**Aunt Bessie**

**Student Instructions**

Prepare a 2-page memo plus exhibits describing the financial performance of Aunt Bessie during McPherson’s 6-year tenure as CEO. The memo should be divided into sections describing liquidity, asset management, long-term debt-paying ability, profitability, market performance, earnings quality, and a recommendation on whether Struthers should be promoted to the position of CEO of Dempster Diversified.

The following supporting exhibits for 2018 to 2023 should also be provided:

Ratios analysis

Vertical analysis of the income statement and balance sheet

Horizontal analysis of the income statement and balance sheet

5-way analysis of ROE

Yearly analysis of the change in ROE

Segmented analysis of international sales (vertical and horizontal analysis)

Cash flow statements

Ratios should be calculated using averages of the current and previous years when appropriate. Use the following templates.

**Ratio Table**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **Industry Average** |
| **Liquidity** |  |  |  |  |  |  |  |
|  Current ratio |  |  |  |  |  |  |  |
|  Quick ratio |  |  |  |  |  |  |  |
|  Cash ratio |  |  |  |  |  |  |  |
| **Asset Management** |  |  |  |  |  |  |  |
|  Accounts receivable turnover in days |  |  |  |  |  |  |  |
|  Inventory turnover in days |  |  |  |  |  |  |  |
|  Accounts payable turnover in days |  |  |  |  |  |  |  |
|  Net operating cycle |  |  |  |  |  |  |  |
|  Net working capital turnover |  |  |  |  |  |  |  |
|  Fixed assets turnover |  |  |  |  |  |  |  |
|  Total assets turnover |  |  |  |  |  |  |  |
| **Long-term Debt Paying Ability** |  |  |  |  |  |  |  |
|  Fixed-charge coverage ratio |  |  |  |  |  |  |  |
|  Long-term debt to total capitalization |  |  |  |  |  |  |  |
| **Profitability** |  |  |  |  |  |  |  |
|  Gross profit margin |  |  |  |  |  |  |  |
|  Operating profit margin |  |  |  |  |  |  |  |
|  Net profit margin |  |  |  |  |  |  |  |
|  ROA |  |  |  |  |  |  |  |
|  ROE |  |  |  |  |  |  |  |
| **Market Performance** |  |  |  |  |  |  |  |
|  BEPS |  |  |  |  |  |  |  |
|  P/E |  |  |  |  |  |  |  |
|  BVPS |  |  |  |  |  |  |  |
|  P/BV |  |  |  |  |  |  |  |

**5-Way Analysis of ROE**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **ROE Component** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **Industry Average** |
| Operating profit margin |  |  |  |  |  |  |  |
| EBT/EBIT |  |  |  |  |  |  |  |
| NI/EBIT |  |  |  |  |  |  |  |
| Total Asset Turnover |  |  |  |  |  |  |  |
| Debt ratio  |  |  |  |  |  |  |  |
| ROE |  |  |  |  |  |  |  |

**Yearly Analysis of the Change in ROE**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **ROE Component** | **2019** | **2020** | **2021** | **2022** | **2023** |
| Total asset turnover  |  |  |  |  |  |
| Operating profit margin |  |  |  |  |  |
| Interest burden ratio |  |  |  |  |  |
| Tax burden ratio |  |  |  |  |  |
| Debt ratio |  |  |  |  |  |
| Changes in ROE |  |  |  |  |  |

**Submit a Word file containing the memo through the course Moodle site – no Excel file is required. Only provide one submission per group.**

**Evaluation Form**

**Total: \_\_\_\_\_\_\_\_\_ / 100**

**Letter Grade: \_\_\_\_\_\_\_\_\_**

**Quality of Exhibits – 25%**

|  |  |
| --- | --- |
| Ratios | /5 |
| Vertical/horizontal analysis | /5 |
| Cash flow statements | /5 |
| 5-way analysis of ROE | /5 |
| Segmented analysis | /5 |

# Thoroughness of Analysis – 50%

|  |  |
| --- | --- |
| Liquidity | /5 |
| Asset management | /10 |
| Long-term debt-paying ability | /5 |
| Profitability | /10 |
| Market performance | /5 |
| Earnings quality | /5 |
| Recommendation | /10 |

# Memo Layout and Writing Quality – 25%

|  |  |
| --- | --- |
| Layout |  /5 |
| Grammatical and spelling errors |  /10 |
| Writing style |  /10 |

# Comments