

## Assignment (B)

A business project of M/s Oman Logistics Company requires an immediate outflow of cash of RO 200,000 in return for the following probable cash flows:

State of Economy	Probability	End of year 1 (RO)	End of Year 2 (RO)
Recession	0.3	50,000	75,000
Growth	0.5	150,000	175,000
Boom	0.2	150,000	275,000

Assume that the state of the economy will be the same in the second year as in the first. The required rate of return is 7%. There is no tax or inflation.

Require:

- Calculate Expected NPV (4 Marks)
- Calculate the Standard Deviation of NPV (4 Marks)
- Appraise the management about this project with your comments. (2 Marks)

**END OF THE ASSIGNMENT**

**ALL THE BEST!!!**

### **Important Instructions:**

- Your assignment should be neatly typed on A-4 size paper.**
- Font type and size: Times New Roman 12**
- There is no maximum or minimum word limit but please ensure that your answers include all relevant information, data etc.**
- There should be proper referencing.**
- Please note that the Turnitin Similarity Index is one of the many methods to determine originality of your work.**

**Martin Manufacturing Company**  
**Historical ratios**

Ratio	Actual 2013	Actual 2014	Actual 2015	Industry average 2015
Current ratio	1.7	1.8	-----	1.5
Quick ratio	1.0	0.9	-----	1.2
Inventory turnover (times)	5.2	5.0	-----	10.2
Average collection period	50 days	55 days	-----	46 days
Total asset turnover (times)	1.5	1.5	-----	2.0
Debt ratio	45.8%	54.3%	-----	24.5%
Times interest earned ratio	2.2	1.9	-----	2.5
Gross profit margin	27.5%	28.0%	-----	26.0%
Net profit margin	1.1%	1.0%	-----	1.2%
Return on total assets (ROA)	1.7%	1.5%	-----	2.4%
Return on common equity (ROE)	3.1%	3.3%	-----	3.2%
Price/earnings (P/E) ratio	33.5	38.7	-----	43.4
Market/book (M/B) ratio	1.0	1.1	-----	1.2

**Required:**

- a. Calculate the firm's 2015 financial ratios (Required ratios are mentioned above)  
(10 Marks)
- b. Analyze the firm's current financial position from both a cross-sectional and time-series view point. Break your analysis into evaluations of the firm's liquidity, activity, debt, profitability and market.  
(8 Marks)
- c. Summarize the firm's overall financial position on the basis of your findings in Part (b).  
(2 Marks)

**Martin Manufacturing Company**  
**Balance Sheets**

December 31

Assets	2015	2014
<b>Current assets</b>		
Cash	\$ 25,000	\$ 24,100
Accounts receivable	805,556	763,900
Inventories	700,625	763,445
Total current assets	<u>\$1,531,181</u>	<u>\$1,551,445</u>
Gross fixed assets (at cost)	\$2,093,819	\$1,691,707
Less: Accumulated depreciation	500,000	348,000
Net fixed assets	<u>\$1,593,819</u>	<u>\$1,343,707</u>
Total assets	<u><u>\$3,125,000</u></u>	<u><u>\$2,895,152</u></u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 230,000	\$ 400,500
Notes payable	311,000	370,000
Accruals	75,000	100,902
Total current liabilities	<u>\$ 616,000</u>	<u>\$ 871,402</u>
Long-term debt	\$1,165,250	\$ 700,000
Total liabilities	<u>\$1,781,250</u>	<u>\$1,571,402</u>
<b>Stockholders' equity</b>		
Preferred stock (2,500 shares, \$1.20 dividend)	\$ 50,000	\$ 50,000
Common stock (100,000 shares at \$4 par) <sup>a</sup>	400,000	400,000
Paid-in capital in excess of par value	593,750	593,750
Retained earnings	300,000	280,000
Total stockholders' equity	<u>\$1,343,750</u>	<u>\$1,323,750</u>
Total liabilities and stockholders' equity	<u><u>\$3,125,000</u></u>	<u><u>\$2,895,152</u></u>

<sup>a</sup>The firm's 100,000 outstanding shares of common stock closed 2015 at a price of \$11.38 per share.

**Financial Management/Principles of Financial Management  
Assignment, Fall 2016**

**Assignment (A)**

Mr. Abdulla, an experienced budget analyst at Martin Manufacturing Company, has been charged with assessing the firm's financial performance during 2015 and its financial position at the year-end 2015. To complete this assignment, he gathered the firm's 2015 financial statements, which follow. In addition, Abdulla obtained the firm's ratio value for 2013 and 2014 along with 2015 industry average ratios (also applicable to 2013 and 2014). These are also presented here below:

Martin Manufacturing Company Income Statement For the Year ended December 2015		
Sales revenue		\$5,075,000
Less: Cost of goods sold		<u>3,704,000</u>
Gross profits		\$1,371,000
Less: Operating expenses		
Selling expense	\$650,000	
General and administrative expenses	416,000	
Depreciation expense	<u>152,000</u>	
Total operating expense		<u>1,218,000</u>
Operating profits		\$ 153,000
Less: Interest expense		<u>93,000</u>
Net profits before taxes		\$ 60,000
Less: Taxes (rate = 40%)		<u>24,000</u>
Net profits after taxes		\$ 36,000
Less: Preferred stock dividends		<u>3,000</u>
Earnings available for common stockholders		<u>\$ 33,000</u>
Earnings per share (EPS)		\$0.33