FINA 301 FINANCIAL MANAGEMENT

U.S. Corporation Balance Sheets as of December 31,2002 and 2003
($ in Millions)

	2002	2003		2002	2003
Current assets	$104	$160	Current liablities		
Cash	455	688	Accounts Payable	$232	$266
Accounts receivable	553	555	Notes Pyable	196	123
Inventory	$1,112	$1,403	Total	$428	$389
Total					
Fixed assets			Long-term debt	$408	$454
Net fixed assets	$1,644	$1,709	Owners' Equity		
			Common stock & paid-in surplus	600	640
			Retained earnings	1,320	1,629
			Total	$1,920	$2,269
			Total Liabilities &		
Total fixed assets	$2,756	$3,112	Owners' equity	$2,755	$3,112

U.S. CORPORATION
2003 Income Statement
($ In Millions)

Net sales		$1,509
Cost of goods sold		750
Depreciation		65
Earnings before interest and taxes		$694
Interest paid		70
Taxable income		$624
Taxes		212
Net Income		$412
Dividends	$103	
Addition toretained earnings	309	

SHORT TERM SOLVENCY
LIQUIDITY RATIOS

1. Current Ratio $= \frac{1112}{428} \neq 2.6$
2. Quick Ratio $= \frac{1112 - 553}{428} = 1.3$
3. Cash Ratio $= \frac{104}{428} = 0.24$

LONG TERM SOLVENCY
FINANCIAL LEVERAGE RATIOS

1. Total debt ratio $= \frac{2756-1920}{2756} = \frac{836}{2756} = 0.3$
2. Debt Equity Ratio $= \frac{836}{1920} = 0.43$
3. Equity Multiplier $= \frac{2756}{1920} = 1.43$
   or, $= 1 + \frac{836}{1920} = 1 + 0.43 = 1.43$

- Given anyone, you can calculate the other two.

DUPOND IDENTITY

ROE = PM * TAT * EM

$$= \frac{NI}{SALES} * \frac{SALES}{TA} * \frac{TA}{TE}$$

$$= \frac{412}{1509} * \frac{1509}{2756} * \frac{2576}{1920} = 0.214$$

FINA 301 FINANCIAL MANAGEMENT

SHORT TERM SOLVENCY LIQUIDITY RATIOS

1. Current Ratio $= \frac{CA}{CL}$

2. Quick Ratio $= \frac{CA - Invent.}{CL}$

3. Cash Ratio $= \frac{CASH}{CL}$

LONG TERM SOLVENCY FINANCIAL LEVERAGE RATIOS

1. Total debt ratio $= \frac{TA - TE}{TA} = \frac{TD}{TA}$

2. Debt Equity Ratio $= \frac{TD}{TE}$

3. Equity Multiplier $= \frac{TA}{TE} = 1 + \frac{TD}{TE}$

Given anyone, you can calculate the other two.

DUPOND IDENTITY

$$ROE = PM * TAT * EM$$

$$= \frac{NI}{SALES} * \frac{SALES}{TA} * \frac{TA}{TE}$$

ASSET MANAGEMENT TURNOVER RATIOS

1. Coverage Ratios

- Times interest earned $= \frac{EBIT}{Interest}$

- Cash coverage $= \frac{EBIT + Dep.}{Interest}$

2. Inventory ratios

Inventory turnover $= \frac{COGS}{Inventory}$

Days' sales $= \frac{365}{Inven.\ Turnover}$

3. Reveivable ratios

Receivables turnover $= \frac{Sales}{Acc.\,Rec.}$

Days' sales in receivable $= \frac{365}{Rec.\ Turn.}$

4. Total assets turnover $= \frac{Sales}{TA}$

PROFITABILITY RATIOS

1. Profit Margin $= \frac{NI}{Sales}$

2. ROA $= \frac{NI}{TA}$

3. ROE $= \frac{NI}{TE}$

PAYOUT/ RETENTION RATIO

- Dividend payout ratio

$= \frac{Cash\ Dividends}{Net\ Income}$

Retention ratio

$= \frac{Additions\ to\ R.E.}{Net\ Income}$

MARKET VALUE RATIOS

1. PE Ratio

$= \frac{Price\_per\_share}{Earnings\_per\_share}$

2. Market to Book ratio

$= \frac{Mkt.value\ per\ share}{Book\ value\ per\ share}$

GROWTH RATES

- Internal growth rates (IGR)

$= \frac{ROA * b}{1 - ROA * b}$

Sustainable growth rate (SGR)

$= \frac{ROE * b}{1 - ROE * b}$