Project Report

Financial Performance evaluation of
Eastern Housing Limited
Based on
Income Statement & Balance Sheet

Prepared for

Dr. Golam Ahmed Faruqui
Assistant professor
East West University

Prepared by

Mohammad Ashraful Islam
1998-1-10-035
East West University

East West University, Dhaka, Bangladesh
January14, 2002

January14, 2002

Dr. Golam Ahmad Faruqui
Assistant professor
East West University
Mohakhali, Dhaka.

Sub: Submission of Project Report (Bus-498)

Dear Sir.

Here is my Project report that fulfills partial requirement of my Bachelor of Business Administration (B.B.A.) Degree. It is very helpful as a student of Business Administration to undergo this project writing.

I completed my Project Report on Eastern Housing Limited. I evaluated their financial performance with Shinepukur Holdings Limited and draw some suggestions that I think helpful to improve the company's position in the Housing Industry in Bangladesh.

I tried to accommodate your valuable comments and suggestions in my report. In this concern, if you need any further clarification, please call on me.

Thank you Sir for your kind cooperation, without which this projects report, would not be done. So, I am submitting the final version of my project report and requesting you sir to accept it.

Thanking you.

Yours truly,

Mohammad Ashraful Islam
1998-1-10-035

Preface

A Project Report is an essential work of the last platform of completion of BBA Degree. It is a twelve weeks program. After doing the job, the submission of a Project Report will fulfill the requirements of final degree in Business Administration. It familiarizes student to the working environment of the real world. It gives student the best opportunity to improve their interpersonal skills as well as they can implement their theoretical enlightenment to the real life situation. After graduating, this experience would be very much useful to their working life. Lastly, by this program, a student can polish his or her strengths and weaknesses by having this real life hands on experience.

Acknowledgements

I would like to unfold my gratitude with the name of my course coordinator, Dr. Golam Ahmad Faruqui, without whose priceless and inestimable supports, I did not able to produce this report.

I would also like to unfold my gratitude to Mr. Atikur Rahman Munshi, Director of Eastern housing Limited and Mr. Firoz, General Manager, Real Estate Division, Shinepukur Holdings Limited for giving me the financial information about the companies, Mr. Arifur Rahman Apu, Mr. Abdul Latif and Mr. Parves for their extra ordinary and friendly cooperation. And finally, my lovely parents for giving me their inspiration, unfathomable affection and countless support through my life journey.

Contents

Page no.

Page no.

Page no.

Part-3

3. Conclusion part

Page no.

List of Tables

List of Figures

Page no.

Part-1

Introduction Part

1.1 Background of the Report

This report is the output of twelve weeks' long of essential working part that is completed on Eastern Housing Ltd (EHL). The writer worked on the financial performance evaluation of Eastern Housing Ltd. To compare the financial performance evaluation analysis, writer also worked with Shinepukur Holdings Ltd (SHL), and compared the activity between these two firms. The focus was on Eastern Housing Ltd and this firm is a pure real estate business firm. On the other hand, Shinepukur Holdings Ltd is the firm of a combination of Jute and Real Estate business. For the comparison, writer took only real estate portion activity of Shinepukur Holdings Ltd to have a realistic comparison between these two real estate business firms. In the whole report, performance evaluation will mean, financial performance evaluation.

This report also fulfills the partial requirement of a business graduate that must be done in order to qualify the B.B.A Degree in the East West University.

1.2 Report Overview

The report is organized by dividing into three parts. First part is "Introduction Part" which explains the reader about the report. Second part is "Project Part" which deals with the detail information regarding the financial performance evaluation of EHL, theoretical framework, findings and so on. Third part is "Conclusion Part" which deals about the suggestions, implementation and conclusion.

1.3 Objective of the report

The main objective of this report is to evaluate the financial performance of EHL compare with SHL, analyzing by income statements and balance sheets of these two companies.

1.4 Scope

The scope of this report is to analyze the operation of finance department, where focused was on mainly income statements and balance sheets and to evaluate the performance of Eastern Housing Ltd.

1.5 Sources of Data collection

The data were collected by discussing with the companies officers, go though the annual reports of the companies and consulting with the related textbooks.

1.6 Data processing

Collected data, detailed analysis and working variables are processed by using computer systems (Microsoft Word and Excel).

1.7 Limitations

The possible obstacles that could likely hinder the information of the study that have been illustrated in the following.

- Time could be major drawback in this study.
- It was difficult to communicate with the companies' officers.
- Another limitation of this report is they are not disclosing some data and information for the company secrecy that could be very much useful.

- The officers were hesitating to respond because they were not familiar with this type of job.
- It was quite difficult to find out industry average because there are so many housing companies in our country. Moreover, most of them are not public limited company, so, their information and data are not available.
- There are only two enlisted real estate companies in Stock Exchanges in Bangladesh. Due to this very small number, writer faced real limitation on reaching any concrete decision.

Part-2

Project Part

Financial Performance Evaluation of Eastern Housing Ltd.

2.1 Introduction

In today's business world, owners are virtually non-owners in a way that they do not carry out day-to-day business, managers' proxy their role. So in order to reduce costs and to ensure that whether the managers are performing in the best interest of the owners, investors and shareholders, the owner's would like to evaluate their organization in terms of financial wealth, and they typically employ ratio analysis to assess organization's performance. Of course, there could be other parties who are also interested in evaluating performance of the organization, for example, lenders, tax authority, etc. In this regard, mainly this report is made for analyzing the performance evaluation of EHL, compare with SHL by analying common size income statements, balance sheets and several important ratios. Finally, the report give some suggestions about EHL based on the results of the analysis.

2.2 Methodology

A time series (1997-2000) ratio analysis has done in order to assess the financial performance of EHL. However, it is true that ratio analysis is of little used if ratios can't be compared against industry average. Industry average data is too distant to expect. The main reason is the non-availability of information is that the housing companies in our country are private Limited Company. There are few companies that are public in the housing industry. So, I tried to do this performance evaluation by gathering financial data of Shinepukur Holdings Limited, because after Easter Housing Ltd, Shinepukur Holding Ltd is only one housing business company how is enlisted in stock exchange and carry out similar line of business.

For any financial comparison there are methodology by which the measurements can be evaluated. Financial manager uses various methods for measuring a company's performance, like common size statement, Du-Pont analysis, trend analysis and the ratio analysis. The uses of the financial ratios are very common in any performance evaluation. For the performance evaluation of EHL the analysis will show the comparison with Shinepukur Holdings Limited to find out the best performing company between them. For the measurement of performance, four years data (1997-2000) have been collected.

While analyzing the performance of EHL first, the information was collected about the Balance Sheet and the income Statement from these two companies. Then calculated the common size statements analysis of the company's balance sheets and income statements.

After the common size statements analysis, the ratios of Easter Housing Ltd were analyzed to determine the present situation of the company and evaluate whether they are at the satisfactory level. Then compared the ratios of EHL with SHL to find out the comparable performance. In the ratio analysis part, first the Du Pont analysis were analyzed after that the following ratios were calculated and analyzed.

- Profitability ratio,
- Liquidity ratio,

- Activity ratio.
- Share holders' return ratio
- Leverage ratio

So, the methodologies of this report are common size statements and ratio analysis.

2.3 Analysis by common size statements

Common size statement is the measurement of different ratios in the income statement and balance sheet. In the income statement total turn over is counted as 100% and then it is divided in the other accounts in respect to total income. In the Balance Sheet total assets is counted also as 100% and then divided in to the others accounts of the assets section. Same process is followed in the liabilities and owner's equity section. So common size statement shows the percentage of the different account in respected to total assets, total liabilities & owner's equities and total income.

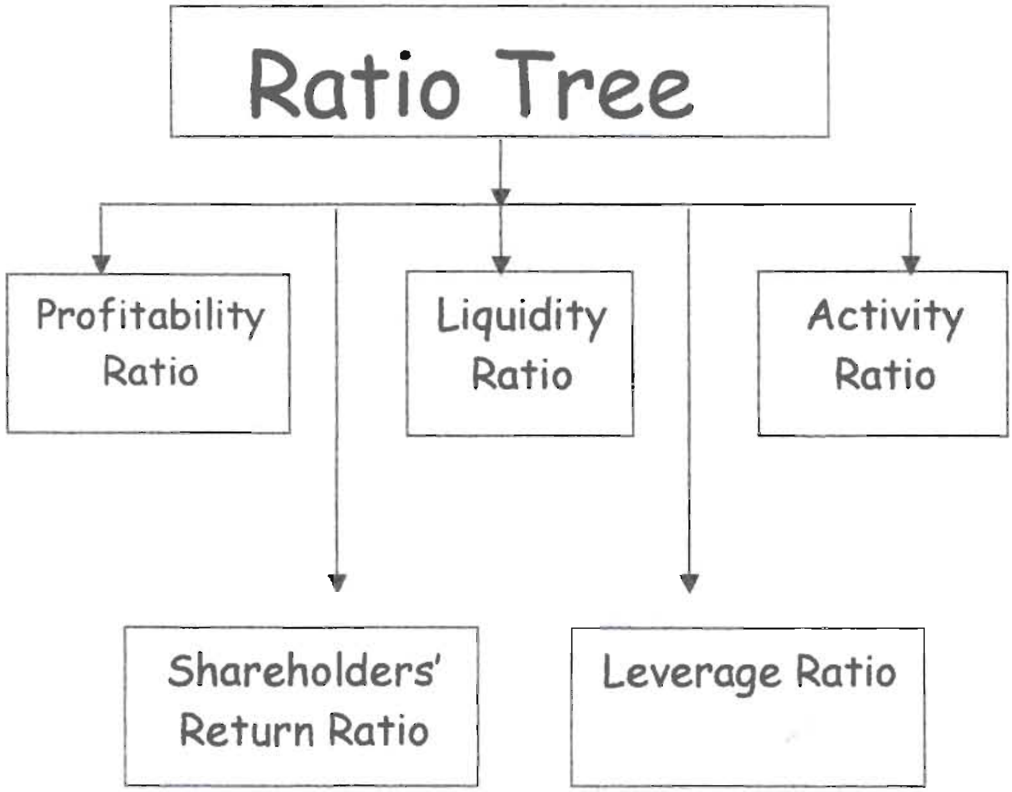
The analysis of the common size statement can be divided in to two parts. One is the income statement part; in Bangladesh some company called it profit and loss and appropriation account. So, EHL and SHL also indicate this part as profit and loss account and the other part is the Balance Sheet part. To get a clear picture of these accounts, the analysis are going to discuss in the following paragraph.

The analysis of profit and loss account shows the turnover where it is counted as 100% and the other components will be divided as the part of the 100% turnover. Cost of goods sold (cost of sales) is one of the major parts of profit & loss account. The analysis shows that the COGS of EHL were gradually increasing. In 1997 it was 61 % of sales and in 2000 it was increased by 72 %. On the other hand, SHL has a higher COGS in respect of turnover. It has an average of 73.25 % COGS from 1997 to 2000. Besides COGS, income tax plays an important role for the organization. It carries significant mounts of total turnover. EHL has an average of 4.12 % tax provision, were SHL has an average 5.52 % tax provision in terms of total turnover. Net profit is the main key player of any firm, and the percent of it, in terms of turnover is very important element of common size statement. EHL enjoyed increasing net profit ma6rgin in 1998 compare with 1997, but after 1998, it faced declining profit margin up to 2000. The average net profit margin for the last four years was 7.52 % in respect of total turnover. On the other hand, SHL had a very declining profit margin history from 1997 to 2000. In 1997 it had 18.19 % net profit margin but in 2000 it had only 2.89 % net profit margin in respect of their total turnover. The last important element of the common size statement analysis of profit & loss account is dividends and retained earnings. EHL had 1.2425% average retained earnings from 1997 to 2000. In the last four years, EHL concentrated more on dividends than retained earnings. On the hand, SHL paid dividends in 1997 and 1998, they did not pay any dividends in 1999 and 2000. They paid 0.89 % excess dividends in 1998 in respect of net profit margin. Their average retained earnings for the last four years was 1.76 %.

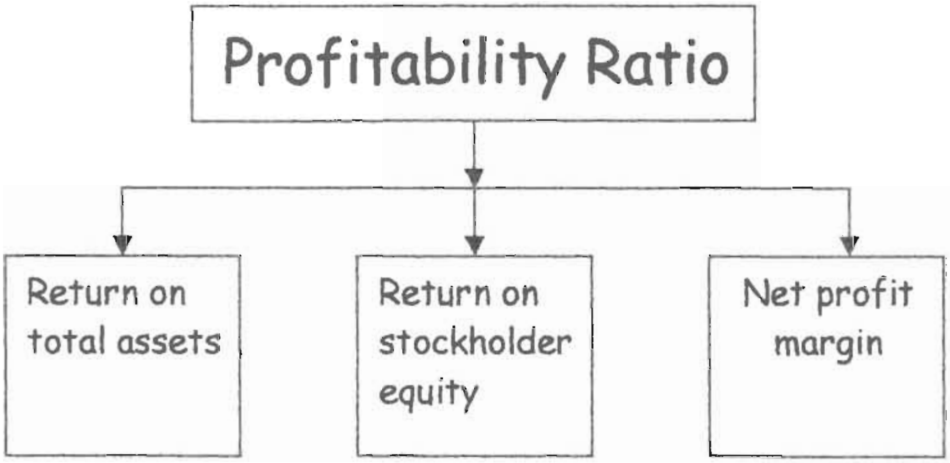
After the profit & loss accounts, the Balance Sheets are analyzed, where the total assets and total liabilities are counted as 100% and the other components are divided as a part of 100% assets and liabilities. The analysis of Balance Sheet of EHL shows that the percentage of fixed assets in respect of total assets were more or less same in the last four years. The percentage of fixed assets of EHL was between 1.10% to 1.12%. On the other hand, the Balance Sheet of SHL also shows more or less equal percentage of fixed assets in respect to total assets. It had average 8.17% of fixed assets for the last four years. The current assets of EHL were also near about same for the last four years. It maintained average of 98.475% current assets. On the other hand, SHL also maintained more or less same current assets for the last four years. It maintained average of 91.825% current assets. So, both the companies were maintained a huge portion of cash and bank balances. Here, the percentage of fixed assets portion of SHL is bigger than EHL and the percentage of current assets portion of EHL in bigger than SHL. In the liability part, it shows that EHL is more leveraged than SHL. It had average of 84.675% liabilities in respect of total liabilities & owners' equity parts. On the other hand, SHL had an average of 30 % total liabilities for the last four years in respect of total liabilities and owners' equity part.

So, above things were the main elements of common size statement analysis for the comparison of the performance evaluation of EHL & SHL.

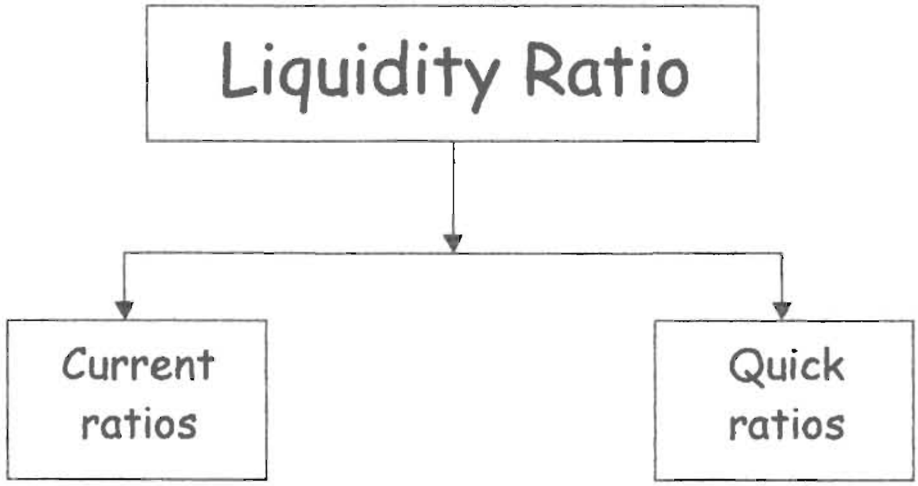
2.4 Performance Analysis under Ratio Tree



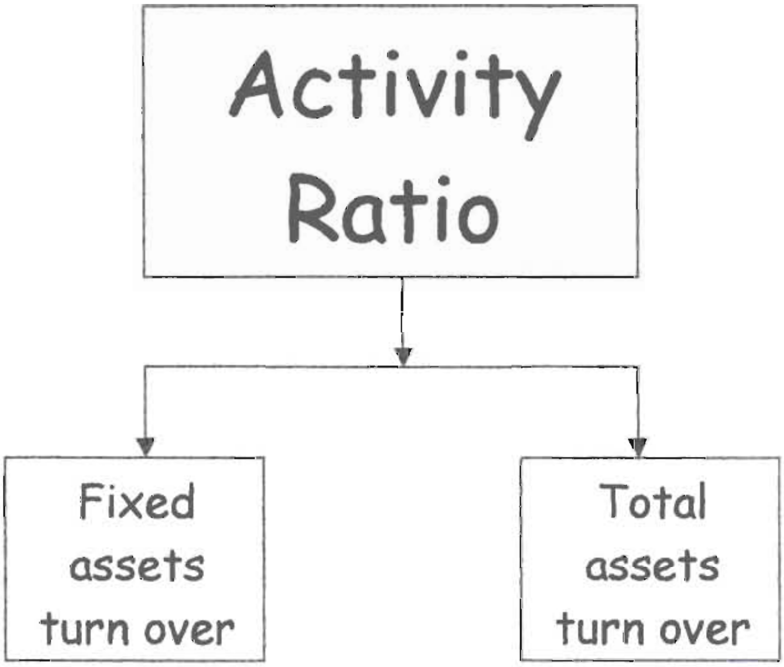
2.4.1 Profitability Ratio: -



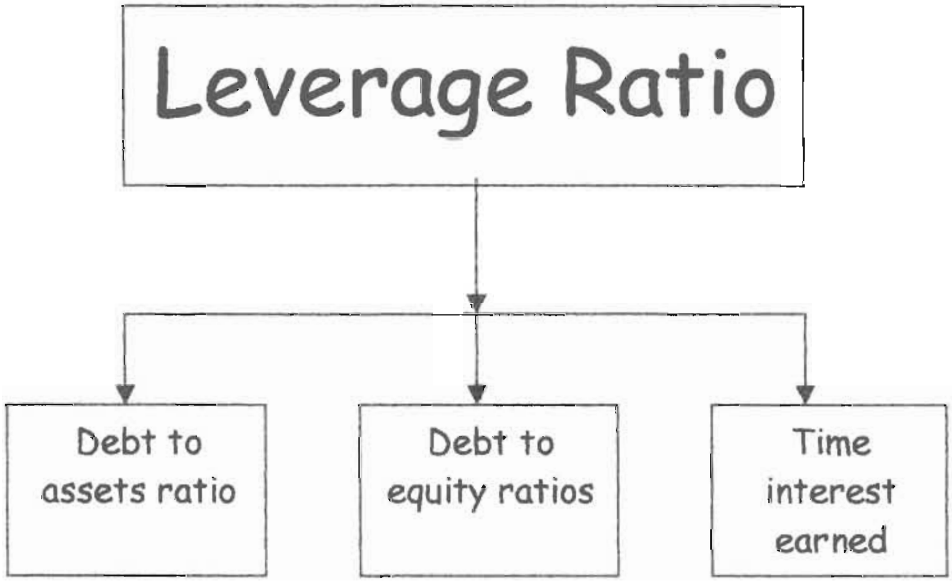
2.4.2 Liquidity Ratio: -



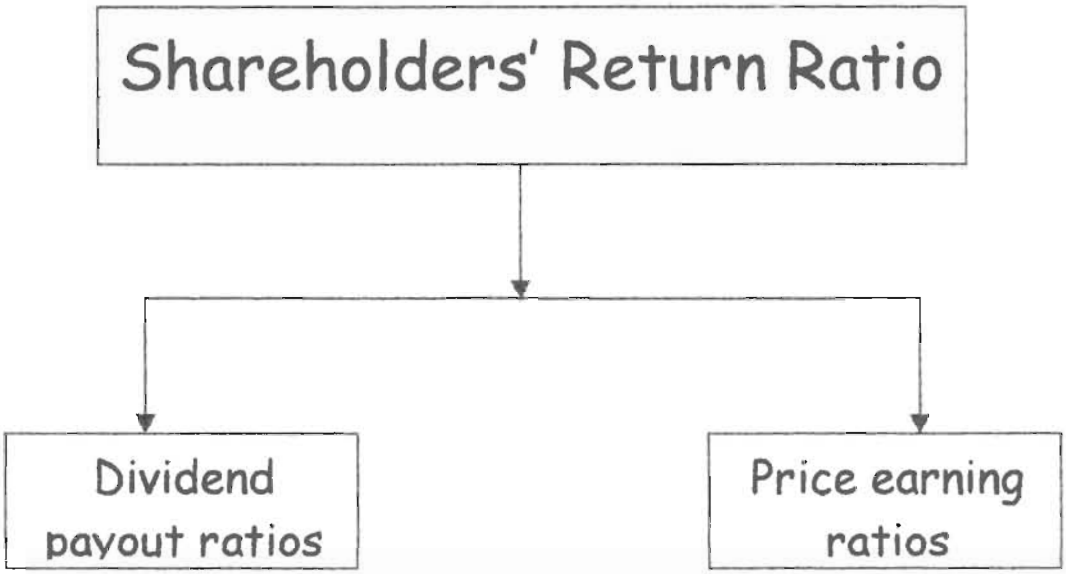
2.4.3 Activity Ratio: -



2.4.4 Leverage Ratio: -



2.4.5 Shareholders' Return Ratio: -



2.5 Ratio Analysis

2.5.1 Profitability Ratio: -

2.5.1.1 Du Pont Analysis:

Through Du Pont analysis it could measure that how the ROA, Total Assets Turnover and Equity Multiplier are necessary to determine the rate of return on equity. Thus Du- Pont analysis is especially useful for summarizing a firm's financial condition because it decomposes shareholders profitability on three important determinants:

- Expense Control
- Asset utilization
- Debt utilization

Years ago, Donaldson Brown, Du Pont's Chief Financial Officer faced some problems of too many ratios to calculate the performance of any company. Then he developed an analysis called Du Pont Analysis. He defined that the company's stock price depends on its Return on Equity (ROE). Higher the ROE, higher the company's stocks price.

The Du Pont Analysis is described as bellow: -

2.5.1.2 Return on Equity (ROE)

This ratio indicates the degree to which the firm is able to convert operating income into an after tax income that eventually can be claimed by the shareholders. This is a useful ratio for analyzing of the firm's management to realize an adequate return on the capital invested by the owners of the firm.

The rate of return on equity (ROE) is a good starting point in the analysis of company's financial condition for the following reasons:

- If the ROE is relatively low compared with the other companies, it will tend to decrease the company's access to new capital that may be necessary to expand and maintain a competitive position in the market.
- A low ROE may limit a company's growth because regulations require the assets to be a certain number of times equity capital.
- ROE can be broken down into component parts that help to identify trend in the company's performance.

Three elements are necessary to measure ROE in Du Pont analysis,

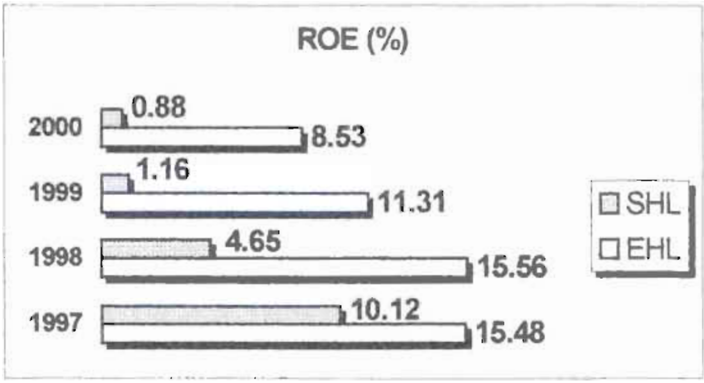
*ROE = ROA * Asset Utilization * Equity Multiplier*

$$ROE = \frac{\text{Net Income}}{\text{Total Equity Capital}}$$

Table-1 Return on Equity over the Period

ROE	1997	1998	1999	2000
EHL	15.48%	15.56%	11.31%	8.53%
SHL	10.12%	4.65%	1.16%	0.88%

Figure-1



ROE states about how much return is earned form the equity of a firm. It has been observe that ROE of EHL is stronger than SHL for the last four consecutive years. In respect to EHL, SHL has less strong in terms of ROE position. Du- Pont analysis will help to explain the reason for lower ROE of SHL with compare to EHL. In 1997 it is shown that the ROE of EHL was 15.48%, Where SHL ROE was only 10.12%. The main reasons for this difference is the total assets turn over, ROA and also the equity multiplier (EM). In 2000 it is shown that the ROE of EHL was 8.53 % and the ROE of SHL was 0.88 %. Both the company had the declining ROE after 1997. So, from the Du Pont analysis it is found that EHL had the advantage of their EM, ROA and also total assets turnover over SHL. That's why the ROE of EHL was also higher over SHL for the last four years.

2.5.1.3 Net Profit Margin

The Net profit margin ratio provides information about the ability of management to control expenses. It includes taxes, and a particular level of operating income.

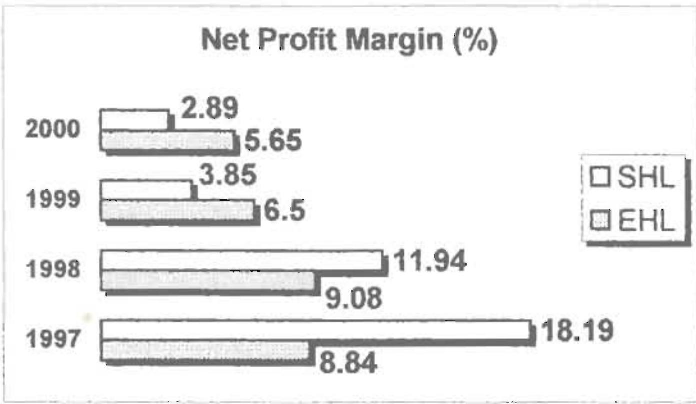
The formula of Net profit margin is bellow,

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Sales}}$$

Table-2 Net Profit Margin over the Period

Net Profit Margin	1997	1998	1999	2000
EHL	8.84%	9.08%	6.50%	5.65%
SHL	18.19%	11.94%	3.85%	2.89%

Figure-2



From 1997 to 2000 the Net Profit Margin of EHL was respectively 8.84%, 9.08%, 6.50% and 5.65%. It shows that they had a little bit fluctuating Net Profit Margin according to their sales. Only in 1998 their Net profit margin of EHL had increased, but after that it was decreased in 1999 and 2000.

Evaluation of EHL's Net Profit Margin over SHL Ltd.

The Net profit margin indicates the percentage of Net profit in respect to the total sales. From the above analysis it is found that EHL had a declining Net profit margin for the last four years except 1998. So, they would face problem to meet their expenses more effectively. Only they had a increasing Net profit margin in 1998. EHL had an average of 7.52% Net profit margin, which is very low in respect of any industry. On the other hand, SHL had an average of higher 8net profit margin over EHL. The average Net profit margin of SHL was 9.22%, where EHL had about 7.52 %. So EHL had the Disadvantage in the Net profit margin ratio over SHL for the last four years.

2.5.1.4 Total Assets Turnover (Assets Utilization)

Total Assets Turnover ratio (Assets Utilization) represents the ability of management to employ assets effectively to generate revenue.

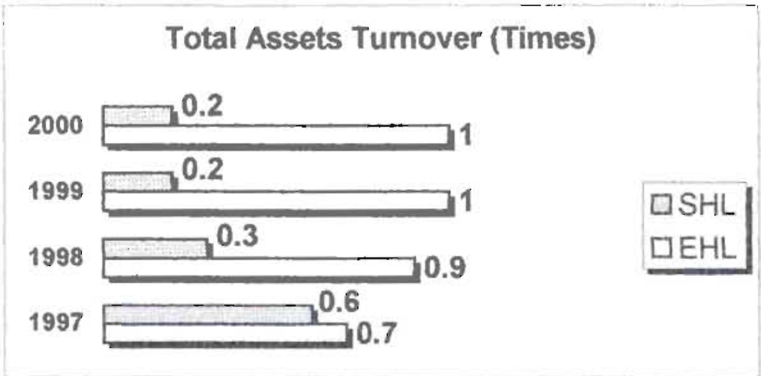
The formula for Total Assets Turn Over ratio (Assets Utilization) is on follows,

$$\text{Total Assets Turn Over ratio} = \frac{\text{Operating Revenue}}{\text{Total Assets}}$$

Table-3 Total Assets Turnover over the period

Total Assets Turnover	1997	1998	1999	2000
EHL	0.7Times	0.9 Times	1 Times	1 Times
SHL	0.6 Times	0.3 Times	0.2Times	0.2 Times

Figure-3



The analysis shows that total assets turnover ratio of EHL was going up. That means, the company was generating increasing volume of revenue in respect to its total assets8 investment.

Evaluation of EHL's total assets turnover over SHL

From the analysis, it is found that Total Assets Turnover ratio of EHL was higher than the SHL for all the last four years. That means, EHL's management utilized their assets effectively during last four years over SHL. Total Assets Turnover ratio of SHL was decreasing respectively year after year, whereas Total

Assets Turnover ratio of EHL was increasing for the last four years. So, from the above analysis, it is found that EHL earned more revenues by utilizing their assets over SHL.

2.5.1.5 Equity Multiplier (EM)

The EM ratio shows, the amount of asset back by the equity. But which is highly leveraged firm will have higher equity multiplier. Some times higher value of EM indicates greater risk for a company.

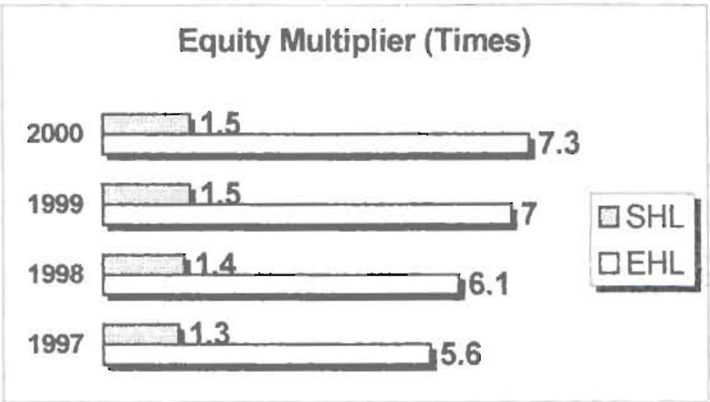
Though Equity Multi2plier is not a profitability ratio, it is a risk solvency ratio but it helps to find out the ROE for the DU Pont Analysis. Equity multiplier can be measured by the following formula,

$$\text{Equity Multiplier} = \frac{\text{Total Assets}}{\text{Total Equity}}$$

Table-4 Equity Multiplier over the Period

Equity Multiplier	1997	1998	1999	2000
EHL	5.6 Times	6.1 Times	7 Times	7.3Times
SHL	1.3 Times	1.4 Times	1.5 Times	1.5 Times

Figure-4



The analysis shows that, from 1997 to 2000 the Equity Multiplier of EHL and also SHL was increasing but EM of EHL was higher than SHL.

Evaluation of EHL's Equity Multiplier over SHL

From the above analysis it is stated that the EM of EHL is very higher than SHL. It indicates that EHL is highly leveraged firm and year after year their financial leverage was increasing. Some times to being highly leveraged seem to go under the bankruptcy position.

2.5.1.6 Return on Assets (ROA)

Return on assets measure the success of a firm in using assets to generate earnings. ROA can be interpreted in two ways. First, it measures management's ability and efficiency in using the firm's assets to generate profit. Second, it reports the total return according to all providers of capital.

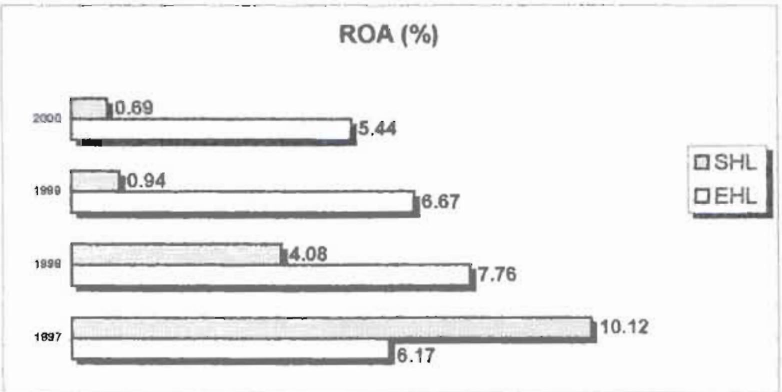
ROA can be measured by,

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

Table-5 Return on Total Assets over the Period

Return on Total Assets	1997	1998	1999	2000
EHL	6.17 %	7.76 %	6.67%	5.44%
SHL	10.12%	4.08%	0.94%	0.69%

Figure-5



From the above analysis, it is found that ROA of EHL more or less constant. The average ROA of EHL was 6.51% for the last four years. Since, ROA is positively related with net profit margin and total assets turnover, because, by multiplying net profit margin with total assets turnover creates return on assets. The return on assets of EHL was higher than SHL from 1998 to 2000.

Evaluation of EHL's ROA over SHL

Return on total Assets ratios mainly focus on return, which is provided, by the assets of any firms or contribution of assets to the total return. From the above analysis it shows that EHL & SHL also have declining ROA after 1998. But EHL had higher ROA over SHL in 2000 and stated that in the good position at this present time over SHL. As a result, EHL has a good advantage over SHL in respect of ROA and it means, EHL use their real and financial resources very efficiently as well as the company generates higher returns in respect to this total assets compare to SHL.

Table-6 At a Glance (results of Du Pont analysis)

Easter Housing Ltd.	1997	1998	1999	2000
ROA	6.17 %	7.76 %	6.67%	5.44%
Total Assets Turnover	0.7Times	0.9 Times	1 Times	1 Times
Equity Multiplier	5.6 Times	6.1 Times	7 Times	7.3 Times
ROE	15.48%	15.56%	11.31%	8.53%

Table-7 At a Glance (results of Du Pont analysis)

Shinepukur Holding Ltd.	1997	1998	1999	2000
ROA	10.12%	4.08%	0.94%	0.69%
Total Assets Turnover	0.6 Times	0.3 Times	0.2Times	0.2 Times
Equity Multiplier	1.3 Times	1.4 Times	1.5 Times	1.5 Times
ROE	10.12%	4.65%	1.16%	0.88%

2.5.2 Liquidity Ratios: -

2.5.2.1 Current Ratio

Current Ratio indicated the ability of a company to meet its short-term obligations. Short- term obligations indicate those obligations that are due within a year. Current ratios provide a single indicator of the extent to which assets that are expect to be converted to cash in period roughly corresponding to the maturity of the claims of the clients.

A higher current ratio may be indicate that the excessive amount of current assets, which is considered to be management's failure to utilize the resources properly. A lower current ratio is an indication that the firm may not be able to pay future obligations in time.

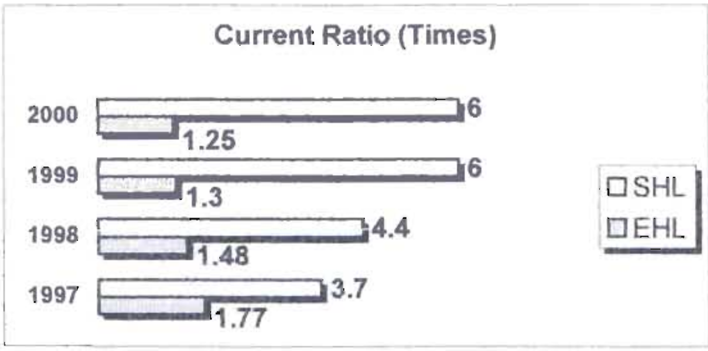
Current ratio can be defined as,

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Table-8 Current Ratio over the period

Current Ratio	1997	1998	1999	2000
EHL	1.77 Times	1.48 Times	1.30 Times	1.25 Times
SPHL	3.7 Times	4.44 Times	6 Times	6 Times

Figure-6



From the Liquidity ratio analysis of EHL, it is found that from 1997 to 2000 the current ratios are respectively 1.77 Times, 1.48 Times, 1.30 Times and 1.25 Times. It is shown that the Current Ratios of EHL was decreasing in these four years, which is consider as inefficient to utilize the resource properly, whereas the Current Ratio of SHL was increasing for the lat four years.

Evaluation of EHL's Current Ratio over SHL

The Current ratio of EHL is lower than SHL. In 1997 the Current ratio of EHL was 1.77 times and SHL was 3.7 times and in the year 2000 the Current ratio of EHL was 1.25 times, whereas SHL had the Current Ratio of 6 times. It indicates that SHL's management successfully utilized their resources over EHL. A higher Current ratio may be indicates excessive amount of current assets. On the other way, it may be stated that EHL takes more risk to having more liabilities than of their current assets and imposing their assets to long-term investment to enjoy long term earnings. So in the Current Ratio part, SHL had the advantage over EHL.

2.5.2.2 Quick Ratio

Quick ratio states that, how many current liabilities can be meet by the current assets even without having to liquidate its inventories. Inventories are typically the least liquid of a firm's current assets, so they are the assets on which losses are most likely to occur in the event of liquidation. Therefore, it is a measure of the firm's ability to pay off short-term obligations without having to liquidate inventories.

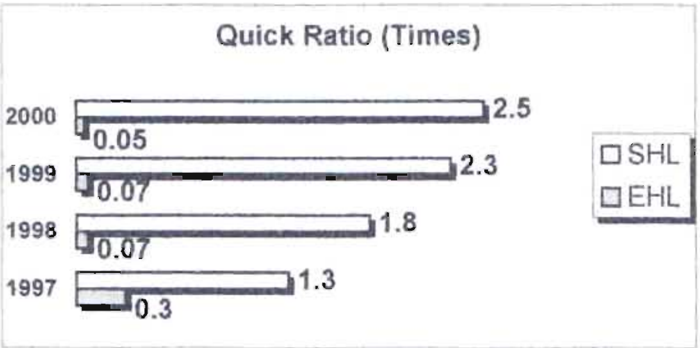
Quick ratio can be defined as,

$$\text{Quick Ratio} = \frac{\text{Current Assets - Inventory}}{\text{current Liabilities}}$$

Table-9 Quick ratio over the period

Quick Ratio	1997	1998	1999	2000
EHL	0.30 Times	0.07 Times	0.07 Times	0.05 Times
SPHL	1.3 Times	1.8 Times	2.3 Times	2.5 Times

Figure-7



From the Quick Ratio of this analysis, it is found that EHL had very low position over SHL. In 2000 the Quick Ratio of EHL was fall in 0.05 times from 0.07 times in 1999, whereas in 2000 the Quick Ratio of SHL was increased by 2.5 times from 2.3 times in1999.

Evaluation of EHL's Quick Ratio Over SHL.

Quick Ratio refers to the liquidity position on any company. The position of quick ratio of EHL was poor than SHL in the last four years. It means SHL had an advantage of paying short-term obligations without having to liquidate inventories over EHL.

2.5.3 Activity Ratio: -

2.5.3.1 Fixed Asset Turnover

This ratio indicates how efficiently the firm is using its fixed asset to generate revenue.

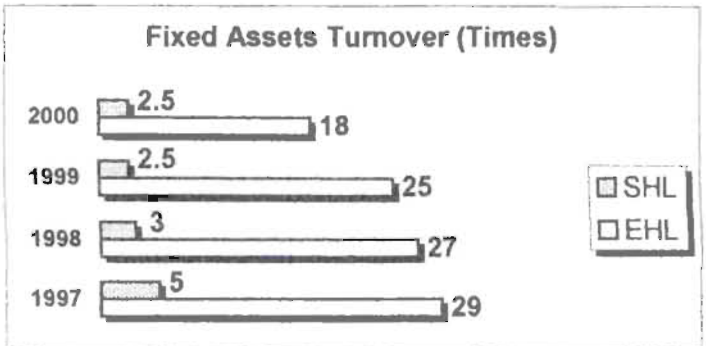
Fixed Asset Turnover ratio can be defined as,

$$\text{Fixed Assets Turnover Ratio} = \frac{\text{Sales}}{\text{Fixed Assets}}$$

Table-10 Fixed Asset Turnover over the period

Fixed Assets Turnover Ratio	1997	1998	1999	2000
EHL	29 Times	27 Times	25 Times	18 Times
SPHL	5 Times	3 Times	2.5 Times	2.5 Times

Figure-8



From the above analysis it is stated that Fixed Assets Turnover of EHL is too much high over SHL. In 2000, Fixed Assets Turnover of EHL was 18 times but SHL was only 2.5 times.8

Evaluation of EHL's Fixed Assets Turnover over SHL

From the analysis, it shows the utilization of fixed assets in terms of sales. It also shows the use of fixed assets to convert into sales. So, higher turnover seems the better firm's position. From the above analysis, it is clear that EHL were using its fixed assets very effici6ently to generate revenue over SHL.

2.5.4 Shareholders Return Ratio: -

2.5.4.1 Dividends payout Ratio

It is an indication of dividend payout as a percentage of profits.

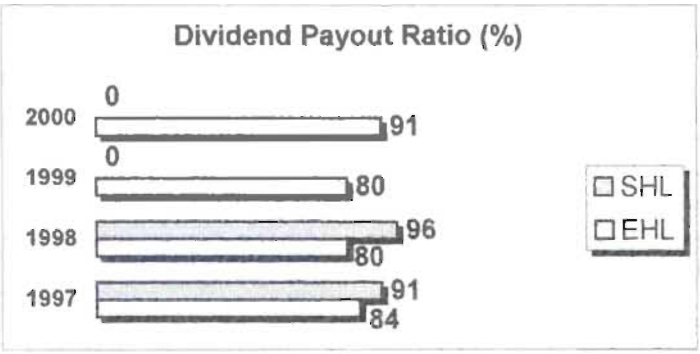
Dividend pay out Ratio can be defined as,

$$\text{Dividend pay out Ratio} = \frac{\text{Annual Dividends per share}}{\text{After tax earnings per share}}$$

Table-11 Dividend payout Ratio over the Period

Dividend pay out Ratio	1997	1998	1999	2000
EHL	84 %	80 %	80 %	91 %
SHL	91 %	96 %	0%	0%

Figure-9



From the analysis, it shows that EHL was paying dividends in a regular basis. Their dividends were 84 % to 91 % for the last four years. On the other hand, SHL was not regular in paying dividends. They paid dividends in 1997 and 1998 but in 1999 and 2000 they did not pay any dividends.

Evaluation of EHL's Dividends Payout Ratio over SHL

Paying dividends each year at an expectable rate is the good advertisement for any firm to attract the investors. So from the analysis it is clear that EHL has an advantage of Dividends Payout Ratio over SHL.

2.5.4.2 Price Earnings Ratio

An indication of market perception of the firm usually, the faster-growing or less risky firms tend to have higher price earning ratios than the slower growing and more risky firms. It is commonly used to assess the owners' appraisal of share value. It also indicate that how much the investors would pay for each Taka of earnings.

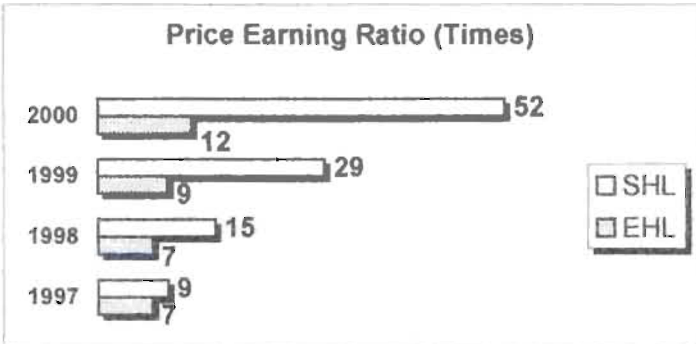
Price Earnings Ratio can be defined as,

$$\textit{Price Earning Ratio} = \frac{\text{Market Price Per Share of Common Stock}}{\text{Earnings Per Share}}$$

Table-12 Price Earnings Ratio over the Period

P/E Ratio	1997	1998	1999	2000
EHL	7 Times	7 Times	9 Times	12 Times
SHL	9 Times	15 Times	29 Times	52 Times

Figure-10



From the analysis, it shows that Price Earnings Ratio of SHL is higher than EHL. In the year 2000, the Price Earnings Ratio of EHL was 12 times whereas SHL was 52 times.

Evaluation of EHL's Price Earnings Ratio over SHL

The higher Price Earnings Ratio indicates that the good market position about the firm and normally the less risky or faster growing firms could able to maintain it. The analysis shows that SHL is the superior advantage of Price Earnings Ratio over EHL.

2.5.5 Leverage Ratio: -

2.5.5.1 Debt to Asset Ratio

It indicates the total borrowed funds as a percentage of total assets.

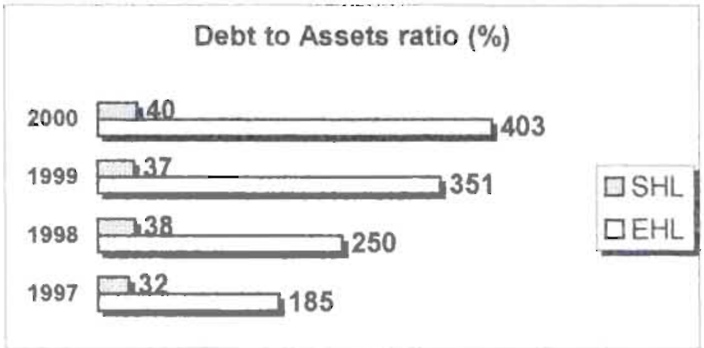
Debt to Asset Ratio can be defined as,

$$\text{Debt to Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Table-13 Debt to Asset Ratio over the Period

Debt to asset Ratio	1997	1998	1999	2000
EHL	185 %	250 %	351 %	403 %
SHL	32 %	38 %	37 %	40 %

Figure-11



The analysis shows that the Debt to Assets Ratio of EHL was extremely high and seems to be abnormal in the last four years. In 1997 EHL had Debt to Assets Ratio of 185 % and in the year 2000 it had 403 %, whereas SHL had the range of 32 % to 40 % in the last four years.

Evaluation of EHL's Debt to Assets Ratio over SHL

From the analysis it is very clear that EHL is highly leveraged firm, whereas SHL is a balanced leveraged firm. To be a highly leveraged, sometimes cause for bankruptcy.

2.5.5.2 Debt to Equity Ratio

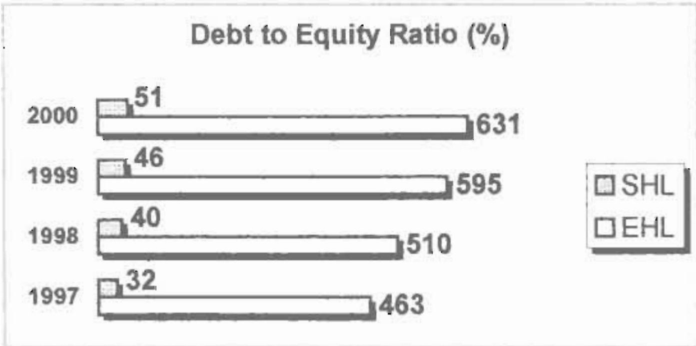
It indicates the borrowed fund versus the funds provided by shareholders. Debt to Equity Ratio can be defined as,

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Stockholders' Equity}}$$

Table-14 Debt to Equity Ratio over the Period

Debt to Equity Ratio	1997	1998	1999	2000
EHL	463 %	510 %	595%	631%
SHL	32 %	40 %	46 %	51 %

Figure-12



In 1997 EHL maintained 463% Debt to Equity Ratio whereas SHL maintained 32 %. In 2000 EHL also maintained 631 % Debt to Equity Ratio whereas SHL maintained 51 %.

Evaluation of EHL's Debt to Equity Ratio over SHL

From the analysis, it shows that EHL is highly leveraged firm and maintain abnormal rate of leverage and seem that year after year it's becoming risky.

2.5.5.3 Time interest earned Ratio

It indicates the firm's ability to meet all interest payments.

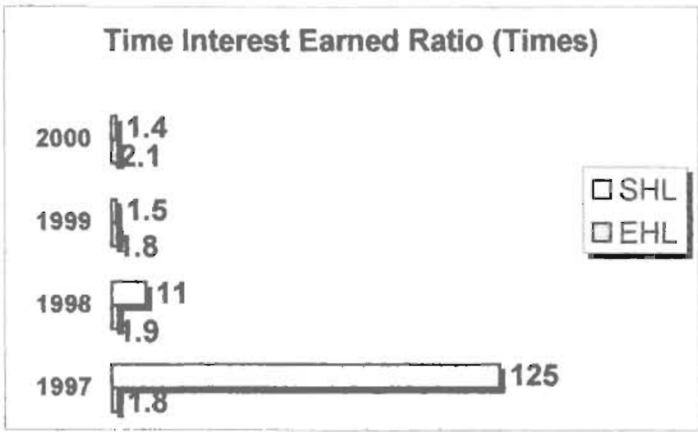
Time interest earned Ratio can be defined as,

$$\text{Time interest earned Ratio} = \frac{\text{Profit before interest \& taxes}}{\text{Total interest charges}}$$

Table-15 Time interest earned Ratio over the Period

Time interest earn Ratio	1997	1998	1999	2000
EHL	1.8 Times	1.9 Times	1.8 Times	2.1 Times
SHL	125 Times	11 Times	1.5 Times	1.4 Times

Figure-13



In 1997, the Time Interest Earned Ratio of EHL was 1.8 times whereas SHL was 125 times. In the year 2000 the Time Interest Earned Ratio of EHL was 2.1 times and SHL was 1.4 times.

Evaluation of EHL's Time Interest Earned Ratio over SHL

From the above analysis, it shows that EHL maintained an increasing level of Time Interest Earned Ratio trends, whereas SHL maintained a dramatically decreasing Time Interest Earned Ratio history, it decreased from 125 times to 1.4 times in the last four years, which is very risky sign for them. On the other hand it shows that EHL had the ability to meet the interest payments in the last four years and it is increasing year after year. This is a very good sign in terms of paying interest. So, EHL had the superior advantage of Time Interest Earned Ratio over SHL in the last four years.

2.6 RESULTS OF RATIOS (At a Glance)

ITEMS	1997		1998		1999		2000	
	EHL	SHL	EHL	SHL	EHL	SHL	EHL	SHL
Profitability Ratio								
Return on Equity	15.5%	10.1%	15.6%	4.7%	11.3%	1.2%	8.5%	0.9%
Net Profit Margin	8.8%	18.2%	9.1%	11.9%	6.5%	3.9%	5.7%	2.9%
Equity Multiplier	5.6	1.3	6.1	1.4	7	1.5	7.3	1.5
Return on Assets	6.2%	10.1%	7.8%	4.08%	6.7%	0.94%	5.4%	0.7%
Liquidity Ratios								
Current Ratio	1.77	3.7	1.5	4.4	1.3	6	1.25	6
Quick Ratio	0.30	1.3	0.07	1.8	0.07	2.3	0.05	2.5
Activity Ratio								
Fixed Asset Turnover	29	5	27	3	25	2.5	18	2.5
Total Assets Turnover	0.7	0.6	0.9	0.3	1	0.2	1	0.2
Shareholders' Return Ratio								
Dividends pay out Ratio	84%	91%	80%	96%	80%	0%	91%	0%
Price Earnings Ratio	7	9	7	15	9	29	12	52
Leverage Ratio								
Debt to Asset Ratio	185%	32%	250%	38%	351%	37%	403%	40%
Debt to Equity Ratio	463%	32%	510%	40%	595%	46%	631%	51%
Time Interest Earned Ratio	1.8	125	1.9	11	1.8	1.5	2.1	1.4

Part-3

Conclusion Part

3.1 Suggestions

3.1.1 Suggested ideas

By careful analysis of common size statement and different ratio analysis, it is identified that EHL have some Vacuum in their company that need to be fulfill and lead me to find out few suggestions, which could be effectively give a solution to boost up their existing performance.

The Suggestions are as follows:

1. Eastern Housing Limited should increase their capital by issuing new shares and may try to reduce the firm's leveraged at an optimum level.
2. Create some innovative product to attract middle class and lower middle class people.
3. Eastern Housing Limited should try to minimize their cost.

3.1.2 Reasons for Suggestions

The main reasons for recommend above three ideas are – from the analysis, it shows that the turnover of EHL was reducing year after year but the cost of production/ construction was also increasing. As a result, their profitability decreased by a substantial portion. They are also providing lower dividend in the present year compare to previous years. One of the main problems, which is identified from the analysis that is the financial position of EHL were becoming riskier in terms of being higher leveraged. As a result, EHL tasted decreasing turnover as well as profitability in the last four years.

The company has a big chunk of the total market share but no longer enjoys the dictating terms as before. As reported, in the year Real Estate business witnessed radical changes and many private entrepreneurs entered into the business in the last few years, resulting decrease of market share of EHL. In this situation, EHL have to come up with some ideas, probably the suggested ideas to overcome their present unfavorable situation.

3.1.3 Results of Suggested ideas

When EHL would take the recommended ideas and try to implement those than their performance would be higher than the present scenario. Because, when they would be able to implement the first idea than their interest expanse would be lower, as a result their profitability would be increases and they would also be able to come out from the bankruptcy risk, which is very essential requirements for EHL at present situation.

When EHL would be able to implement the second idea than their turn over would be increased. At present, our economy is facing declining situation. So, in this situation the moneymakers or upper class and upper-middle class peoples are not interested to involve their money in less necessary area. As a result, this segment is not favorable target market for EHL in this declining economic situation. On the other hand, middle-class and lower-middle class people always want to build a house for themselves. It is a dream of them when they started to earn. So, if EHL can creates some ideas of preparing flats for them which would be maximum 800 sft. to 1000 sft. with full amenities and makes the price for them maximum 8 to 10 lacks and obviously the payments would be in preferable installments. By careful research and development it would be possible for EHL to prepare the ideas that would be full of preferable facilities, which would be very attractable for the new segment that is the middle-class and lower middle-class people. When, EHL could be implement this idea then the new segment would get the chance of implementing their dream and would be respond extremely to the EHL. As a result, the turnover of EHL would be increased as well as this idea would be the competitive idea for EHL to compete with the rivals in this present declining economic situation.

For implementing the second idea, EHL must have to implement the third idea. Because from the analysis, it shows that the COGS which is treated as cost for EHL, is going up year after year even though the turnover is decreasing. So, they have to try to reduce the cost. When they would be able to implement this idea that is minimizes the cost, then they could also be able to offer the new product at a low price. As the middle and lower middle-class people are very price sensitive, they would respond very highly to EHL. So, for increasing the performance and profitability as well as shareholders' wealth and well compete with rivals and in the present bad economic condition, EHL have to think about the recommended ideas and try to possibly implement those.

3.1.4 The analysis also recommends some additional ideas for EHL from the financial perspective, those are as follows: -

- Eastern Housing Limited could invest their extra funds in other sectors.
- They can increase their dividends to attract more investors.

- They could increase by giving of credit facilities to their current customers and new target segments.
- They could make proper financial mix to adjust their working capital.

3.1.5 Eastern Housing Limited should be focus on some other important factors and those are as follows: -

- Time consumed at the service level should be minimized at optimum level.
- Evaluate customer's needs from their perspective and explain logically the shortcomings, if any.
- Customer's convenience should receive priority over others.
- Use appropriate technique in evaluating customer needs.
- To deliver quality service, top management should try to mitigate the gap between customer's expectations and employee's perception.

3.2 Implementation

Implementation entails converting the organizational plan into action and then into results. It's a job for the whole management team of any organization. It requires a whole organization's group work, to work out the plan effectively. While EHL's head of the divisions, department and key operating units are ultimately responsible for seeing that new plan and product has been developed successfully, the development process typically impacts every part of the organizational structure, from the biggest organizational units to the smallest frontline workgroup. As EHL is a well-known company, it should follow up their corporate culture and build up the plan in such a way, which adjust the quality system of the company.

One of the keys to successful implementation is for management of the EHL to communicate organizational change to each department so clearly and persuasively that gathers the determined commitment throughout the ranks to carryout the plan and meets performance target. The ideal condition is f6or EHL's managers to arouse enough enthusiasm for the strategy to run the development process into the company wide crusade. The management of EHL, in handling of plans implementations successful when this company achieves the target strategic and financial performance and shows good progress in realizing its long-range strategic vision.

In the present scenario of bad economic situation of the country, declining profitability of EHL, decreasing net profit margin and increasing debt position, EHL have to come up with some steps to implement this ideas. To implement any thing, very high co-operation is needed between the management and the employees. Without the well co-operation of the employees, management could not perform their ideas. So, or implementing the ideas, EHL should take some steps to increase their performance in the competitive corporate world. Some steps are discussed as follows,

3.2.1 Adopt new ideas in their construction and business process

EHL should effectively select good ideas to attract the middle and lower middle class peoples. To implement the whole thing EHL should follow a step-by-step procedure, which are as follows:

3.2.1.1 Sales force

Knowledge of customers needs, inquiries from customers on prospects, knowledge of the industry and competition.

3.2.1.2 Research and development

Application of basic research, original or creative thinking, testing existing products and performance record, accidental discoveries.

3.2.1.3 Other company sources

Suggestions from employees' use of by-products or scrap, specific market surveys.

3.2.1.4 Outside sources

Investors, stockholders, suppliers or vendors, resellers, advertising agencies, customers suggestions, competitor's products, patents abstracts, trade shows, foreign magazines, foreign flat samples, designers and top management.

3.2.1.5 Conducting business analysis

EHL should conduct more rigorous analysis of these ideas, to see whether the new ideas make sense. It includes,

3.2.1.6 Predicting sales

EHL requires some ideas in sales for the new design flat to generate.

3.2.1.7 Concept testing

EHL should ask potential customers to evaluate pictures or description at a new product.

3.2.1.8 Predicting costs

To predict whether the product can be p4rofitable, EHL can subtract expected costs from forecasted sales. This means that they must be clear enough about the products features to estimate production costs.

3.2.1.9 Developing the new design

If EHL predicts that the new design will be profitable, then they should move on to develop the product concept. It includes the following:

3.2.1.10 Flat specification

In the standard process of developing the new desi4gned flat concept, the product development team of production department should begin by developing specification of the flat, which is the detail of what the flat will consist.

3.2.1.11 Reorganize designing department

EHL should re-organize the designing department into two sections. These are:

Creative designer: For product (flat) engineering.

Technical designer: For process engineering.

3.2.2 Creating the technical specification for the new designed flat

From the product (flat) features set identified by the designing development team, creative designer should create vision of how the product looks and perform. The technical capabilities of the flat are developed and retained. From this initial conceptual vision, the work procedure to design the flat and test, the technical concepts that forms the basis of the features and functions. Once the preliminary design completed, prototypes may be created and tested to ensure that the flat performs as specification. When testing completed and new designed flat is performing as it was intended to, the design is going to be documented and finalized.

3.2.3 Concurrent engineering

Now, EHL should link product (flat) design with Concurrent engineering. First, it is very important for design teams to understand existing and planed construction (production) technologies, and this requires a considerable amount of communication between technical people in construction and engineering. Close co-operation and communication and also required for engineers to effectively design flat for case of construction, lowest cost, and highest quality. Engineers on the design team can provide valuable assistance to the construction people to help reduce tooling costs and to add their technical expertise to the make- versus- buy decisions.

3.2.4 Developing the construction process to produce the new designed flat

Getting prepares to produce the flat, the construction process must be created so that the flat can be made in production facilities. If new technology is involved to produce the flat, this may be require purchasing new equipment and training construction workers. The engineers should then acquire design effective tools, learn how to use them, and integrate them into the framework of company system where those are appropriate. Based on the building of prototypes, method of construction is defined; tools, fixtures and the sequence of steps in the construction process must all be developed to allow rapid, high and quality construction.

To the support the requirements of the new model of flat development, including flexibility and time to market, engineers must:

- Give cost, quality and simplicity factors consideration equal to functionality.
- Have construction process information to understand the effect of their design on process capability.
- Have cost data on purchased material, processes, and the desirability to develop products that meet cost and pricing needs of the market.
- Have technical data and analysis capabilities that allow them to ensure that their design meets reliability requirements and prevent tolerance build-up that will cause changes further along in the process. Overall needs to be as simple and attractive as possible.

3.2.5 Total quality design

For achieving highest total quality design, EHL should consider the following:

- Product (flat) development is customer driven and is focused on preventing problems rather than reacting to them.
- Teams are process oriented and interact with their internal customers to deliver the required results.
- Construction management's focuses on controlling the overall process and rewarding teamwork.

The main benefit of customer driven and process-oriented product development is the simplicity and efficiency that greatly the time involved.

3.2.6 Management role in supporting the design process

The management roles of Construction Department in supporting this phase of the design process should include the following:

- Review the availability of raw materials and other resources necessary for development of the construction process. Using an integrated flat development process will not return the full potential to reduce time to market if work is delayed due to lack of raw materials.
- Look for opportunities to efficient the construction the process development. Catalog and construction process, much the same as flat designs are classified and saved for possible reuse. If flat designers are going to standardize component designs reuse them, the construction process that go long with the designs should also be reusable.
- Include construction process development in the design project plan. It should include activities to identify any long lead-time process raw materials to be acquired, and to allow sufficient time to order it, and train operators.
- Insist on having the final product (flat) prototypes that built on construction materials, with construction workers using the construction process instructions. Building final prototypes in an engineering lab or at an outside supplier almost guarantees that there will be trouble with the construction run, probably including last-minute design modifications that are costly and very avoidable.

3.2.7 EHL should also remember the following related things to effectively implement the ideas. These are as follows:

- EHL should restructure construction operations to reduce overhead, work in process, and better flexibility and to construct perfect flat.
- EHL should have control on construction expenses.
- EHL should constantly monitor where they can reduce their expense and in the mean time they should construct more value-added flat to attract and retain more customer.
- EHL's should extend their market network by opening more new offices through out Bangladesh where they did not yet go but the demand is exist. In addition, EHL should close some non-profitable activity, which are not generating any profit and have a depressed sale.
- EHL should take part in international Housing fares, regional Flat fairs and other fairs to create image among the consumers and try to make brand recognition. Moreover, EHL should exhibit only its new designed, fashionable flat in the exhibition to catch the eyes of peoples from different segment and create a distinctive feature.
- EHL should held weekly marketing meeting with the participator of marketing department to generate new ideas to create new design and find effective marketing approach.
- To fulfil the needs of the new generation, new group of life-style, EHL should coordinate marketing group and introduce in the market to achieve more business as well as to satisfy a more sophisticated customer.

- EHL should continuously give its efforts on developing new best.
- The management of EHL must be structure in such a way to be efficient in identifying the opportunities and adopt them and adjust them financially and strategically. The difficulty managers' face in changing the very approaches and strategies that has led to past success.
- Installing information, communication, and operating systems that enable EHL personnel to carry out their strategic roles successfully day in and day out. It is important to determine how the relationships with outsiders are to be managed and assign responsibility for building the necessary organizational bridges.
- EHL should have flexible construction structure to adjust with the political instability in our country. Opposition intolerance may cause further strikes (hartal) and protest, which may affect the construction schedule. So, EHL should keep it in mind and have a basic plan to adjust with these obstacles.
- The EHL should tie more rewards and more incentives to the achievement of performance objectives and good strategy execution, rather than playing a merely passive role or acting as obstacles.
- The EHL should create a strategy supportive work environment and corporate culture in order to do things in a manner that nurture the chances of effective strategy implementation. Equally important is the systematic management efforts to match how the company goes about its business with the needs of good strategy execution help unite the company and produce a team effort to meet or beat performance targets like providing the products (flat) with a low cost.

- A good management team is not enough. It is important to put together a compatible group of managers who possess the full set of skills to get things done. So, EHL should adapt the task of staffing the company with talented people that must go much deeper into the company ranks.
- EHL should develop a flow chart of the total construction process and then simplify it.
- EHL can create a customize product to meet their consumer's unique needs, demands and preferences in order to serge forward the demand for the products.
- EHL should examine its costs and performance in each value-creating activity and to look for ways to improve it. The company should also estimate its competitor's cost and performances as "benchmarks" against which to compare its own costs and performances. By doing this they can gain lower possible costs than its competitors to the extent.
- EHL can develop budgets to steer ample resources into its value chain activities critical to strategic success and make it cost effective.
- Consequently the EHL should focus its efforts on total quality management to bolster the operation.

3.2.8 Lower the cost

Appealing to a broad spectrum of customers based on being the overall low-cost provider at a products or services. EHL should adopt this low-cost basis to get competitive advantage by lowest overall costs than competitors to make the Construction Department more efficient and grab the bigger portion of market share. The aim is to use the low-cost edge to under-price competitors and attract price sensitive buyers in great enough members to increase total profits. There is an option is to retain from price cutting altogether, and use the low-cost edge to earn a higher profit margin on sells. Thereby raising the firm's total profits and overall return on investment. So management of EHL aim would be to provide desirable flat with a lower price.

3.2.9 Increase Promotional Activities

- The EHL can go for different types of promotional strategies that should be matched its mission and vision. It should improve resource utilization and can proceed by talking to marketing peoples and competitors including by talking to consumers. Since consumers are the good source of idea generations. Their feelings about the strengths and shortcomings of existing thing provide important clues to creative strategy.
- Depending on budget EHL can lease billboard in specific location where people visits to many times.
- Television is the most effective media for reaching its target audiences. So, a good advertising on television can increase EHL's Sales. They can also introduce super models or super stars for their advertise on television, which will attract more the viewers.
- Discover and implement new facilities and technique offerings that current target customers want. EHL can mail current and past customers a questionnaire asking what other facilities they might want form the EHL's

Flat. They can also mail new ideas with invoices to customers. Since consumers are the major source of good ideas.

- Idea screening policy can also be taken for the successful development.
- Outdoor promotions should focus through participation in sports sponsorship, fairs and exhibitions.
- To communicate sale forces regarding new arrival with product (flat) feature regular merchandising news bulletins should be published.
- The company should develop a promotional calendar, which will identify the various events and sales actions necessary to achieve the company's sales and profit objectives.

3.2.10 Monitoring and controlling

Because of many surprises occur during the implementation of management and marketing plans. The EHL has to continuously monitor and control marketing activities in order to cope up with the changing situation. EHL needs some kind of control systems for developing their strategy.

3.2.11 Monthly plan control

The prime responsibility of this yearly plan control is for top management and middle management of EHL. It is used for the purpose to examine whether the planned results are being achieved. In order to achieve best result from this system, EHL has to analyze certain things like sales analysis, market share analysis, and expense to sales analysis, financial analysis and market based scorecard analysis.

3.2.12 Profitability control

To control the market is the prime responsibility of this profitability control. By this EHL can examine where the company is making and losing money. If EHL wants to make own company profitable they have to make it in every way like by product (flat), territory, customer, segment etc.

3.2.13 Efficiency control

Line and staff ma4nagement is the prime responsibility of this efficiency control. The purpose is to evaluate and improve the spending efficiency and impact of management expenditures of EHL. By checking certain things very carefully, such as sales force, advertising, sales promotion, EHL can make them efficient.

3.2.14 Strategic control

To be the best audit of the management has the prime responsibility of strategic control for EHL. The purpose of this control system is to examine whether the EHL is pursuing its best opportunities with respect to markets. To obtain the best result, EHL should have to make certain things efficient, such as management effectiveness rating instrument, management audit, management excellence review, company ethical and social responsibility review etc.

Above all, EHL should perform a sophisticated financial analysis of marketing expenditures and results that affects the company's rate of return on net worth. The expense to sales ratios should be analyzed in an over all financial framework to determine how and where the company is making its money. Specifically, it should examine adherence to profit plans, help to prepare budgets, measures the efficiency of promotions, analyze media operation costs, evaluate customer and geographic profitability and educate marketing and management personnel on the financial implications of management decisions.

3.2.15 Value added services

EHL should concentrate on giving other additional facilities (value added services) to its consumers like the other companies are doing now. It can provide nice gift, customer information services via telephone lines, which will have more option to use. Also EHL can ensure the just-in-time constructing flats. The value-added services will not only help EHL to compete and rivals with the existing company but also contribute to the company's image as a unique market player in the industry.

3.2.16 Public relation

EHL can create press relations for presenting news and information about the company in the most positive light, it can cover print media like newspaper, leaflet, flyers, magazine etc. with catchy contents that include a few ideas for creating tactics.

EHL can sponsor various efforts to publicize their theme, ideas; creating free positive publicity can be adopted to capture the heart-share of people.

EHL should also go for counseling. Since there was a mishap when the publics' confidence was shaken for their management department.

3.2.17 Personal Commitment

Personal commitment is another component that should be necessary for the company to reach its potential. It is one thing for EHL to talk about innovation, quality and growth and it is another to embed these concepts into the approach to life. Around the world, EHL should nourish personal commitment that will align their personal and corporate goals.

3.2.18 Reduce the Debt portion

From the analysis, it is identified that EHL is highly levered firm. By the calculation of the bankruptcy position, it is identified that in 2000 EHL was fall in bankruptcy position. So, this is very risky sign for them. The main reason for falling in bankruptcy was using high level of debt. In terms of debt, their equity is very low which are sometimes unusual. EHL can easily come out from this situation by issuing new shares. Because right now they have 3,794,320 shares which they id not issue. So, by issuing new shares as well a increasing equity portion, could able to come out from the bankruptcy position. If EHL wants to offer new issues, then divided concerning investors would accept this offer because the dividend pay out ratio of EHL was satisfactory and more or less stable in the last four years.

3.2.19 Create efficient stock management and make it open to buy

- The most important objective of EHL business should be to derive maximum turnover from minimum level of investment and to make estimated profits.
- They should give effort to maximize the stock-turn through faster delivery and keeping the level of holding stock at the ideal level.

- More emphasis should be given on best and volume selling lines, which will help to increase sales as well as to increase stock turn.
- Sales or stock situation should be reviewed on weekly basis.

3.3 Conclusion

The performance evaluation analysis of Eastern Housing Limited was not a very easy task for me. The time was not so sufficient to measure and express perfectly every thing. But it was a great opportunity for me to introduce with real life work in pure finance field, as I am a student of finance major. I tried heart and soul to incorporate the analysis with necessary relevant information.

During the course of my practical orientation, I have tried to learn the financial application through common size statement and ratio analysis. I also tried to match the theoretical knowledge with all those financial calculations and analysis, which I learned in my entire B.B.A program.

Appendix

Bibliography

1. Annual Report of Eastern Housing Limited from 1997-2000.
2. Annual Report of Shinepukur Holdings Limited from 1997-2000.
3. Essential of Managerial Finance, J.Fred Weston, Scoot Basely, Eugene F. Bringham, 11th Edition.
4. Principles of Managerial Finance, Lawrence J. Gitman, 8th Edition.
5. Commercial Banking, *The Management of Risk,* Donald R. Fraser, Benton E.Gup, James W. Kolari.
6. Investment *Analysis and Management,* Charles P. Jones, 7th Edition.
7. International finance, Jeff Madura, 6th Edition.
8. Financial Statement Analysis, Gorge Foster, 2nd Edition.
9. Financial Market and Institutions, Jeff Madura, 5th Edition.

Eastern Housing Limited

Profit & Loss and Appropriation Account
For the year ended July 31

(Amount in Taka)

Items	1997	1998
Turnover	**1,332,415,900**	**1,368,749,200**
(-) Cost of good sold	807,116,000	850,530,300
Gross profit	**525,299,900**	**518,218,900**
(+) Non-operating income	804,100	7,430,900
(-) Expenses	**344,786,800**	**344,236,100**
Net profit (before tax)	**181,317,200**	**191,413,700**
(-) Provision for income tax	63,461,000	66,994,800
Net profit (After tax)	**117,856,200**	**124,418,900**
Dividend	99,290,900	99,290,900
Retained Earnings	18,500,000	25,000,000

Balance Sheet
As at July 31

(Amount in Taka)

Items	1997	1998
Total assets	**1,908,935,900**	**1,602,447,300**
Fixed assets	46,432,900	51,362,900
Deferred Expenses	30,154,400	15,077,100
Current assets	4,211,977,500	4,732,139,600

Items	1997	1998
Total Liabilities and Equities	**1,908,935,900**	**1,602,447,300**
Long term loan and Deferred liabilities	1,147,705,900	86,089,300
Current liabilities	2,379,628,900	3,196,132,300
Share holders' equity	761,230,000	786,358,000

Eastern Housing Limited

Profit & Loss and Appropriation Account
For the year ended July 31

(Amount in Taka)

Items	1999	2000
Turnover	**1,396,214,900**	**1,222,807,600**
(-) Cost of good sold	946,395,400	885,435,600
Gross profit	**449,819,500**	**337,372,000**
(+) Non-operating income	4,207,700	2,002,400
(-) Expenses	**314,297,100**	**233,037,500**
Net profit (before tax)	**139,730,100**	**106,336,900**
(-) Provision for income tax	48,905,500	37,217,900
Net profit (After tax)	**90,824,600**	**69,119,000**
Dividend	74,468,200	62,056,800
Retained Earnings	15,000,000	6,000,000

Balance Sheet
As at July 31

(Amount in Taka)

Items	1999	2000
Total assets	**1,360,082,200**	**1,269,694,500**
Fixed assets	56,977,300	69,465,400
Deferred Expenses	5,320,700	3,000,000
Current assets	5,518,029,400	5,848,404,800

Items	1999	2000
Total Liabilities and Equities	**1,360,082,200**	**1,269,694,500**
Long term loan and Deferred liabilities	557,367,800	459,917,900
Current liabilities	4,220,245,200	4,651,175,700
Share holders' equity	802,714,400	809,776,600

Shinepukur Holdings Limited

Profit & Loss and Appropriation Account
For the year ended 31st December

(Amount in Taka)

Items	1997	1998
Turnover	**1,396,504,867**	**974,328,957**
(-) Cost of good sold	987,329,980	709,993,511
Gross profit	**409,174,887**	**264,335,446**
(+) Non-operating income	11,685,560	88,581
(-) Expenses	**30,001,624**	**61,494,184**
Net profit (before tax)	**390,858,823**	**202,929,843**
(-) Provision for income tax	136,800,588	86,550,475
Net profit (After tax)	**254,058,235**	**116,379,368**
Dividend	250,000,000	125,000,000
Retained Earnings	8,626,196	------

Balance Sheet
As at 31st December

(Amount in Taka)

Items	1997	1998
Total assets	**3,321,347,277**	**3,588,521,251**
Fixed assets	265,378,215	301,923,674
Current assets	3,055,969,062	3,286,597,577

Items	1997	1998
Total Liabilities and Equities	**3,321,347,277**	**3,588,521,251**
Long term loan and Deferred liabilities	----	349,690,600
Current liabilities	812,721,081	738,825,087
Share holders' equity	2,508,626,196	2,500,005,564

Shinepukur Holdings Limited

Profit & Loss and Appropriation Account
For the year ended 31st December

(Amount in Taka)

Items	1999	2000
Turnover	**763,280,850**	**776,898,058**
(-) Cost of good sold	574,093,446	573,541,376
Gross profit	**89,187,404**	**203,356,691**
(+) Non-operating income	75,655	45,915
(-) Expenses	**143,984,531**	**46,410,809**
Net profit (before tax)	**45,278,528**	**43,909,531**
(-) Provision for income tax	15,847,485	21,390,351
Net profit (After tax)	**29,431,043**	**22,519,180**
Dividend	-----	------
Retained Earnings	29,431,043	22,519,180

Balance Sheet
As at 31st December

(Amount in Taka)

Items	1999	2000
Total assets	**3,696,674,914**	**3,842,122,302**
Fixed assets	304,550,809	311,249,041
Current assets	3,392,124,105	3,530,873,261

Items	1999	2000
Total Liabilities and Equities	**3,696,674,914**	**3,842,122,302**
Long term loan and Deferred liabilities	599,690,600	702,363,981
Current liabilities	567,547,707	587,802,534
Share holders' equity	2,529,436,607	2,551,955,787

Eastern Housing Limited

Common Size Statement

Profit & Loss and Appropriation Account
For the year ended July 31

Items	**1997**	**1998**	**1999**	**2000**
Turnover	**100%**	**100%**	**100%**	**100%**
(-) Cost of good sold	61%	62%	68%	72%
Gross profit margin	**39%**	**38%**	**32%**	**28%**
(+) Non-operating income	0.6%	0.5%	0.3%	0.2%
	39.6%	**38.5%**	**32.3%**	**28.2%**
(-) Expenses	**25.75%**	**24.42%**	**22.3%**	**19.55%**
Net profit margin (before tax)	**13.84%**	**14.08%**	**10.0%**	**8.65%**
(-) Provision for income tax	5%	5%	3.5%	3%
Net profit margin (After tax)	**8.84%**	**9.08%**	**6.50%**	**5.65%**
Dividend	7.45%	7.25%	5.33%	5.07%
Retained Earnings	1.39%	1.83%	1.17%	0.58%

Balance Sheet
As at July 31

	1997	**1998**	**1999**	**2000**
Total assets	**100%**	**100%**	**100%**	**100%**
Fixed assets	1.10%	1.10%	1.10%	1.10%
Deferred Expenses	0.70%	0.30%	0.10%	0.50%
Current assets	98.20%	98.60%	98.80%	98.30%
	100%	**100%**	**100%**	**100%**

	1997	**1998**	**1999**	**2000**
Total Liabilities and Equities	**100%**	**100%**	**100%**	**100%**
Long term loan and Deferred liabilities	26.8%	17%	10%	7.8%
Current liabilities	55.5%	67%	76%	78.6%
Share holders' equity	17.7%	16%	14%	13.6%
	100%	**100%**	**100%**	**100%**

Shinepukur Holdings Limited

Common Size Statement

Profit & Loss and Appropriation Account
For the year ended 31st December

Items	1997	1998	1999	2000
Turnover	**100%**	**100%**	**100%**	**100%**
(-) Cost of good sold	71%	73%	75%	74%
Gross profit margin	**29%**	**27%**	**25%**	**26%**
(+) Non-operating income	0.8%	0.009%	0.01%	0.006%
	29.19%	**27.009%**	**25.01%**	**26.006%**
(-) Expenses	**3.61%**	**6.069%**	**19.06%**	**20.116%**
Net profit margin (before tax)	**26.19%**	**20.94%**	**5.95%**	**5.89%**
(-) Provision for income tax	8%	9%	2.1%	3%
Net profit margin (After tax)	**18.19%**	**11.94%**	**3.85%**	**2.89%**
Dividend	17.9%	12.83%	---	---
Retained Earnings	0.29%	---	3.85%	2.89%

Balance Sheet
As at 31st December

	1997	1998	1999	2000
Total assets	**100%**	**100%**	**100%**	**100%**
Fixed assets	8%	8.4%	8.2%	8.1%
Current assets	92%8	91.6%	91.8%	91.9%
	100%	**100%**	**100%**	**100%**

	1997	1998	1999	2000
Total Liabilities and Equities	**100%**	**100%**	**100%**	**100%**
Long term loan and Deferred liabilities	0%	10%	16%	18%
Current liabilities	25%	21%	15%	15%
Share holders Equity	75%	69%	69%	67%
	100%	**100%**	**100%**	**100%**

Eastern Housing Ltd: -

Profitability Ratio: -

1. Return on Total assets: -

1.1 Return on total assets for 1997 $= \dfrac{\text{Profit after taxes}}{\text{Total Assets}}$

$= \dfrac{117,856,200}{1,908,935,900}$

= 0.0617
= 6.17%

1.2 Return on assets for 1998 $= \dfrac{\text{Profit after taxes}}{\text{Total Assets}}$

$= \dfrac{124,418,900}{1,602,447,300}$

= 0.0776
= 7.76 %.

1.3 Return on assets for 1999 - $\dfrac{\text{Profit after taxes}}{\text{Total Assets}}$

$\dfrac{90,824,600}{1,360,082,200}$

= 0.0667
= 6.67 %.

1.4 Return on assets for 2000 $= \dfrac{\text{Profit after taxes}}{\text{Total Assets}}$

$= \dfrac{69,119,000}{1,269,694,500}$

= 0.0544

= 5.44 %

2. *Return on stockholder equity: -*

2.1 Return on stockholder equity for 1997 $= \dfrac{\text{Profit after taxes}}{\text{Total stockholder equity}}$

$= \dfrac{117,856,200}{761,230,000}$

= 0.1548

= 15.48 %.

2.2 Return on stockholder equity for 1998 $= \dfrac{\text{Profit after taxes}}{\text{Total stockholder equity}}$

$= \dfrac{124,418,900}{786,358,000}$

= 0.1556

= 15.56 %

2.3 Return on stockholder equity for 1999 $= \dfrac{\text{Profit after taxes}}{\text{Total stockholder equity}}$

$= \dfrac{90,824,600}{802,714,400}$

= 0.1131

= 11.31 %.

$$2.4 \text{ Return on stockholder equity for 2000} = \frac{\text{Profit after taxes}}{\text{Total stockholder equity}}$$

$$= \frac{69{,}119{,}000}{809776{,}600}$$

$$= 0.0853$$
$$= 8.53\ \%.$$

3. Net profit margin: -

$$3.1 \text{ Net profit margin for 1997} = \frac{\text{Profit after taxes}}{\text{Sales}}$$

$$= \frac{117{,}856{,}200}{1{,}332{,}415{,}900}$$
$$=0.0884$$
$$= 8.84\%$$

$$3.2 \text{ Net profit margin for 1998} = \frac{\text{Profit after taxes}}{\text{Sales}}$$

$$= \frac{124{,}418{,}900}{1{,}368{,}749{,}200}$$

$$= 0.0908$$
$$= 9.08\ \%$$

$$3.3 \text{ Net profit margin for 1999} = \frac{\text{Profit after taxes}}{\text{Sales}}$$

$$= \frac{90{,}824{,}600}{1{,}396{,}214{,}900}$$
$$=0.0650$$
$$= 6.50\ \%$$

3.4 Net profit margin for 2000 = $\frac{\text{Profit after taxes}}{\text{Sales}}$

$= \frac{69,119,000}{1,222,807,600}$

=0.0565

= 5.65 %

Liquidity Ratios: -

1. Current Ratios: -

1.1 Current Ratio for 1997 $= \frac{\text{Current Assets}}{\text{Current Liabilities}}$

$= \frac{4,211,977,500}{2,379,628,900}$

= 1.77 Times

1.2 Current Ratio for 1998 $= \frac{\text{Current Assets}}{\text{Current Liabilities}}$

$= \frac{473,2139600}{319,613,2300}$

= 1.48 Times

1.3 Current Ratio for 1999 $= \frac{\text{Current Assets}}{\text{Current Liabilities}}$

$= \frac{551,80,29,400}{4,220,245,200}$

= 1.30 Times

X

1.4 Current Ratio for 2000 $= \dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

$= \dfrac{5,848,404,800}{4,651,175,700}$

= 1.25 Times

2. *Quick Ratios: -*

2.1 Quick Ratios for 1997 $= \dfrac{\text{Current Assets - Inventory}}{\text{Current Liabilities}}$

$= \dfrac{4,211,977,500 - 3,498,955,800}{2,379,628,900}$

= 0.2996

= 0.30 Times

2.2 Quick Ratios for 1998 $= \dfrac{\text{Current Assets - Inventory}}{\text{Current Liabilities}}$

$= \dfrac{473,2139600 - 4,495,779300}{319,613,2300}$

= 0.0739

= 0.07 Times

2.3 Quick Ratios for 1999 $= \dfrac{\text{Current Assets - Inventory}}{\text{Current Liabilities}}$

$= \dfrac{551,80,29,400 - 5,232,063,000}{4,220,245,200}$

= 0.0677

= 0.07 Times

2.4 Quick Ratios for 2000 = $\frac{\text{Current Assets - Inventory}}{\text{Current Liabilities}}$

$$= \frac{5,848,404,800-5,618,640,500}{4,651,175,700}$$

= 0.0493
= 0.05 Times

Leverage Ratios: -

1. Debt to assets Ratios: -

1.1Debt to assets ratios for 1997 = $\frac{\text{Total Debt}}{\text{Total Assets}}$

$$= \frac{3,527,334,800}{1,908,935,900}$$

= 1.8478

=185%

1.2Debt to assets ratios for 1998 = $\frac{\text{Total Debt}}{\text{Total Assets}}$

$$= \frac{4,012,221,600}{1,602,447,300}$$

= 2.5038
= 250%

1.3 Debt to assets ratios for 1999 = $\frac{\text{Total Debt}}{\text{Total Assets}}$

$$= \frac{4,777,613,000}{1,360,082,200}$$

= 3.5127
= 351%

1.4 Debt to assets ratios for 2000= $\dfrac{\text{Total Debt}}{\text{Total Assets}}$

$= \dfrac{5,111,093,600}{1,269,694,500}$

= 4.0254

=403%

2. Debt to Equity ratios: -

2.1Debt to equity ratios for 1997= $\dfrac{\text{Total Debt}}{\text{Total Stockholder Equity}}$

$= \dfrac{3,527,334,800}{761,230,333}$

= 4.6337

= 463%

2.2 Debt to equity ratios for 1998= $\dfrac{\text{Total Debt}}{\text{Total Stockholder Equity}}$

$= \dfrac{4,012,221,600}{786,358,000}$

= 5.1022

= 510%

2.3 Debt to equity ratios for 1999= $\dfrac{\text{Total Debt}}{\text{Total Stockholder Equity}}$

$= \dfrac{4,777,613,000}{802,714,400}$

=5.9518

= 595%

2.4 Debt to equity ratios for 2000= $\dfrac{\text{Total Debt}}{\text{Total Stockholder Equity}}$

$$\frac{5{,}111{,}093{,}600}{809{,}776{,}600}$$

= 6.3117

= 631%

3. Time interest earned Ratios: -

3.1 Time interest earned ratios for 1997= $\dfrac{\text{Profit before interest and taxes}}{\text{Total interest Charged}}$

$$= \frac{412{,}505{,}700}{231{,}188{,}500}$$

= 1.7842
= 1.8 Times

3.2 Time interest earned ratios for 1998 = $\dfrac{\text{Profit before interest and taxes}}{\text{Total interest Charged}}$

$$= \frac{400{,}135{,}300}{208{,}721{,}600}$$

= 1.9170
= 1.9 Times

3.3 Time interest earned ratios for 1999 = $\dfrac{\text{Profit before interest and taxes}}{\text{Total interest Charged}}$

$$= \frac{315,358,200}{175,628,100}$$

= 1.7956
= 1.8 Times

3.4 Time interest earned ratios for 2000 = $\dfrac{\text{Profit before interest and taxes}}{\text{Total interest Charged}}$

$$= \frac{203,285,200}{96,948,300}$$

= 2.0968

= 2.1 Times

Activity Ratios: -

1. Fixed Assets turnover: -

1.1 Fixed Assets turnover for 1997 = $\dfrac{\text{Sales}}{\text{Fixed Assets}}$

$$= \frac{1,332,415,900}{46,432,900}$$

= 28.6955

= 29 Times

1.2 Fixed Assets turnover for 1998 $= \dfrac{\text{Sales}}{\text{Fixed Assets}}$

$= \dfrac{1,368,749,200}{51,362,900}$

$= 26.6485$

$= 27$ Times

1.3 Fixed Assets turnover for 1999 $= \dfrac{\text{Sales}}{\text{Fixed Assets}}$

$= \dfrac{1,396,214,900}{56,977,300}$

$= 24.5047$

$= 25$ Times

1.4 Fixed Assets turnover for 2000 $= \dfrac{\text{Sales}}{\text{Fixed Assets}}$

$= \dfrac{1,222,807,600}{69,465,400}$

$=17.6031$

$=18$ Times

2. Total Assets turnover: -

$$2.1 \text{ Total Assets turnover for 1997} = \frac{\text{Sales}}{\text{Total Assets}}$$

$$= \frac{1,332,415,900}{1,908,935,900}$$

$= 0.6979$

$= 0.7$ times

$$2.2 \text{ Total Assets turnover for 1998} = \frac{\text{Sales}}{\text{Total Assets}}$$

$$= \frac{1,368,749,200}{1,602,447,300}$$

$= 0.8541$

$= 0.9$ Times

$$2.3 \text{ Total Assets turnover for 1999} = \frac{\text{Sales}}{\text{Total Assets}}$$

$$= \frac{1,396,214,900}{1,360,082,200}$$

$= 1.0265$

$= 1$ Times

$$2.4 \text{Total Assets turnover for 2000} = \frac{\text{Sales}}{\text{Total Assets}}$$

$$= \frac{1,222,807,600}{1,269,694,500}$$

$=0.9630$

$=1$ Times

Shareholders return ratios: -

1.Dividend pay out Ratios: -

$$1.1 \text{Dividend payout Ratios for1997} = \frac{\text{Annual Dividend}}{\text{After tax earnings}}$$

$$= \frac{99,290,900}{117,856,200}$$

$=0.8424$

$= 84\%$

$$1.2 \text{Dividend payout Ratios for1998} = \frac{\text{Annual Dividend}}{\text{After tax earnings}}$$

$$= \frac{99,290,900}{124,418,900}$$

$=0.7980$

$=80\%$

1.3 Dividend payout Ratios for1999 = $\dfrac{\text{Annual Dividend}}{\text{After tax earnings}}$

$= \dfrac{74,468,200}{90,824,600}$

= 0.8009

= 80%

1.4 Dividend payout Ratios for2000 = $\dfrac{\text{Annual Dividend}}{\text{After tax earnings}}$

$= \dfrac{62,056,800}{69,119,000}$

= 0.9078

= 91%

2. Price Earning Ratios: - (Data from annual report)

2.1 Price Earning Ratio for 1997 = 7 Times

2.2 Price Earning Ratio for 1998 = 7 Times

2.3 Price Earning Ratio for 1999 = 9 Times

2.4 Price Earning Ratio for 2000 = 12 Times

Shinepukur Holdings Ltd: -

Profitability Ratio: -

1. Return on Total assets: -

1.1 Return on total assets for 1997 $= \dfrac{\text{Profit after taxes}}{\text{Total Assets}}$

$= \dfrac{254,058,235}{2,508,626,196}$

= 0.1012
= 10.12%

1.2 Return on assets for 1998 $= \dfrac{\text{Profit after taxes}}{\text{Total Assets}}$

$= \dfrac{116,379,368}{2,849,696,164}$

= 0.0408
= 4.08 %.

1.3 Return on assets for 1999 $= \dfrac{\text{Profit after taxes}}{\text{Total Assets}}$

$= \dfrac{29,431,043}{3,129,127,207}$

= 0.0094
= 0.94 %

1.4 Return on assets for 2000 $= \dfrac{\text{Profit after taxes}}{\text{Total Assets}}$

$= \dfrac{22,519,180}{3,254,319,768}$

$= 0.0069$

$= 0.69\ \%$

2. Return on stockholder equity: -

2.1 Return on stockholder equity for 1997 $= \dfrac{\text{Profit after taxes}}{\text{Total stockholder equity}}$

$= \dfrac{254,058,235}{2,508,626,196}$

$= 0.1012$

$= 10.12\ \%.$

2.2 Return on stockholder equity for 1998 $= \dfrac{\text{Profit after taxes}}{\text{Total stockholder equity}}$

$= \dfrac{116,379,368}{2,500,005,564}$

$= 0.0465$

$= 4.65\ \%$

2.3 Return on stockholder equity for 1999 $= \dfrac{\text{Profit after taxes}}{\text{Total stockholder equity}}$

$= \dfrac{29,431,043}{2,529,436,607}$

$= 0.0116$

$= 1.16\ \%$

$$2.4 \text{ Return on stockholder equity for 2000} = \frac{\text{Profit after taxes}}{\text{Total stockholder equity}}$$

$$= \frac{22{,}519{,}180}{2{,}551{,}955{,}787}$$

$$= 0.0088$$
$$= 0.88\ \%$$

3. Net profit margin: -

$$3.1 \text{ Net profit margin for 1997} = \frac{\text{Profit after taxes}}{\text{Sales}}$$

$$= \frac{254{,}058{,}235}{1{,}396{,}504{,}865}$$

$$= 0.1819$$

$$= 18.19\%$$

$$3.2 \text{ Net profit margin for 1998} = \frac{\text{Profit after taxes}}{\text{Sales}}$$

$$= \frac{116{,}379{,}368}{974{,}328{,}957}$$

$$= 0.1194$$
$$= 11.94\ \%$$

$$3.3 \text{ Net profit margin for 1999} = \frac{\text{Profit after taxes}}{\text{Sales}}$$

$$= \frac{29{,}431{,}043}{763{,}280{,}850}$$

$= 0.0385$

$= 3.85\ \%$

$$3.4 \text{ Net profit margin for 2000} = \frac{\text{Profit after taxes}}{\text{Sales}}$$

$$= \frac{22{,}519{,}180}{776{,}898{,}058}$$

$= 0.0289$

$= 2.89\ \%$

Liquidity Ratios: -

1. Current Ratios: -

$$1.1 \text{ Current Ratio for 1997} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{3{,}055{,}969{,}062}{812{,}721{,}081}$$

$= 3.7601$

$= 3.7$ Times

$$1.2 \text{ Current Ratio for 1998} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{3{,}286{,}597{,}577}{738{,}825{,}087}$$

$= 4.4484$

$= 4.4$ Times

$$1.3 \text{ Current Ratio for 1999} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{3{,}392{,}124{,}105}{567{,}547{,}707}$$

= 5.9768

= 6 Times

$$1.4 \text{ Current Ratio for 2000} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{3{,}530{,}873{,}261}{587{,}802{,}534}$$

= 6.0069

= 6 Times

2. Quick Ratios: -

$$2.1 \text{ Quick Ratios for 1997} = \frac{\text{Current Assets - Inventory}}{\text{Current Liabilities}}$$

$$= \frac{3{,}055{,}969{,}062 - 1{,}986{,}527{,}271}{812{,}721{,}081}$$

= 1.3158

= 1.3 Times

$$2.2 \text{ Quick Ratios for 1998} = \frac{\text{Current Assets - Inventory}}{\text{Current Liabilities}}$$

$$= \frac{3{,}286{,}597{,}577 - 1{,}937{,}797{,}062}{738{,}825{,}087}$$

= 1.8256

= 1.8 Times

$$2.3 \text{ Quick Ratios for 1999} = \frac{\text{Current Assets - Inventory}}{\text{Current Liabilities}}$$

$$= \frac{3{,}392{,}124{,}105-2{,}082{,}065{,}005}{565{,}547{,}707}$$

= 2.3082
= 2.3 Times

$$2.4 \text{ Quick Ratios for 2000} = \frac{\text{Current Assets - Inventory}}{\text{Current Liabilities}}$$

$$= \frac{3{,}530{,}873{,}261-2{,}048{,}090{,}535}{587{,}802534}$$

= 2.5225
= 2.5 Times

Leverage Ratios: -

1. Debt to assets Ratios: -

$$1.1 \text{Debt to assets ratios for 1997} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

$$= \frac{812{,}721{,}081}{2{,}508{,}626{,}196}$$

= 0.3239

=32%

1.2Debt to assets ratios for 1998 = $\dfrac{\text{Total Debt}}{\text{Total Assets}}$

$= \dfrac{1,088,515,687}{2,849,696,164}$

= 0.3819
= 38%

1.3 Debt to assets ratios for 1999= $\dfrac{\text{Total Debt}}{\text{Total Assets}}$

$= \dfrac{1,167,238,307}{3,129,127,207}$

= 0.3730
= 37%

1.4 Debt to assets ratios for 2000= $\dfrac{\text{Total Debt}}{\text{Total Assets}}$

$= \dfrac{1,290,166,515}{3,254,319,768}$

= 0.3964
= 40%

2. Debt to Equity ratios: -

2.1Debt to equity ratios for 1997= $\dfrac{\text{Total Debt}}{\text{Total Stockholder Equity}}$

$= \dfrac{812,721,081}{2,508,626,196}$

=0.3239
=32%

$$\text{2.2 Debt to equity ratios for 1998} = \frac{\text{Total Debt}}{\text{Total Stockholder Equity}}$$

$$= \frac{1,088,515,687}{2,500,005,564}$$

= 0.4034
=40%

$$\text{2.3 Debt to equity ratios for 1999} = \frac{\text{Total Debt}}{\text{Total Stockholder Equity}}$$

$$= \frac{1,167,238,307}{2,529,436,607}$$

=0.4614
= 46%

$$\text{2.4 Debt to equity ratios for 2000} = \frac{\text{Total Debt}}{\text{Total Stockholder Equity}}$$

$$= \frac{1,290,166,515}{2,551,955,787}$$

= 0.5055
= 51%

2. Time interest earned Ratios: -

$$\text{3.1 Time interest earned ratios for 1997} = \frac{\text{Profit before interest and taxes}}{\text{Total interest Charged}}$$

$$= \frac{393,994,555}{3,135,732}$$

= 125.6467
= 125 Times

$$3.2\ \text{Time interest earned ratios for 1998} = \frac{\text{Profit before interest and taxes}}{\text{Total interest Charged}}$$

$$= \frac{223{,}847{,}205}{20{,}917{,}362}$$

$= 10.7015$

$= 11$ Times

$$3.3\ \text{Time interest earned ratios for 1999} = \frac{\text{Profit before interest and taxes}}{\text{Total interest Charged}}$$

$$= \frac{146{,}045{,}492}{100{,}766{,}964}$$

$= 1.4493$
$= 1.5$ Times

$$3.4\ \text{Time interest earned ratios for 2000} = \frac{\text{Profit before interest and taxes}}{\text{Total interest Charged}}$$

$$= \frac{156{,}991{,}797}{113{,}082{,}266}$$

$= 1.3882$
$=1.4$ Times

Activity Ratios: -

1.Fixed Assets turn over: -

1.1 Fixed Assets turn over for 1997 $= \dfrac{\text{Sales}}{\text{Fixed Assets}}$

$= \dfrac{1{,}396{,}504{,}867}{265{,}378{,}215}$

=5.2623
=5 Times

1.2 Fixed Assets turn over for 1998 $= \dfrac{\text{Sales}}{\text{Fixed Assets}}$

$= \dfrac{974{,}328{,}957}{301{,}923{,}674}$

= 3.2270
= 3 Times

1.3 Fixed Assets turn over for 1999 $= \dfrac{\text{Sales}}{\text{Fixed Assets}}$

$= \dfrac{763{,}280{,}850}{304{,}550{,}809}$

=2.5062
= 2.5 Times

1.4 Fixed Assets turn over for 2000 = $\frac{\text{Sales}}{\text{Fixed Assets}}$

$\frac{776,898,058}{311,249,041}$

=2.4960
=2. 5 Times

2.Total Assets turn over: -

2.1 Total Assets turn over for 1997 = $\frac{\text{Sales}}{\text{Total Assets}}$

= $\frac{1,396,504,867}{2,508,626,196}$

=0.5566
=0.6 Times

2.2 Total Assets turn over for 1998 = $\frac{\text{Sales}}{\text{Total Assets}}$

= $\frac{974,328,957}{2,849,696,164}$

=0.3419
=0.3 Times

2.3 Total Assets turn over for 1999 = $\frac{\text{Sales}}{\text{Total Assets}}$

= $\frac{763,280,850}{3,129,127,207}$

=0.2439
=0.2 Times

XXX

$$2.4\text{Total Assets turn over for 2000} = \frac{\text{Sales}}{\text{Total Assets}}$$

$$= \frac{776{,}898{,}058}{3{,}254{,}319{,}768}$$

=0.2387
=0.2 Times

Shareholders return ratios: -

1.Dividend pay out Ratios: -

$$1.1\text{Dividend payout Ratios for1997} = \frac{\text{Annual Dividend}}{\text{After tax earnings}}$$

$$= \frac{250{,}000{,}000}{254{,}058{,}235}$$

=0.9140
= 91%

$$1.2\text{Dividend payout Ratios for1998} = \frac{\text{Annual Dividend}}{\text{After tax earnings}}$$

$$= \frac{125{,}000{,}000}{116{,}379{,}368}$$

= 0.96i3
= 96%

$$1.3 \text{ Dividend payout Ratios for 1999} = \frac{\text{Annual Dividend}}{\text{After tax earnings}}$$

$$= \frac{0}{29{,}431{,}043}$$

$= 0$

$= 0\%$

$$1.4 \text{ Dividend payout Ratios for 2000} = \frac{\text{Annual Dividend}}{\text{After tax earnings}}$$

$$= \frac{0}{22{,}519{,}810}$$

$= 0$

$= 0\%$

2. *Price Earning Ratios:* - (Data from annual report)

2.1 Price Earning Ratio for 1997 = 9 Times

2.2 Price Earning Ratio for 1998 = 15Times

2.3 Price Earning Ratio for 1999 = 29Times

2.4 Price Earning Ratio for 2000 = 52 Times