**Amazon Financial Management Report 2021-2022**

The following points provide an overview of Amazon’s financial performance across the years 2021 and 2022. In this report, I have highlighted areas of potential concern and improvement, as well as areas where the company’s performance has improved.

**Liquidity**

From the ratio calculations, we can see a decrease in Amazon’s Current Ratio from 1.14 in 2021 to 0.94 in 2022. This decrease indicates a decline in Amazon’s short-term liquidity. In addition to this, the company shows a decreased ability to cover its current liabilities with its most liquid assets. This is demonstrated through the Quick Ratio decrease from 0.91 to 0.72 across 2021 and 2022.

It is apparent from the calculated Cash Ratio across the two years that Amazon also witnessed a decrease in the company’s ability to meet short-term obligations, such as using only its cash reserves. This conclusion is demonstrated in the Cash Ratio decline from 0.38 in 2021 to 0.23 in 2022.

Amazon’s financial records from this period also indicate a decline in the period the company can survive without generating additional revenue. This decline is represented by the decrease from 143.02 days in 2021 to 124.20 days in 2022.

**Profitability**

From the ratio calculations presented, we can see a decrease in Amazon’s profitability, which effectively resulted in a net loss of £2,772,000 in 2022. This is indicated through the Net Margin decline from 0.07% in 2021 to -0.01% in 2022. Aside from this, the company also witnessed increased efficiency in generating profit from sales over the two years, showing a 2% increase from its original 42% profitability figure.

In 2022, the EBITDA margin decreased from 0.13 to 0.11, suggesting a decrease in Amazon’s ability to generate earnings before interest, taxes, depreciation, and amortization from its operations. Additionally, the company’s return on assets (ROA) decreased from 0.08% to -0.01% in 2022, further adding to the indication of its less effective utilization of assets to generate profits.

**Solvency/Debt Management**

In 2022, Amazon's debt-to-equity ratio (D/E) increased from 2.04 to 2.17. This indicates an increase in financial leverage and a greater reliance on debt financing. The times interest earned ratio also improved this year, changing from -13.75 to -5.17. This increase, though still negative, demonstrates that the company has improved its ability to generate earnings to cover its interest expenses.

The debt coverage ratio shows a decrease from 0.51 in 2021 to 0.18 in 2022. This recession in debt coverage indicates a decline in Amazon's ability to cover its debt obligations from its earnings.

**Asset Utilization**

In 2022, Amazon’s total asset ratio increased from 1.12 to 1.16, which suggests an increase in the company’s ability to generate sales from its assets. In addition to this increase, Amazon’s inventory turnover rate also increased from 8.34 in 2021 to 8.62 in 2022. This indicates a faster rate of inventory turnover.

**Investor/Market Ratios**

In 2022, Amazon witnessed a dramatic decrease in its price-to-earnings ratio, measuring 0.04 in 2021 and -0.50 in 2022. This could be a result of a decrease in investor confidence in the company, in addition to its net loss in 2022.

**Growth Rates**

Amazon experienced a general increase in product sales in 2022. This increase is reflected in the rise of its net sales growth rate to 9.40%. Additionally, the company witnessed significant increases in cash and cash equivalents (48.78%) and accounts receivables (28.79%). However, there was also a significant decline in the company’s marketable securities in this year (-73.03%).

**Operating Expenses and Margins**

Amazon’s operating income, calculated as a percentage of its net sales, also increased in 2022 from 94.70% to 97.62%, indicating an improvement in the company’s cost control and operational efficiency. However, its net profit margin declined from 7.10% to -0.53%, reflecting its negative net income for the year.

**Working Capital**

Amazon’s challenges with short-term liquidity are demonstrated through its negative working capital in 2022, as well as its negative working capital as a percentage of sales (-1.67).