 List the three steps that are listed in the text.

First, trends within a company’s own financial information are analyzed, such as sales and earnings from one year to the next, using two methods—*trend analysis*and *common-size analysis*.

Second, financial measures are compared between competitors.

Finally, financial ratios are compared to industry averages.

Then, conduct your own research and find the financials of a company that shows at least two of the three steps. Provide a link to the financials,

Coca Cola page 36 show some trends and forecasts.

From page 14 and on shows a bunch of ratios…

<https://www.slideshare.net/AustinJacobs1/cocacola-financial-analysis-49481815>

and describe the financial health of the company based on the use of these analysis tools.

Profit margins = net income/ sales

Return On Investment = Net Income / Total Assets

Return On Equity = Net Income / Total Equity

Gross Profit Margin = Cost of Sales / Sales

Earning Before Interest and Taxes Margin = EBIT / Sales

Accounts Receivable Turnover = Sales / Accounts Receivable.

Days Receivable = Accounts Receivable / Average Sales Per Day

Inventory Turnover = Cost of Goods Sold / Inventory

Days Inventory = Inventory/ Average Cost of Goods sold per day

Accounts Payable Turnover = Cost of goods sold/ accounts payable

Days Payable = Accounts Payable / Average Cost of Goods Sold per day

Current Ratio = Current Assets / Current Liabilities.

Quick Ration = (Cash + Short term investments + accounts receivable )/ current liabilities

Cash Ratio = (Cash + Marketable Securities)/ Current Liabilities

Liabilities to Equity Ratio = Total Liabilities / ShareHolders Equity

Interest Coverage Ratio = (Net Income + Interest Expense + Tax Expense)/ Interest Expense

Sustainable Growth Rate = ROE\*(1- (Cash Dividends Paid/ Net Income)

WACC = (Weight of Equity \*Cost of Equity)+(Weight of Debit\*Cost of Debt)

year 2012 2013 2014

profit margins 18.78% 18.32% 15.43%

ROA 10.46% 9.53% 7.71%

ROE 27.51% 25.88% 23.41%

GPM 60.32% 60.68% 61.11%

EBITM 24.81% 24.17% 21.58%

2012 2013 2014

ART 10.09% 9.62% 10.30%

DR 36.18% 37.96% 35.43%

IT 5.84 5.62 5.77

DI 62.53 days 64.93 days 63.25 days

APT 2.20 1.92 1.94

DP 166.28 189.76 188.41

CurrentR 1.09 1.13 1.01

QuickR 0.77 0.90 0.80

CashR 0.41 0.49 0.39

LER 1.63 1.71 2.04

ICR 30.58 25.70 20.25

SGR 13.50% 10.90% 5.77%

Coca Cola WACC = 7.18%

<https://www.slideshare.net/AustinJacobs1/cocacola-financial-analysis-49481815>

<https://www.slideshare.net/priyeshchheda3/accounting-ratios-and-interpretation-pepsi-vs-coca-cola>

Current Ratio standard 2:1

year Pepsi Co Coca Cola

2010-11 1.11 1.17

2011-12 0.96 1.05

2012.13 1.10 1.09

2013-14 1.24 1.13

2014-15 1.14 1.02

Pepsi and coke both have enough current assets to pay off their current liabilities . Only in 2011-12 Pepesi fell short of current assets otherwise both the companies had enough current assets to settle their dues.

Quick Ratio Ideally 1:1

2010-11 0.80 0.85

2011-12 0.62 0.78

2012.13 0.80 0.77

2013-14 0.93 0.90

2014-15 0.85 0.81

Quick ration of both the companies is less than 1. This implies that they do not have enough quick assets to pay off their liabilities. Both the companies are relying heavily on their inventory sale to pay the liabilities (since current ratio is positive)