Financial Statements Analysis - Measurement of Performance and Profitability: Applied Study of Baghdad Soft-Drink Industry

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Abstract
This paper attempts to analyze the financial statements and measure the performance in terms of assets utilization, and profitability. In detail the research methodology used for the study that has focused on the past and present performance of Baghdad Sort-drink Industry. The study purely relies on secondary data, which were collected for a period of ten years (2004 to September 2013) from the audited annual reports of the company and maintained and made available by several organizations viz., Baghdad Sort-drink Industry, and Iraq's Stock Exchange for the purpose of effective periodical analysis. In order to know the performance of the industry that was evaluated with the help of five financial ratios. The paper used accounting ratios and financial report analysis, namely, profitability ratios, which might affect the financial performance of the firm. Profit Margin (PM), Return on Assets (ROA), Return on Equity (ROE), Capital turnover ratio and Expense ratio. All these analyses were done to the case of Baghdad Soft-Drinks Company. This study reveals that financial strengths and weaknesses of the Baghdad Soft-drink Industry over the connected period there were gray areas took place in June 2007 to June 2009, which resulted in decline of all the concerned profitability ratios and subsequently the performance of Baghdad Soft-Drinks Industry, during the two years. In conclusion, ROE is the most comprehensive measure of profitability of a firm; it considers the operating and investing decisions made as well as the financing and tax related decisions.
Keywords: Profitability, accounting ratios, financial statements, performance, Baghdad Soft-Drinks Industry.

1. Introduction:

Financial Analysis is the process of assessing the financial position of a company by analyzing its stability, viability and profitability. One of the primary objectives of financial analysis is to recognize changes in financial trends, to help measure the progress made by an enterprise and identify a relationship to draw a logical conclusion on the performance of the company. Another major aspect of a financial analysis is comparing the performance of the company with its competitors (Laitinen, 2002). Profitability and financial performance could be defined as a measurement of the results of a firm's polices and operations in monetary terms. In assessing the overall financial condition of a company, the income statement and the balance sheet are important reports, as the income statement captures the company's operating performance and the balance sheet shows its net worth. Financial performance could be assessed using the following key measures which are important to assess the current financial position and performance. These are descriptive and analytical measures of financial position and performance. That includes current assets, current liabilities, total assets, stockholders equity, total revenues, total expenses and net income. And analytical measures of financial position and performance could include profitability measures. Thus, we would like to investigate and study the financial statements of Baghdad Soft Drinks Industry, its profitability and performance. This study is organized as follows: section two gives the theoretical foundations, while section three puts forward the related literature. The fourth section presents research methodology and data collection, meanwhile, the fifth section summaries the results of financial analysis, seventhly, the profitability and measurement of performance, and, lastly, the conclusions.

2 Theoretical Foundations:

Financial ratios drawn from annual financial reports have been used extensively in prior research for various purposes such as corporate predictions, acquisitions, liquidations, rating decisions, etc. (Maggina 2008). Every firm is most concerned with its profitability and performance. One of the most frequently used tools of financial ratio analysis is profitability ratios which show a company's overall efficiency and performance. Profitability measures are important to company's internal and external users such as managers and owners alike. If a business has outside investors who have put their own money into the company, the primary owner certainly has to show profitability to those equity investors.

2.1 The Nature of Financial Statement Structure:

The accountants use the accounts after the adjustments have been made to prepare the financial statements. These statements represent the output of the accounting system, and are statements that provides valuable source of information for business managers and all who work within the business, also for potential investors and their business. The financial assets of a business merely represent claims on real estate and also the financial asset play a very crucial role in economy. They are usually compiled on a quarterly and annual basis. Therefore the general purpose of a financial statement is aimed to meet the need of a wide range of users. The principal financial statements of a corporation are income statement (profit and loss) and balance sheet can be prepared directly from the adjusted accounts, (Gibson, 2013). The balance sheet is static like snapshot, reflects conditions on specific date of its preparation, records the categories and amount of assets employed by the business and offsetting the liabilities incurred to lenders and owners. Also is called statement of financial conditions, it must always balance. By definition, the recorded value of the total assets invested in the business at any point in time must be matched precisely by recorded liabilities and owners' equity, (Helfert, 2003). Meanwhile, the income statement reflects the effects of management's operating decisions on business performance and the resulting accounting profit or loss for the owners of the business over specified period of time. The income statement also is known as profit and loss statement or operating statement displays the revenues recognized for a specific period, and the costs and expenses charged against these revenues, (Helfert, 2003).

Income statement or profit and loss account is considered to be the traditional tool for assessing the company's performance. Most companies and institutions have as main objective to maximize their profits, so traditionally the firm performance is evaluated based on profits, reflected in the profit and loss account. The Income statement gives a retrospective view of the operations that influenced the financial position and explains the way the result of the exercise is formed as an expression of partial or global adjustments between different types of income and expenses. Financial statements serve three important economic functions: (i) they provide information to the owners and creditors of the firm about the company's current status and past financial performance, although rarely provide enough information; (ii) financial statements provide a convenient way for owners and creditors to set performance targets and to impose restrictions on the managers of the firm; and, (iii) they provide convenient templates for financial planning, managers can check the overall consistency of separate plans made on a project-by-project basis and estimate the firms total financing requirements (Bodie et al 2009).

2.2 Objectives of the Study:

The core objectives of this study are: (i) to study and show the unproblematic financial statements analysis, (ii) to evaluate the profitability position of Baghdad Soft-Drinks Industry, (iii) to measure the performance of Baghdad Soft-Drinks Industry according to its profitability.

2.3 Hypothesis of the Study:

There's a significant relationship between financial statements analysis and measurement of performance and profitability of Baghdad Soft-Drinks Industry.

2.4 Importance, Scope and Purpose of the Study:

The absolute accounting figures reported in the financial statements does not provide a meaningful understanding of the performance and financial position of the firm, the study is concerned on financial analysis to evaluate the financial performance of the Baghdad Soft Drinks Industry (Iraq). The scope of this study extends to a number of areas, by taking the help of ratio analysis, the financial strength and weakness of the firm was identified. Ratio analysis is an excellent tool to find out what went wrong or what the company is doing right; therefore, the company can take actions. Financial analysis is helpful to the management so as to know the financial strength and weakness of the firm to make the best use of their capital mix. The study aims at analyzing the profitability and overall performance of the company by using ratio analysis. Here the study is for a period of ten years, from 2004 to September 2013. The future plans of Baghdad Soft Drinks Industry should be laid down in view of the firm's financial strength and weakness by properly establishing relationship between the items of the Balance Sheet and Profit and Loss account (income statement).

2.5 Limitation of the study:

The study suffers from certain limitations: (i) it's exclusively depend on the published financial data, so it is subject to all limitations that are inherent in the condensed published financial statements. (ii) Competitive nature of organization prevent of revaluation of a confidential details. (iii) It is only rearrangement of data given in financial statements, and analysis and discussions are based on the available data. (iv) Inter firm comparison is not possible because the study covers only a single organization.

2.6 Industry Profile – Baghdad Soft-Drinks Industry:

Baghdad Soft Drinks Industry is an Iraqi joint stock company established in accordance with Act 36 of the Iraqi Companies Law 1989; with paid-up capital Iraqi Dinar 70 million for the production of soft drinks and mineral water, such as Pepsi cola, Miranda, Seven-up and others. The company invested the whole paid-up capital in purchasing all the assets that belong to the closed-down largest public corporations of drinks and canned food, that is, (i) Al-Zafaraniyah Soft-Drinks Company, and, (ii) Baghdad Soft-Drinks Company, their assets included the canned soft drinks industry. Therefore, the company purchased all the assets of both the public factories that had been licensed with certificates no. 1474 and 7062and then transferred their ownership to Baghdad Soft Drinks Industry (IBSD) with an official letter from the office of General Directorate of Regulation and Assistance, letter no. 2902, the assets possession of both liquidated factories included the current assets, useful material and fixed assets according to the rules and regulations of Iraq. Thus, Baghdad Soft Drinks Industry completed the formalities of its existence and received the order from the Ministry of Commerce, company's registration no. 3315 dated 18th July 1989. The paid-up capital was 25 billion shares, (cost of the share was Iraqi Dinar one), but increased to Iraqi Dinar 60 billion after the initial public offering was finished on 16th November 2005. The present paid-up capital is Iraqi Dinar 133 billion, right now, the company is listed with the Iraqi Stock Exchange since 15th June 2004. Meanwhile, the public sector holds 14.085 % of the company's equity, also the mixed sector holds 3.325% and the private sector share is 82.563%. The company has a supply chain of various products and has many direct points of sales to the public. The financial statements of Baghdad Soft Drinks Industry are prepared and audited accordingly and with full disclosure and published quarterly according to the directions of Iraqi Securities and Exchange Commission and also the Iraqi Stock exchange.

3. Literature Review:

The survey of related literature covers many studies that were done nationally and at the international levels, here, this study covers some of them as follows:

The study of Laitinen (2006) presents a framework for the financial statement analysis of a network of small and medium-sized enterprises. The objective is to make an approach towards a systematic network financial statement analysis. The data for the study are drawn from the public financial statements of the partner firms. The proportion of income statement items and balance sheet items is traced by a simple estimation to the resources used by the network and identified by each firm. Virtual network income statement and balance sheet are made up of the allocated proportions. The paper is focused on eight measurement objects that are causally related to form a strategic map: resources; growth; concentration; productivity; profitability; mutual flows; risk and value; and, several measures for each object are suggested.

The study that has been done by Al-Aameri and Alrikabi (2007) was focusing on one of the important techniques in financial analysis, namely, the financial ratios, for the purpose evaluating the performance of petroleum projects company, and to find out the main strength and weakness points, so as to suggest the remedial actions for treatment of negative points and enhance the positive one. The paper's contains detail study for the data included in financial statements to explain the financial performance of the company, and that will help the management for planning the future according to the previous performance, and also contain the converting process of the data of financial statements to meaningful information through several techniques, the financial statement analysis among them.

Maggina (2008) used the financial ratios so as to investigate the distributional properties of financial ratios. Distributions presented in both theory and practice such as Cauchy, chi-square, Erlang, exponential, extreme value, Gamma, Laplace, logistic, lognormal, Student t, triangular, uniform and Weibull have been tested in the study. Panel data of financial ratios for the time period 1974-2006 for Greek listed companies indicate that none of the financial ratios selected in the study follows a normal distribution. The value of test statistic (Kolmogorov-Smirnov) is relatively large and the p-value of the test is lower than 1%. This is merely inconsistent with the literature.

Malhotra, et al (2009) investigated the credit crisis in the financial markets had led to tremendous turmoil in the financial services industry. As a result, a substantial decline in the profitability and liquidity of the financial services companies was seen. They analyzed the financial performance of thirteen leading financial services firms to evaluate their relative standing in the industry. They illustrate the use of data envelopment analysis (DEA), an operations research technique, to evaluate the relative financial strength of thirteen financial services firms by benchmarking the financial ratios of a firm against its peers. DEA clearly brings out the firms that are operating more efficiently in comparison to other firms in the industry, and points out the areas in which poorly performing firms need to improve.

Pazarskis et al (2011) empirically, examine the impact of merger and acquisitions on the post-merger performance of Greek merger-involved firms in the long-run perspective. The post-merger performance of an extensive sample of acquiring listed firms is investigated with accounting data analysis. For the purpose of the study, an explanatory set of 24 financial ratios (divided into five main groups) is employed, in order to measure firms' post-merger performance. The results revealed that six out of all the examined ratios had decreased and showed, in general, deterioration in several business functions of merger-involved firms' performance in the post-merger period.

Yaseen (2011) investigates the effects of accounting principles and accounting assumptions of the financial analysis, since the financial analysis process comes after the disclosure of accounting system output. The research reveals that there are both positive and negative effects of accounting principles and assumptions on the accounting measurement process. So the research seeks how to remove the negative effects of these principles and make the results of the financial analysis more accurate and realistic. The study concludes that the historical cost principle was inconvenient and the organization must use the methods such as the fair value, and to work for developing the approaches of financial management and analysis to make a compromise between the accounting and economics concepts of the organization's value.

The researchers, Al-tamimi and Hussain (2012) discussed the problem of changing the value of monetary unit and its effects on the financial statements, because the accountants preparing these statements under the monetary unit stability assumption without taking into consideration the changing of prices due to the inflation phenomena. Their paper conclude that the continuity of using the historical cost principle under the changing of prices level will lead to misleading financial statements and then the results of financial analysis will not represents the real position of the company.

Kılıç, (2012) investigated the influence of firm characteristics on voluntary disclosure of financial ratios in the annual reports of Turkish listed companies. The sample consists of industrial firms listed in the Istanbul Stock Exchange. The firms' annual reports were downloaded from their corporate websites. As methodology, content analysis was utilized to determine the financial ratio disclosure level of the firms. The findings revealed that Turkish listed firms disclose, on the average, 5.37 financial ratios in their annual reports. Count data regression models (Poisson and Negative binomial) were used to test the hypotheses. The results of multivariate analyses indicate that firm size, auditor size, profitability and ownership diffusion have significant positive association with voluntary disclosure level of financial ratios, while leverage does not.

The foresaid studies cover many industries from different countries; a few of them are related to Iraq, but none of them is concerned with Baghdad Soft-Drink Industry. These studies supported the theoretical part of this study.

4. Research Methodology and Data Collection:

The present study is designed to measure the profitability and performance of Baghdad Soft Drinks Industry in terms of various financial characteristics embodied in the accounting ratios. Ratios analysis is a technique widely used for evaluating the financial condition and performance of a firm. The basic component of ratio analysis is a single ratio, computed by dividing one balance sheet and/or income–expense item by another and vice versa. The denominator of such a ratio may consider as a “base” or “scale” factor. The variables in this study comprise ratios based on financial statements; the ratios are computed by assuming that the objective of a given firm is to maximize the value of the owner’s investment in the firm. In the process of maximizing the wealth of owners a firm should generate revenues that exceed expenses.

4.1 Data Collection:

The evaluation of profitability and financial performance was for period of ten years from 2004 to September 2013. Necessary secondary data was obtained from the audited annual reports, namely financial statements, and other records of the company and published by the Iraqi Stock Exchange.

4.2 Methods of Analysis and Interpretation:

The analysis and interpretation of financial statement is used to determine the financial position and result of operation as well. The following are the tools that are used for analyzing the financial position of the company: (i) Ratio Analysis (ii) Comparative balance sheet and income statement, and trend analysis.

4.3 Ratio and Reasons for Using Them:

To measure this performance the study focused on profitability and efficiency ratios which enable evaluation of the sources and magnitude of the firm’s profit. There are a number of ratios for measuring performance of firms, but the present study has zeroed in on the most popular accounting ratios used for the purpose to make the analysis more meaningful and manageable. The interpretation of data is extremely important financial tool for each of the activities performed within the organization. The managers use various different ratios to create different policies for financing external as well as focusing on solving problems and specific issues afflicting the organizational performances. Through the interpretation of the data presented in the financial statements; managers, customers, employees and suppliers of financing can account for the performance that the organization shows in the market.

4.4 Profitability**:**

Profitability ratios measure the income or operating success of a company for a given period of time, income or the lack of it, affects the company’s ability to obtain debt and equity financing, it also affects the liquidity position and the company’s ability to grow. As a consequence, both creditors and investors are interested in evaluating earning power- profitability. It can be measured with respect to sales (return on sales), return on equity, and return on assets (Gibson 2013). Some major ratios that measure operating result are summarized in table no 3.

4.4.1 Profit Margin:

It is a measure of the percentage of each dollar of sales that result net income. It indicates the profitability generated from revenue and hence is an important operating performance measure (Weygandt et al 2009). It is computed by dividing net income of the firm by net sales. The profit margin stands on 0.00856 in the year 2004, but fluctuated and decline negatively in the following year and progressively increased in 2006, but worsen in 2007 and 2008, therefore, it steadily, increasing in the following years until reaching 0.1016 in September 2013.

4.4.2 Return on Assets (ROA):
Measures how well firm resources are being used to generate income. It is the ratio of net profit after tax divided by total assets and is the most popular ratio for measuring the relative performance of firms. (Weygandt et al 2009). At this point in time maximizing ROA was a common corporate goal and the realization that ROA was impacted by both profitability and efficiency led to the development of a system of planning and control for all operating decisions within a firm. This became the dominant form of financial analysis until the 1970s (Blumenthal, 1998). The results show that the ROA was 0.005403 in 2004 and increased to 0.112354 in the year 2012.
4.4.3 Return on Equity (ROE):
Is the measurement of profits per unit of capital and specifically used for computing the return on shareholder's equity. Higher return on equity is considered as better performance in terms of profitability of firms… return of equity is calculated by dividing net income by the total equity (Gibson 2013). In table no. 3, it is noticed that ROE jumps from -3.7458 in the year 2008 to 0.1467 in the year 2012; this is due to increases in the profit margin. This illustration would be very useful for the Baghdad Soft-Drinks management and/or owners to explain how controlling costs even a little bit can have a large impact on the firm's returns.
4.4.4 Expenses Ratio:
It indicates a firm's gross operating expenses to total assets. Here, gross operating expenses include interest expense, non-interest expenses, and provision for losses. The lower the value of expenses ratio, the more efficient a firm will be in controlling expenses/costs. It's observed that this ratio continually increasing through the years from 0.485007 in 2004 to reach 1.138031 in 2012.
4.4.5 Capital turnover ratio:
It can be altered primarily by being more efficient and, thus, using fewer assets in the business's operations. However, it will only make a difference in ROE if the reduction in assets is accompanied by an equivalent reduction in owner's equity. It's computed by dividing net Sales upon invested capital, the results read that it was 0.630893 in 2004 and reached 1.287867 in 2012.

5. Results of Financial Analysis of Baghdad Soft-Drink Industry:
Table no. 1 and no 2 show the results of the descriptive methods for the statistical analysis of financial statements data that had been used for the analysis in this research paper, and their correlation matrix. While, table no. 3, 4, and 5 present the trends of the used ratios in this study, correlation matrix for ratios, descriptive methods for ratios analysis and it's observed that the profitability ratios (PM, ROA, ROE) all together taking the same direction while declining in the years 2007 to 2009 despite of their different compositions. Their results reveal that there were positive indicators in 2004, which supports the hypothesis of this study; but declined in the performance took place in the following year (2005) where losses were observed. Meanwhile, the percentages of losses were too high in 2007 and 2008 where many questions were raised due to negative results of PM, ROA, ROE during the two years. The author puts forward the following as reasons: (i) the general political atmosphere in the country in general and specifically in Baghdad was insecure and non-conducive; (ii) the negative impact of insecurity has its effects negatively on the performance of the company and subsequently impacted on sales (declining of revenues); (iii) at the same time the company was burdened by so many other costs along with declining productive scales and non-production time period, and such situation might have led to adverse conditions; (iv) other ratios, that is, capital turnover and expense ratios were behaving increasingly during the same period from 2004 to September 2013.

Table No. 1 - Descriptive methods for statistical analysis (2004- September 2013*)

	Current Assets	Current Liabilities	Total Assets	Total Expenses	Total Revenues	Net Income	Paid-up Capital
Mean	5.36E+10	1.60E+10	1.26E+11	1.13E+11	1.19E+11	4.93E+09	9.31E+10
Median	4.69E+10	7.16E+09	1.26E+11	1.06E+11	1.07E+11	2.16E+09	1.05E+11
Maximum	9.38E+10	4.84E+10	1.80E+11	1.98E+11	2.24E+11	1.95E+10	1.33E+11
Minimum	2.80E+10	4.52E+08	4.16E+10	2.02E+10	2.63E+10	6.64E+09	2.50E+10
Std. Dev.	2.31E+10	1.72E+10	4.17E+10	6.42E+10	7.17E+10	8.47E+09	3.86E+10
Skewness	0.589020	1.026996	0.595182	0.056441	0.108683	0.724938	0.466016
Kurtosis	2.012311	2.507813	2.767689	1.582686	1.491781	2.464678	1.791013
Jarque-Bera	0.984711	1.858805	0.612890	0.842301	0.967488	0.995295	0.970973
Probability	0.611185	0.394789	0.736059	0.656291	0.616471	0.607959	0.615398
Observations	10	10	10	10	10	10	10

Sources: Reports of Iraqi Stock Exchange
Sources: computed by the author

Table No. 2 - Correlation Matrix

	Current Assets	Current Liabilities	Total Assets	Total Expenses	Total Revenues	Net Income	Paid-in Capital
Current Assets	1.000000	0.504370	0.875411	0.846654	0.903239	0.911349	0.863991
Current Liabilities	0.504370	1.000000	0.209004	0.418108	0.471686	0.526280	0.472191
Total Assets	0.875411	0.209004	1.000000	0.920296	0.919522	0.750122	0.940735
Total Expenses	0.846654	0.418108	0.920296	1.000000	0.990719	0.746585	0.925930
Total Revenues	0.903239	0.471686	0.919522	0.990719	1.000000	0.821383	0.924379
Net Profit	0.911349	0.526280	0.750122	0.746585	0.821383	1.000000	0.734604
Paid Capital	0.863991	0.472191	0.940735	0.925930	0.924379	0.734604	1.000000

Sources: Reports of Iraqi Stock Exchange
Sources: computed by the author.

Table No. 3- Profitability, Capital Turnover and Expense Ratios (2004- September 2013*)

Year	Profit Margin	Return on Assets	Return on Equity	Capital Turnover Ratio	Expense Ratio
2004	0.008564	0.005403	0.009001	0.630893	0.485007
2005	-0.017173	-0.007186	-0.010921	0.418431	0.378006
2006	0.008342	0.006083	0.011226	0.729175	0.789762
2007	-0.124414	-0.059987	-0.110662	0.482152	0.559109
2008	-4.805481	-3.438361	-3.745772	0.715508	0.738366
2009	0.047883	0.045582	0.060127	0.951951	0.906431
2010	0.043668	0.049904	0.059883	1.142811	1.129792
2011	0.018645	0.023709	0.029114	1.271605	1.223236
2012	0.087241	0.112354	0.146749	1.287867	1.138031
2013*	0.101616	0.104259	0.141291	1.026047	0.879769

Sources: computed by the author

Table No. 4 - Descriptive methods for ratios analysis (2004-September 2013)

	Profit Margin	Return on Assets	Return on Equity	Capital Turnover Ratio	Expense Ratio
Mean	-0.463111	-0.315824	-0.340996	0.865644	0.822751
Median	0.013604	0.014896	0.020170	0.840563	0.834766
Maximum	0.101616	0.112354	0.146749	1.287867	1.223236
Minimum	-4.805481	-3.438361	-3.745772	0.418431	0.378006
Std. Dev.	1.527028	1.098343	1.198617	0.315597	0.289425
Skewness	-2.658396	-2.655788	-2.647576	0.013166	-0.097431
Kurtosis	8.085091	8.077326	8.051522	1.631250	1.787072
Jarque-Bera	22.55268	22.49670	22.31521	0.780904	0.628819
Probability	0.000013	0.000013	0.000014	0.676751	0.730220
Observations	10	10	10	10	10

Sources: computed by the author

Table No. 5 - Correlation Matrix for Ratios

	Profit Margin	Return on Assets	Return on Equity	Capital Turn Over Ratio	Expense Ratio
Profit Margin	1.000000	0.999897	0.999725	0.196125	0.125944
Return on Assets	0.999897	1.000000	0.999865	0.202549	0.131818
Return on Equity	0.999725	0.999865	1.000000	0.212741	0.139681
Capital Turn Over Ratio	0.196125	0.202549	0.212741	1.000000	0.965393
Expense Ratio	0.125944	0.131818	0.139681	0.965393	1.000000

Sources: computed by the author

6. Profitability and Measurement of Performance:

Performance measure work best when applied to a total business entity, where, investment, operations, and financing collectively controlled and managed by a management team. It is possible to derive both return on equity and return on investment. Financial analysis is largely based on financial statements and accounting data, because the task of analyzing, judging, and guiding a firm's activities are far broader and more complex than the mere manipulation of reported financial data. Ultimately, the performance and value of any business must be judged in economic terms; that is, expressed in both cash flows achieved and future cash flows expected. Yet we must remind ourselves that much of the available data and many of the analytical techniques generally used are based on financial accounting and its special conventions, which by their nature don't necessarily reflect current and future performance, (Helfert, 2003). Performance of firms is of vital importance for investors, stakeholders and economy at large. For investors the return on their investments is highly valuable, and a well performing business can bring high and long-term returns for their investors. Furthermore, financial profitability of a firm will boost the income of its employees, bring better quality products for its customers, and have better environment friendly production units. Also, more profits will mean more future investments, which will generate employment opportunities and enhance the income of people. Many studies have been conducted to determine various financial and non-financial factors that can boost or have an adverse effect on the performance of firm. But still no single effective model has been established which captures maximum variation (Mirza, and Javed, 2013)

7. Findings and Conclusion:

This study presents a model for the financial statements analysis of Baghdad Soft-Drinks Industry during the period from 2004 to September 2013 on profitability that traced the measurement of performance. The foregoing analysis reveals that there were gray areas took place in June 2007 to June 2009, which resulted in decline of all the concerned profitability ratios and subsequently the performance of Baghdad Soft-Drinks Industry, during the two years. In conclusion, ROE is the most comprehensive measure of profitability of a firm; it considers the operating and investing decisions made as well as the financing and tax related decisions. ROE should be a tool that all business owners, managers, and all users of accounting and finance have at their disposal when evaluating a firm and making recommendations for improvement. It is anticipated, given the conditions of the country in general and Baghdad City where the company is located and high consumption of soft drinks by the masses, that Baghdad Soft-Drinks Industry will recover from the inconvenience evidenced in its financial statements and might be able to gain a handsome profits to its shareholders and outstanding performance in the years ahead.

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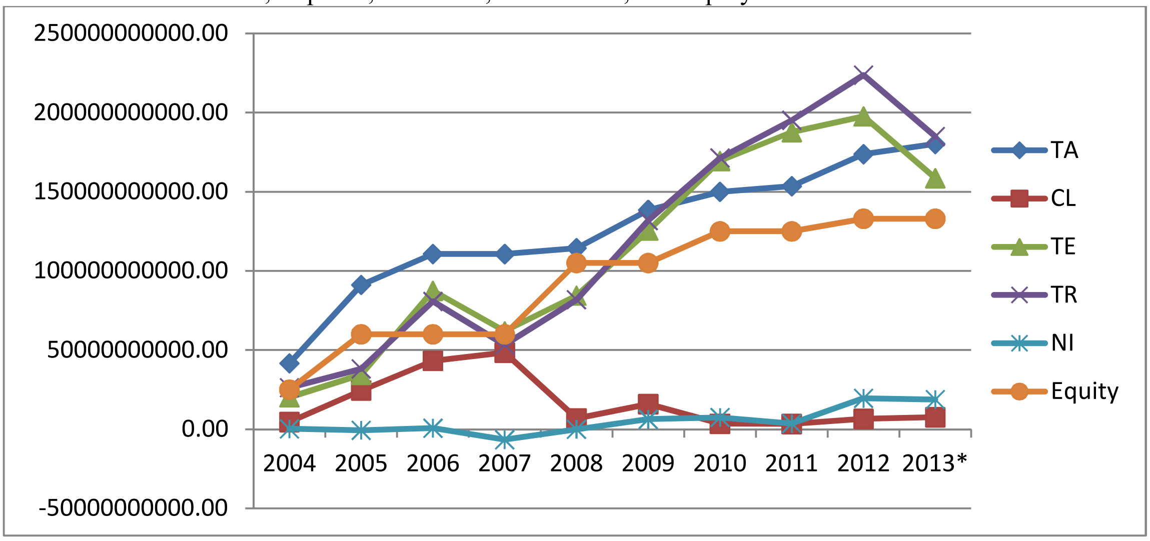
Appendix:

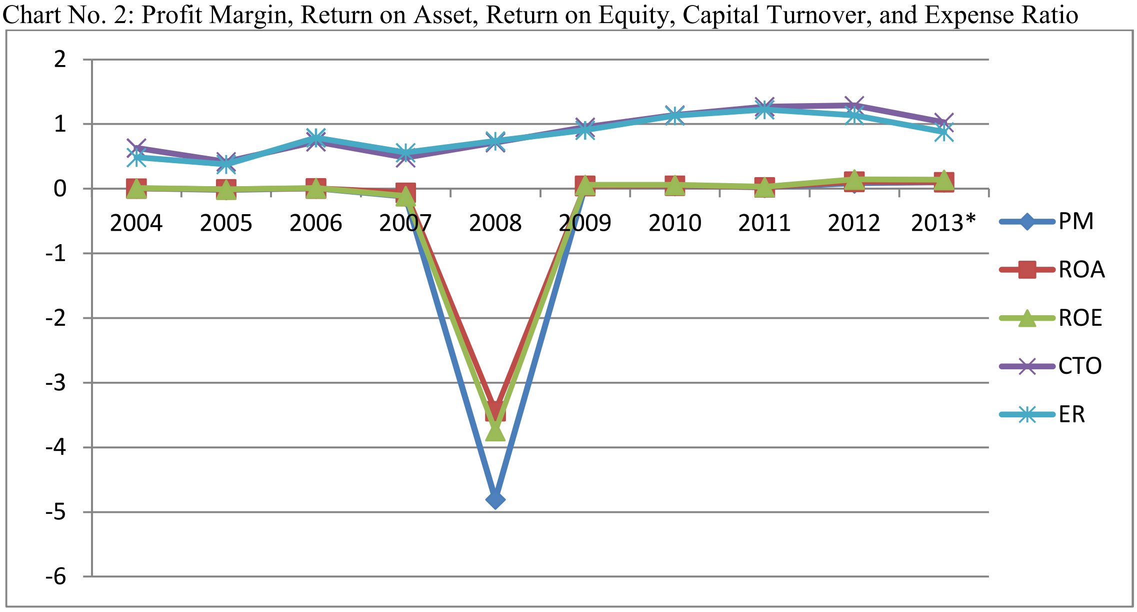
Chart No. 1: Total assets, Expense, Revenues, Net Income, and Equity



Sources: Prepared by the author

Note: * up to September 2013

Chart No. 2: Profit Margin, Return on Asset, Return on Equity, Capital Turnover, and Expense Ratio



Sources: Prepared by the author

Note: * up to September 2013