MAKING PROCESS

The decision-making process is used to address existing problems, confront certain situations or circumstances, or achieve predetermined goals. From this principle, we aimed to clarify this in this introduction by discussing the definition of the decision-making process, the stages it goes through, and the factors influencing the decision-making process.

A. Requirement One: Concept of the Decision-Making Process

Several definitions of decision-making have emerged, including: decision-making is a specific or defined course of action among a set of alternatives in facing future possibilities. Decision-making is the selection of the best available alternatives after conducting a thorough study of the expected outcomes of each alternative and their impact on achieving the desired goals.

The decision-making process is the essence of the administrative process and the focal point of administrative function activity; it is the process of choosing a strategy or action. This process is organized, rational, and far removed from emotions, based on study and objective thinking to reach a satisfactory or appropriate decision.

In general, most human behaviors are the result of decision-making processes independent of the outcomes of these behaviors. The decision is a rational arbitration that precedes action. In this context, Herbert Simon stated that decision-making is the heart of management and that management theory terms should be derived from the perspective of human psychology.

This arbitration state is independent and should remain independent of the outcome because the goal and purpose of the decision is to reach a positive result. However, the outcomes of actions are a factor in the continuity of the decision-making process, as positive results drive individuals to further push towards development and improvement, that is, finding new tasks, while negative results form the basis for making decisions related to finding solutions to existing problems and mitigating their effects.

It is worth noting, in the context of defining the concept of the decision-making process, the following characteristics:

➢ The decision-making process is an advanced stage in the administrative process, and the stages preceding the decision-making process (the decision-making stage) are essential prerequisites for sound decisions. Although the decision-making process appears in one form or another at each stage, it is embodied in the decision-making stage through a plan of action or procedure, etc. The decision fundamentally relies on the existence of a work task that must be executed or a problem that needs to be solved. In both cases, the decision-maker must have the necessary resources at hand, and it is assumed that alternatives for implementation and solutions to the problem are available. The administrative decision involves selecting the optimal alternative (for executing the task and solving the problem). Often, the outcome of the decision, especially regarding problems, is a compromise solution that synthesizes the available resources with the imposed needs and requirements, conditions, factors, and circumstances both within and outside the environment. This arises from the fact that the decision-making process and its execution involve preference, selection, compromise, synthesis, classification, and arrangement among the available resources and the set objectives.

➢ Several elements are associated with decisions, and the choices among alternative paths for action are:

- A person with a problem who represents the decision-maker or the one responsible for the selection process (the administrative individual).
- A goal that the decision-maker wants to achieve (an organizational goal).
- An environment in which problems arise, represented by natural situations that are beyond the control of the decision-maker.
- Methods to reach the desired goal.
- An outcome that represents the result of following a specific course of action under a particular natural condition, and if the results are translated into values, they are referred to as returns.
- A state of desire to determine the best practical course of action .

- The decision-making process is considered both an administrative function and an organizational process. It is an administrative function as it is one of the main responsibilities shouldered by the manager, and it is also an organizational process since making many decisions is a task too large for the manager to handle alone. It results from the efforts of many individuals forming groups or boards of management, and in some cases, it may even be the result of a computer. The manager today does not work in isolation but is influenced in their decisions by the opinions and ideas of those around them and by the nature of the environment in which they operate. In this sense, the decision-making process is an administrative and organizational activity. Decisions reflect many of the main administrative functions such as forming plans, setting policies, and defining goals, and they lead to numerous objectives and outcomes related to managing the organization. The decisions of managers have a significant impact on the shape and style of work within the organization itself.
- The simplest approach to the decision-making process is to view it as a choice made by the decision-maker to select the best alternative among many options. Thus, it represents an activity or a set of activities for choosing among various alternatives. In some cases, the selection process may not be limited to specific activities, and in many cases, these may be observable activities or can be directly noticed. Moreover, in many instances, the decision results in some visible activities such as laws, policies, orders, instructions, procedures, and others.

B. Stages of the Decision-Making Process

The decision-making process goes through several stages, each requiring various steps and procedures to reach sound decisions. The number of these steps and their arrangement vary among thinkers, and there are different classifications of the stages and steps of administrative decision-making. Each classification represents a specific perspective, and the following viewpoint can be adopted:

❖ *The Preparatory Stage (Decision Makers):*

This stage consists of a series of processes or steps arranged chronologically as follows:

- *Recognizing the Problem:*

The problem arises from a discrepancy between the current state and the desired state, meaning there is a gap between the goals or expected outcomes and the actual level of achievement or performance. Solving the problem requires the manager to follow two approaches aimed at either changing the current state or altering the desired state (goals).

- *Defining Objectives:*

Solving the problem requires the manager to follow two approaches aimed at either changing the current state or altering the desired state, meaning he must define the objectives that the appropriate decision will aim to achieve.

- *Understanding the Problem*:

Discovering its nature and its connection to other administrative aspects, and often administrative problems take the following forms:

- Traditional or Routine Problems: These address daily issues that recur constantly, such as employee attendance.
- Vital Problems: Their impact is broad, stemming from traditional issues affecting the workflow, such as planning.
- Emergency Problems: These occur suddenly due to changes in the surrounding environment of the organization or other factors like machine breakdowns and delays in material delivery.

- *The Developmental Stage of Decision-Making*:

This stage consists of two steps:

- *Identifying Alternatives*:

Alternatives are the solutions or means and methods available to the manager to solve an existing problem and achieve the desired objectives. The manager must conduct sufficient study to identify the alternatives based on their previous experience in this field and the results of others' experiments. Practically, alternatives that are directly related to achieving the desired results must be identified, provided that these alternatives are within the limits of the resources available to the decision-maker. Therefore, the process of identifying alternatives requires management to do the following:

- ✓ The ability to develop solutions and concepts in the field of finding solutions, especially new ones.
- ✓ Extensive reliance on previous experiences, records, and the knowledge and expertise of others in the same field to gather all information and aspects related to the problem and consequently all possible solutions.

- *Evaluating Alternatives*:

This requires a thorough study of each alternative, determining the outcomes associated with each alternative and the cost of each alternative (balancing positives and negatives) based on specific technical, economic, and social criteria. After that, the manager compares those alternatives with each other.

This stage is very difficult compared to the previous stages because it requires predicting future incidents, conditions, and factors that influence the decision, which is based on information that is largely characterized by uncertainty. This step helps to reduce the number of alternatives by discarding those that do not meet the minimum established criteria (level of satisfaction), which provides more time for management to make decisions away from what is known as decision-making under pressure, i.e., urgent and immediate decisions.

- *The final stage (Decision Model)*:

This stage consists of the following steps:

Selection: The appropriate alternative is chosen from the perspective of the manager after carrying out the previous five steps, guided by the following:

- ✓ Balancing the expected benefits against the associated risks in selecting the most suitable alternative.
- ✓ Choosing the alternatives that are most efficient in terms of resource utilization, required speed, and appropriate timing.
- ✓ The realism of the alternative and its feasibility based on available resources, especially the human resources that will implement it.
- ✓ Selecting the alternative that achieves the organization's objectives and aligns with its policies and strategies.
- ✓ Choosing the alternative that results in the least possible negative reactions from the implementers.

Implementing the decision: This stage is considered a continuation of the previous stages, even though the decision has been made, and the implementation comes to make the decision real and tangible, especially after ensuring the cooperation and interaction of everyone involved in executing the decision. This requires an important role from the manager to ensure successful implementation, such as motivating the employees.

The decision itself is worthless unless it is implemented, and often time, effort, and money are spent to reach a sound and logical decision, only to squander all of that due to our failure to implement it. Therefore, once the most suitable alternative to solve the presented problem is chosen, the decision or solution must be effective in implementation to achieve the desired goal. Some decision-makers believe that their role ends with choosing the best alternative, but this belief is inherently flawed because the decision may require the cooperation of others for its implementation and monitoring to ensure the correctness and effectiveness of the decision. It may also require knowledge and familiarity from those involved in the implementation. Additionally, the feeling of employees participating in decision-making greatly contributes to effectively transforming the alternative into a productive action.

➢ *Follow-up, observation, and monitoring.*

This step requires the manager to follow up on the implementation of the decision and the guidance they exercise on the work of their executing subordinates. They must observe how the implementation is carried out, which requires additional administrative tasks such as communication and guidance. After that, the manager works on recording all obstacles to the implementation of the decision and draws lessons to develop solutions in the future.

C. Factors Affecting the Decision-Making Process

Despite the multitude of decisions made by managers, the factors influencing the decision-making process increase the difficulty and cost of this process. When these factors strongly intertwine, they can sometimes lead to incorrect decisions. Therefore, making any decision, no matter how simple and with limited effects and scope, requires management to consider a number of factors that have different impacts on the decision, some of which are internal organizational factors, while others are behavioral or human, in addition to other quantitative factors related to costs and expected returns, etc .

➢ *External Environmental Factors* :

These factors represent the external pressures coming from the surrounding environment in which the organization operates, and which the organization is subject to. The management of the organization is also subjected to these pressures, which include the following :

- The prevailing economic, political, and financial conditions in society .
- Technological developments and the infrastructure upon which economic activities are based .
- Sectoral production conditions such as competitors, suppliers, and consumers .
- Organizational, social, and economic factors such as unions, legislation, government laws, public opinion, the state's general policy, and production conditions .
- The level of competition the organization faces in the market.

These factors lead the organization's management to make decisions that they do not wish to make or that are not always in their interest. For example, if a decision is made under political pressure or has a political or social nature, it becomes difficult to use rational free logic in making government decisions based on economic criteria. However, this does not mean that decision-makers, both managerial and others, do not conduct a deep study of issues and problems and use decision-making procedures that cannot disregard the reality in which the organization operates.

➢ *Internal Environment Factors*:

These are represented by organizational factors and the characteristics of the organization, which include many important elements, as follows:

- The absence of an information system within the organization that serves the decision-maker well.
- The lack of clarity regarding the degree of organizational relationships among individuals, departments, and sections.
- The degree of centralization, the size of the organization, and the extent of its geographical spread.
- The clarity of the organization's primary objectives.

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- The availability of financial, human, and technical resources for the organization.
- The decisions issued by other managerial levels.
- The impact of these factors appears in various aspects related to the following:
- The circumstances surrounding the decision-maker.
- The impact of the decision on the overall individuals in the organization.
- The available financial, human, and technical resources before the organization's management.

➢ *Personal and Psychological Factors*:

These factors include everyone involved in decision-making, starting with the administrative decision-maker and his advisors and assistants who participate in the decision-making process. These factors are divided into two types:

- Psychological factors, which are diverse; some relate to internal motivations of the person, while others relate to the psychological environment connected to them in the decision-making process, especially during the stage of selecting alternatives from the available options.
- Personal factors related to the personality of the decision-maker and their capabilities. Many of these factors influence the decision-making process, as the decision relies on numerous individual and personal traits that have developed before reaching the organization. Thus, the processes of selecting and training individuals are important factors in the quality of decisions made within the organization.

Personal behavior directly affects the effectiveness of decision-making. Every manager has their own style, even if competencies and skills align. Raymond McLeod believes that there are three dimensions to allow for individual differences from one manager to another, and these dimensions are

- Their approach to sensing the problem.
- Their approach to gathering information.
- Their approach to using information.

As for the approach to sensing the problem, managers are divided into three main categories: problem avoiders, problem solvers, and problem seekers .

Additionally, behavior patterns have a direct impact on decision-making, and managers' behavior patterns are classified into four types: risk-taking, cautious, hasty, and reckless.

➢ *Factors of Decision-Making Conditions:*

The multiplicity in decision-making is one of the factors that hinders the issuance of sound decisions in a timely manner, which affects the problem and the effectiveness of its solution. The reason for hesitation in decision-making is the relationship of decisions to the future, which is characterized by the inability to accurately determine what will happen in it, leading to making decisions under conditions of uncertainty or certainty or under a degree of risk or changing circumstances.

➢ *Other Factors: Such as:*

- *The Impact of Time Element*

The time element has a significant impact on the decision-maker. The longer the time available for the decision-maker to make their decision, the more alternatives are available, the closer the results are to accuracy, and the more the analysis of information is feasible. Conversely, the shorter the time available for the decision-maker, the more speed is required in making a decision, which reduces the alternatives available to them.

D. The Impact of Decision Importance:

- The greater the importance of the decision, the greater the necessity to gather sufficient information about it. The relative importance of each decision is related to the following factors:
- The number of individuals affected by the decision and the degree of that impact.
- The cost of the decision and the return; the importance of the decision increases as the costs arising from it or the expected return from this decision increases.
- The time required to make it; the more important the decision, the longer the administrator needs to acquire experience and knowledge of the various factors affecting the decision.

V. PRACTICAL ASPECT: CASE STUDY OF AL-ITTIHAD INVESTMENT COMPANY

A. Introduction

In this section, we will explore how financial analysis impacts management decisions at Al-Ittihad Investment Company in Iraq. We will analyze the company's financial data for the fiscal year ending December 31, 2023, to illustrate how this data is used in strategic management decisions.

➢ *Financial Data of Al-Ittihad Investment Company*

Here are the key financial figures for Al-Ittihad Investment Company for the fiscal year ending December 31, 2023:

- **Revenue:** 50,000,000 Iraqi Dinars
- **Cost of Sales:** 30,000,000 Iraqi Dinars
- **Net Profit:** 8,000,000 Iraqi Dinars
- **Total Assets:** 100,000,000 Iraqi Dinars
- **Total Liabilities:** 30,000,000 Iraqi Dinars
- **Shareholders' Equity:** 70,000,000 Iraqi Dinars

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B. Financial Analysis

➢ *Profitability Analysis*

- *Gross Margin*

Gross Margin $= \frac{Revenue - Cost\ of\ Sales}{Revenue} \times 100$

Gross Margin $= \frac{50{,}000{,}000 - 30{,}000{,}000}{50.000.000} \times 100 = 40\%$

A gross margin of 40% indicates that the company has a good ability to control sales costs and achieve a strong profit from its revenues.

- *Return on Investment (ROI)*

$$ROI = \frac{Net\ Profit}{Total\ Assets} \times 100$$

$$ROI = \frac{8{,}000{,}000}{100.000.000} \times 100 = 8\%$$

An ROI of 8% reflects the company's effectiveness in using its resources to generate profits.

➢ *Liquidity Analysis*

- *Current Ratio:*

Current Ratio $\equiv \frac{Current\ Assets}{Current\ Liabilities}$

Assuming current assets are 15,000,000 Iraqi Dinars and current liabilities are 10,000,000 Iraqi Dinars:

Current Ratio$= \frac{15{,}000{,}000}{10{,}000{,}000} = 1.50$

A current ratio of 1.50 indicates that the company has sufficient liquidity to cover its short-term obligations.

➢ *Financial Structure Analysis*

C. Debt to Equity Ratio:

Debt to Equity Ratio $= \frac{Total\ Liabilities}{Shareholders'\ Equity} \times 100$

Debt to Equity Ratio $= \frac{30{,}000{,}000}{70{,}000{,}000} \times 100 = 42.86\%$

A debt to equity ratio of 42.86% suggests that the company relies moderately on external financing.

D. Using Financial Analysis for Management Decisions

Based on the financial analysis, management can make the following decisions:

➢ *Expansion Strategy:*

With a good gross margin and acceptable ROI, management can consider expanding the company's activities or entering new markets to boost revenue growth. This might include new investments or developing new products and services.

➢ *Liquidity Management:*

The current ratio indicates the company's ability to meet its short-term obligations. Management should maintain this level of liquidity to ensure stable cash flow and successfully implement strategic projects, avoiding liquidity crises that could disrupt operations.

➢ *Financial Structure:*

The debt to equity ratio shows that the company uses debt moderately. Management might explore opportunities to reduce the debt ratio to enhance financial stability and increase flexibility in facing economic challenges. This could involve restructuring debt or improving financing strategies.

VI. CONCLUSION

The financial analysis of Al-Ittihad Investment Company demonstrates how financial data can be used in making strategic management decisions. The company's ability to achieve good profits, effectively manage liquidity, and maintain a stable financial structure provides a solid foundation for future planning and expansion. By regularly applying financial analysis, management can make informed decisions that promote the company's growth and sustainable success.

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