Cource Title : Financial Managment
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Chapter 1 Case Accessing the Goads of sport Product, Inc.

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

Solution:-

a) 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 owners are paid well in term of divident.

~~(B) Yes, the firm appears to have an~~

(B) Does the firm appear to have an agency Problem? Explain?

Yes, the firm appears to have an agency problem. Even though manager were compensated on the basis of firm's profit. they were not happy with the managment compensation plain. However they feel that for managment profit is important and for owner's wealth maximization is important. so there is a clear picture of agency problem and conflict of interest between the managment and owner.

) Evaluate the firms approach to polution control Does it seems to be ethical?

he firms approach to pollution control seems to be quesstionable ethicaly. While it is unclear whether there acts were intentional or accidental, it is clear that they are voilating the law as illegal act potentialy leading to iligation coast - and as a result are damaging the enivronment, an ~~mm~~ imoral and unfair act that ha potential negative conseaves for society in general clear sport product has not only broken the loan but also established poor standard of conduct and morel judjment.

D) On the basis of ~~firms~~ information prodied, what specific recomendation would you offere the firm?

I would recomend the firm to tie those mangers with stock option rather than profit because if they own a stock they will always try to increase the share prices in the market as they can resell it at higher values in future. Also I would like to recomend the firms to redvelop the corporate governence structure because its the backbone of the Company.

Chapter 2: Accessing Martin Manufacturing current financial Position

a) Calculate the firms 2003 financial ratios 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) ÷ \$616 000 = 1.3
Inventory turnover	\$ 3,704,000 ÷ \$ 700,625 = 5.3
Average collection period	\$ 805,556 ÷ (\$ 5,075.000 ÷ 360) = 57
Total Assets turnover	\$ 5,075 1000 ÷ \$ 3,125,1000 = 1.6
Debt ratio	\$ 1781,250 ÷ \$ 3,125,000 = 57%
Time interest earned	\$ 153,000 ÷ \$ 93,000 = 1.6
Gross profit margin	\$ 1,371,000 ÷ \$ 8,075,000 = 27%
Net profit margin	\$ 36,000 ÷ \$ 5,075 1000 = 0.71%
Return on total assed	\$ 36,000 ÷ \$ 3,125,1000 = 1.2%
Return on equity	\$ 36,000 ÷ \$ 1,343,750 = 2.7%

Historical Ratio

Martin Manufacturing Company

Ratio	Actual 2001	Actual 2002	Acutal 2003	Industy 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	43.4
market/book	1.6	1.1	0.89	1.2

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b) Analyze the firms current financial Position from both a cross-sectional and a time-series of the firms Liquidity, activity debt ~~Proba~~ Profitability and market.

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

Activity: The inventory turnover is stable but much lower than the industry average. This indicates the firms is holding too much inventory. The average collection Period is increasing and much higher than the industry average

Debt:- The dbt ratio has increased and is sustautially higher than the industry average. This place the Company at high risk.

Profitability:- The Gross profit margin is stable and quite favorible when compaired to the company average. The net profit margin however is deteriorating and far below the industry average. When the Gross profit margin is within the expectation but the net profit margin is too low.

Market:- The market price of the firm's common stock show weaknes relatives to both earning and both value. This result indicates a belief by the market that martin ability to earn further profit faces more and increasing oncertanity.

c) Summerical the firms oveall 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 substational amount of debt which due to high interest payment associated with the large debt burden, in dispressing profatibility.

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Chapter: 4

Finding Jill Moran's Retirement Annuity.

a) Draw a line depicting all of the cash flow associated with Sunrises in of the retirement annuity

Cash inflows:
Accumutation Period

12 end of year Deposit
Earn interest at 9%.

Cash outflow
Distribution period.

20 end of year payment of
$42,000 balance earns
interest at 12%.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

End of year.

b) How large a sum must Sunrise accountable by the end of year 12 to provide the 20 year, $42,000 annuity?

Total amount to accumulate by end of year 12

PV_n = Pmt × ($PVIFA_{2,xn}$).

PV_{20} = $42,000 × ($PVIFA_{2\%,n}$)

PV_{20} = $42,000 × 7.469

PV_{20} = $313,698

Calculater solution: $313,716.63.

c) How Large must Sunrise equal annual end of year deposit into the account be over 12 year period to find fully Ms Morans retirement annuity accumulation.

End of year deposits 9% interest: $PMT = \frac{FVA}{FVIFA_{i\%, n}}$

$PMT = \$313,698 \div (FVIFA_{i\%, n})$

$PMT = \$313,698 \div (FVIFA_{9\%, 12y})$

$PMT = \$15,575.10$

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.