

# Uva Wellassa University

Faculty of Management

Degree of Bachelor of Business Management in Entrepreneurship and Management

LIBRARY 3<sup>rd</sup> YEAR 1<sup>st</sup> SEMESTER EXAMINATION – MARCH/APRIL 2013

EMG 351-3 Entrepreneurial Financial Management



## Part C- Essay Questions

Total marks for part C : 50

Answer three questions including question number one

01.

i. Briefly explain the significance of financial statement analysis. (5 Marks)

ii. You have been hired as an analyst for Orix Bank and your team is working on an independent assessment of Martin Corporation. Martin Corporation is a firm that specializes in the production of Rubber products. Your assistant has provided you with the following data for Martin Corporation and their industry.

Ratios	Industry Benchmarks	2011	2012
Gross Profit Margin	25%	22%	22.9%
Net Profit Margin	7%	7.1%	6.3%
Return on Assets	12%	15.6%	15.2%
Return on Equity	20%	31%	24%
Inventory Turnover	6 Times	5.8 Times	5.68 Times
Assets Turnover	Not Given	2.2	2.8
Current Ratio	Ideal 2:1 Acceptable 1:1	1.75:1	1.70:1
Quick Ratio	Ideal 2:1 Acceptable 1:1	0.85:1	0.7:1
Days Payable	30 Days	Credit Purchase Net Available	50 Days
Debt/Equity	0.6:1	1.05:1	0.69:1
TIE	Below 3 Risky Above 5 Favorable	10.14 Times	40 Days

General prospects for the major industries in which Martin Corporation is involved look good and world demand for Rubber products remaining strong.

You are asked to provide the report to Management with an assessment of the firm's profitability, asset management, liquidity and capital structure. The report should evaluate the company's performance and position.

(15 Marks)

(Total Marks 20)