

ASSIGNMENT-5

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) into three separate components. These are profit margin, assets turnover and leverage.

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

Uses of Dupont Analysis:-

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

informed decision.

DUPONT ANALYSIS FORMULA:-

$$= \frac{\text{Net profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}} \times \frac{\text{Assets}}{\text{Equity}}$$

Dupont Analysis is a useful technique used to decompose the different drivers of return on equity (ROE).

Example

$$\left(\frac{\text{Net Profit}}{\text{Sales}} \right) \left(\frac{\text{Sales}}{\text{Assets}} \right) \left(\frac{\text{Assets}}{\text{Equity}} \right)$$