Assignment - 5

Balance sheet

Asset	₹	Liabilities	₹
Depreciation Value of long Term Asset	800	Shareholder's equity Capital	100
		Reserves & surplus	400
Investment	100	Loans	500
current asset		current liabilities	
Account receivable	300	Account Payable	400
Inventory	200	Short term loan	100
Cash & bank balance	100	Total	1500
Total	1500		

Profit & Loss A/c

Sales	1000
Less: cost	
Manufacturing	300
Administrative	100
Sales & distribution	200
EBITD or Operating Profit	400
Less:	
Depreciation	60

Interest	60
Taxes	120
Net Profit	160

Sol Dupont Analysis:

$$= \frac{\text{Net Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Asset}} \times \frac{\text{Asset}}{\text{equity}}$$

$$= \frac{100}{1000} \times \frac{1000}{1500} \times \frac{1500}{500}$$

$= 32\%$

Definition of Dupont Analysis:

Dupont Analysis is a financial ratio used to analyze a company's overall Performance. The dupont equation breaks down return on equity (RoE) in three separate components. These are Profit margin, asset turnover and leverage.

This analysis can be helpful in identifying a company's strengths and weaknesses. It also highlights Potential areas of improvement.

Uses:

Dupont analysis is a useful tool for evaluating the components that make up a company ROI calculation. Whether you're an analyst, investor, or manager, you can use dupont analysis to spot the causes for a shift in ROI, track a Company's financial Performance and gather data to make informed decision.