

## Assignment 1

Get the balance sheet, income statement of a company in Emirates. Then, calculate financial ratios for 2 years of this company. Analyze its overall financial situation for the most recent year. Analyze its overall financial situation. Break your analysis into an evaluation of the firm performance through its liquidity, activity, debt, and profitability.

Note: The following is financial ratios choose which ratios will help you in this analysis:

1. Current ratio = Current assets ÷ Current liabilities
2. The **personal liquidity ratio** = total liquid assets ÷ total current debt.
- 3.

$$\text{Quick ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}}$$

4. Inventory turnover = Cost of goods sold ÷ Inventory
5. Average Age of Inventory = 365 ÷ Inventory turnover
- 6.

$$\begin{aligned}\text{Average collection period} &= \frac{\text{Accounts receivable}}{\text{Average sales per day}} \\ &= \frac{\text{Accounts receivable}}{\frac{\text{Annual sales}}{365}}\end{aligned}$$

- 7.

$$\begin{aligned}\text{Average payment period} &= \frac{\text{Accounts payable}}{\text{Average purchases per day}} \\ &= \frac{\text{Accounts payable}}{\frac{\text{Annual purchases}}{365}}\end{aligned}$$

8. Total asset turnover = Sales ÷ Total assets
9. Debt ratio = Total liabilities ÷ Total assets
10. Debt to equity = Total liabilities ÷ Common stock equity
11. Times interest earned ratio = EBIT ÷ taxes
- 12.

$$\text{Fixed-payment coverage ratio} = \frac{\text{Earnings before interest and taxes} + \text{Lease payments}}{\text{Interest} + \text{Lease payments} + \{( \text{Principal payments} + \text{Preferred stock dividends}) \times [1/(1-T)]\}}$$

13.

$$\text{Gross profit margin} = \frac{\text{Sales} - \text{Cost of goods sold}}{\text{Sales}} = \frac{\text{Gross profits}}{\text{Sales}}$$

14. Operating profit margin = Operating profits ÷ sales
15. Net profit margin = Earnings available for common stockholders ÷ Sales
- 16.

$$\text{Earnings per share} = \frac{\text{Earnings available for common stockholders}}{\text{Number of shares of common stock outstanding}}$$

17. Return on Equity (ROE) = Earnings available for common stockholders ÷ Common stock equity
18. Price Earnings (P/E) Ratio = Market price per share of common stock ÷ Earnings per share
- 19.

$$\text{Market/book (M/B) ratio} = \frac{\text{Market price per share of common stock}}{\text{Book value per share of common stock}}$$

Where

$$\text{Book value per share} = \frac{\text{Common stock equity}}{\text{Number of shares of common stock outstanding}}$$

$$20. \text{ROA} = \text{Net profit margin} \times \text{Total asset turnover}$$

$$\text{ROA} = \frac{\text{Earnings available for common stockholders}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total assets}} = \frac{\text{Earnings available for common stockholders}}{\text{Total assets}}$$

$$21. \quad \text{ROE} = \text{ROA} \times \text{FLM}$$

## Assignment 2

According your course of managerial finance make report on the cost of capital and The capital budgeting techniques according to the following points;

- Why cost of capital is important
- Source of the cost of capital
- Cost of debt
- Long term debt
- Why Do Corporations Prefer Long Term Debt
- How Long Term Debt Affect the Corporation
- Long Term Debt Financing Advantages and Disadvantages
- Why equity is important and how will achieve it
- Advantage and disadvantage of equity finance
- Why some corporations might wish to issue preferred equity
- Advantage and Disadvantage of preferred equity
- The benefits of common stock
- Why common stock is important for the corporations
- Advantage and disadvantage of common stock
- Weigh Average Cost of Capital (AWCC)
- Why Weigh Average Cost of Capital (AWCC) is Important
- What are the advantage and disadvantage of Weigh Average Cost of Capital (WACC)
- Why capital budgeting techniques is important

- The techniques in capital budgeting decisions tools
- Capital budgeting methods various
- Phased of the capital budgeting
- What are the measurements are used in capital budget