Cover Title: Financial managment
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## Chapter # 4

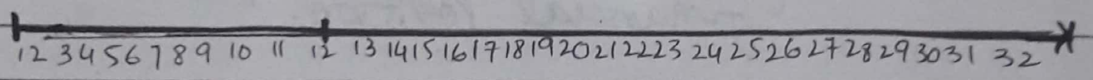
### Finding Jill Moran's Retiremed Annuity.

4) Draw a line depicting all of the cash flow associate with Sunrise in the retirement annuity.

a

Cash inflows:
Accumulation period
12 end of year deposit
Earn interest at 90%

Cash outflow:
Distribution period
20 end of year paymed of $42000 balance earns interest at 12 %.




b) How large a sum most suncise accuntable by the end of year 12 to provide the 20year, $42,000 annunity?

Total amount to accumulate by end of year 12.

$PV_n$ = Poset x ($PVIFA$ xn)

$PV_{20}$ = $42000 x ($PVIFA$ 2%.n)

$PV_{20}$ = $ 42,000 x 7.469

$PV_{20}$ = $313,698.

calculator solution : $ 313,716.63.

c) How large most sunrise equal annual end of year deposit into the account be over 12year accmulation period to find fully Ms Morans

retirement annuity.
End of year deposit 9%. interest: PAT
$= \frac{FnA}{FUITA_{2} \% \, in}$

PMT = \$ 313,698 ÷ (FUIA$_{26\%}$, in)

= \$ 313,698 ÷ (FUIFA 9%. 12y)

= \$ 15,575.10
Calculater solution : \$ 15,575.31

Sunrise industries must make \$15,575.10 annual end of year deposit in year 1-12 in order to provide Ms. Moran retirement annuity of \$42,000 Per year 13 To 32.

## Chapter #2
### Accessing Martin Manufacturing current financial Position.

a) Calculate the firms 2003 financial ratio and then fill in the proceding table.
Martin manufacturing company is an integative case study adressing financial analysis techniques. The company is a capital intensive from which has poor managment of account recieavable and inventory.
Ratio calculation:

| Financial Ratio | 2003 |
|---|---|
| Current Ratio | \$ 1,531,181 ÷ \$ 616,000 = 2.5 |
| Quick ratio | \$ 1,531,181 − \$700,625) ÷ \$61600 = 1.3 |
| Inventory turnover | \$3,704,500 ÷ \$700,625 = 5.3 |

Average collection period $805,556 ÷ ($5,075,000 ÷ 360) = 57
Total Assets turnover $5,075,000 ÷ 3,125,000 = 1.6

Debt ratio $1781,250 ÷ $3,125,000 = 57%
Time interest earned
$153,000 ÷ $93,000 = 1.6
Gross profit margin $1371,000 ÷ $5,075,000 = 27%
Net profit margin $36,000 ÷ $5,075,000 = 0.71%
Return on total assd $36,000 ÷ $3125,000 = 1.2%
Return on equity $36,000 ÷ $1343,750 = 2.7%

Historical Case.
Martin Manufacturing Company.

| Ratio | Actual 2001 | Actual 2002 | Actual 2003 | Industry Average |
|---|---|---|---|---|
| ↓ | ↓ | ↓ | ↓ | ↓ |
| Current Ratio | 1.7 | 1.8 | 2.5 | 1.5 |
| Quick Ratio | 1.0 | 0.9 | 1.3 | 1.2 |
| Inventory turnover | 5.2 | 5.0 | 5.3 | 10.2 |
| Average collection period | 50 | 55 | 57 | 46 |
| Total asset turnover | 1.5 | 1.5 | 1.6 | 2.0 |
| Debt ratio | 45.8% | 54.3% | 57% | 24.5% |
| Time interest earned | 2.2 | 1.9 | 1.6 | 2.5 |
| Gross profit margin | 27.5% | 28.0% | 27.0% | 26.0% |
| Net profit margin | 1.1% | 1.0% | 0.71% | 1.2% |
| Return on equity | 3.1% | 3.3% | 2.7% | 3.27 |
| Price earning ratio | 33.5 | 38.7 | 34.48 | 434 |
| Market/book | 1.6 | 1.1 | 0.89 | 1.2 |

b) Analyze the firms current financial position from both a cross-sectional & a time-series of the firms liquidity, activity debt profitability and market.

Liquidity:

The firm has sufficient current assets to cover current liabilities. The trend is upward and is much higher than the industry average. This is an unfavorible position, since, it indicate to much inventory.

Activity:

The inventory turnover is stable but much lower than the industry average. The indicates the firms is holding too much inventory. The average collection period is incresing and much higher than the industry average.

Debt:

The debt ratio has increased and is sustantially higher than the industry average. This place the company at high risk.

Profitability:

The Gross profit margin is stable & quite favourable when compared to the company average. The net profit margin however is deteriorating and far below the industry average. When the Gross profit margin is too low.

Market:

The market price of the firms common stock show weakness relatives to both earning and both value. This result indicates a belief by the market that maifin ability to earn further profit faces more & increasing uncertanity.

c) Summerial the firms overall financial position on the basis of your finding in part b.

Martin manufacturing clearly has a problem with its inventory level and sales are not at an appropriate level for its capital investment. As a consequence the firm has required a substationed amount of debt which due to high interest payment associated with the large debt burdens in dispressing profitibility.

Chapter#1

Accessing the Goods of sport product, Inc.

a) What should the managment of sports product, In pursue as its overiding goals? why?

Solution:

The primary goal of the managment of sport product limited should be to maximize the wealth of the owner and to increase the value of share in the market. This is because managment should act in the best interest of the owners and the managment should make sure that the owner are paid well in divident.

B) Does the firms appear to have an agency problem? Explain?

Yes, The firm appears to have an agency problem. Even though manager were compensate on the basis of firms profit, they were not happy with the managment compensation plain. However they feel that for managment maximization is important. So there is a clear picture of agency problem and confuict of interest between the managment and owner.

Evaluate the firms approch to polution control. Does it seems to be ethical?

The firms approach to pollution control seems to be questionable ethicaly. While it is unclear whether there acts were intentional or accidental, it is clear that they are voilating the law as illegal act potentially leading to illigation coast - and as a result damaging the envirnoment, an nimoral and unfair act that has potential negative conseques for society in general clear sport product has not only broken the loan but also established poor standard of conduct and moral judjment.

D) On the basis of information provided what specific recommendation would you offer the firm?

I would recomend the firm to tie the managers with stock option rather than profit because if they own a stock they will always try to increase the share price in the market as they can resell it at higher values in future. Also I would like to recommend the firms to redevelop the corporate governance structure because its the backbone of the company.