

Assignment 5

DUPONT ANALYSIS

Dupont Analysis is a financial performance framework used to assess a company's return on equity (ROE).

$$\Rightarrow \text{net profit margin} = \frac{\text{net profit}}{\text{sales}}$$

This measures how much profit a company makes for every dollar of sales. It's calculated as net income divided by sales.

$$\Rightarrow \text{Assets Turnover} = \frac{\text{sales}}{\text{Assets}}$$

This ratio evaluates how efficiently a company uses its assets to generate sales. It's calculated as sales divided by total assets.

$$\Rightarrow \text{Equity Multiplier} = \frac{\text{Assets}}{\text{equity}}$$

This reflects a company's financial leverage, showing how much of the company's assets are financed by shareholder's equity. It's calculated

as total assets divided by shareholders equity

$$ROE = \frac{\text{net income}}{\text{sales}} \times \frac{\text{sales}}{\text{total assets}} \times \frac{\text{total assets}}{\text{shareholder's equity}}$$

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