

ATTACHMENT B

Additional Information on departmental financial analysis of organisation

The four standard financial ratios used to measure the level of risk of organisations are as follows:

- Current Ratio = total current assets/total current liabilities
- Quick Ratio = (cash + investments + receivables)/total current liabilities
- Debt Ratio = total liabilities/total assets
- Net Profit Ratio = operating result/revenue from ordinary activities

The following table provides the methodology for the calculation of risk ratings which was provided to the Department by an independent financial consultant for grant management purposes:

Standard Financial Ratio	Risk rating	How the risk level is calculated
Current Ratio	High	If Current Ratio is less than 0.9
	Medium	If Current Ratio is between 0.9 and 1.2
	Low	If Current Ratio greater than 1.2
Quick Ratio	High	If Quick Ratio is less than 0.85
	Medium	If Quick Ratio is between 0.85 and 1.15
	Low	If Quick Ratio is greater than 1.15
Debt Ratio	High	If Debt Ratio is greater than 1.0
	Medium	If Debt Ratio is between 0.8 and 1.0
	Low	If Debt Ratio less than 0.8
Net Profit Ratio	High	If Net Profit Ratio is less than -0.1
	Medium	If Net Profit Ratio is between -0.1 and 0
	Low	If Net Profit Ratio greater than 0