Assignment 1 (5% of total grade)

Due date: Tuesday 10th April 2012, 4.30 p.m. in at B.E. Office

Instructions:

1. Attempt the assignment in a group of two students
2. Provide the details of your calculation and explanation, only 2 decimal points is required for the currency number and ratio.
3. You are allowed to discuss with your classmates, but the work must be done independently. The plagiarism is subject to point-deduction penalty at 50% of total score.
4. Any question regarding this assignment, please contact teacher assistant Mr. Nathapol Pongsukcharoenkul (nathapolhang@gmail.com)

Questions: Answer all questions

1. These are the financial data of Banana Inc. Company as of June 30, 2011. (In dollars)

Cash*	77,500,000	Account Payable*	129,000,000
Receivable*	184,000,000	Notes Payable*	84,000,000
Marketable Securities*	152,000,000	Other Current Liabilities*	117,000,000
Inventories*	241,500,000	Long-term Debt*	256,500,000
Net Fixed Assets*	292,500,000	Common Equity*	361,000,000
Number of stockholder		10,000,000 shares	
Stock Price in Market		52.00 $	

Sales	803,750,000
Cost of goods sold	696,250,000
Selling and Administrative Expense	72,500,000
Interest Expense	12,250,000
Tax rate	40%
Purchase	630,000,000

Assumption: Student may assume that balance sheet of Banana Inc. at the end of 2011 will remain roughly the same as one at June 2011. The stock price and number of shareholder will remain the same at the end of the year also. These * items, total assets and total equity are also representing the average of such item between year 2010 and 2011. Finally, business operating still maintains this performance until the end of year.

a) Calculate these ratios **for year 2011** and interpret the number with the usefulness for business decision.

- Operation profit margin
- Price/Earning Ratio (P/E)
- Price to Book Value Ratio (P/BV)
- Quick Ratio
- Cash Operating Cycle (COC)
- Interest Coverage Ratio
- Net Working Capital (Current Assets- Current Liabilities)

b) Construct and Calculate the "DuPont Analysis" of Banana Inc. for ROE and ROA. Try to extract the analysis in equation form, then interpret each element in analysis briefly.

c) Suppose you are shareholder of Banana Inc. and found that Return on Equity (ROE) is not satisfied. Please give your recommendation whether company should leverage more or less, provide the condition in which firm should borrow more and its intuition (Just provide the descriptive explanation only, not need to calculate number).

2. Find one analysis research of individual stock from website www.settrade.com (Please avoid company in financial industry, try to select manufacturing or service company) Read the research deliberately and write the independent essay within $1\frac{1}{2}$ page following this outline by applying your knowledge from the class regarding financial statement analysis with numerical support:
   a) The executive summary and motivation factors that described at the first page of the research paper.
   b) The discussion and analysis on Structure of Income Statement; e.g. the cost structure or margin.
   c) The liquidity and solvency condition of the company.
   d) The indicator for investors' decision to invest this stock; e.g. P/E, EPS, P/BV etc.
   e) Other interesting financial perspective that you found in the research.
   f) Your conclusion about how reasonable of your selected research.

Also, please print out your selected analysis research and attach in the submitted assignment.