



MBBS campus Dadu University of Sindh, Jamshoro

CORPORATE FINANCE

**Balance Sheet & Ratio Analysis
Of**

BHP Billiton

Prepared by

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2K18/DBBA/58

BBA- Third Year

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BHP company 2017 TO 2019 Balance Sheet

(\$ In millions)

	2017	2018	2019
ASSETS			
CASH	882	1,065	2,210
Account Receivable	2,836	3,096	3,462
Inventory	3,673	3,764	3,840
Current Assets	7,391	7,925	9,512
Property & Equipment	80,497	67,182	68,041
Goodwill	3,269	247	247

Long term investment 2,792

2,881

2,953

Total Assets 93,949

78,235

71,241

Liabilities

Short Term debt 45

58

20

Accounts payable 5,551

5,977

6,717

Accrued expenses 1,062

1,148

1,154

Current liabilities 6,658

7,183

7,791

Long Term Debt 28,418

23,344

22,517

Total liabilities 35076

30,527

30,308

Shareholder's equity

Equity capital 58,873

47,708

40,933

Shareholder's Equity 58,873

47,708

40,933

Total liabilities & Shareholder's Equity 93,949

78,235

71,241

BHP company 2017 TO 2019 income statement

(\$ In millions)

	2017	2018	2019
Sales	36,135	43,129	44288
COGS	9,918	16,565	17,471
Gross profit	26,217	26,564	26,175
Expenses			
Marketing ,advertising	610	641	516
General & administrative	6,518	2,715	2,783
Depreciation & Amortization	6,184	6,288	5,829

Interest

169

240

399

Total Expenses

13,481

9,884

9,527

Earnings before interest and tax

11,137

14,751

15,049

Taxes

6,694

10,064

9,520

Net Income

5,890

3,705

8,306

BHP company 2017 TO 2019 Ratio Analysis (\$ In millions)

2017

2018

2019

1 .Short-term solvency

Current Ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$	=	$\frac{7,391}{6,658}$	=	1.12times		$\frac{7,925}{7,183}$	=	1.10		$\frac{9,512}{7,791}$	=	1.22
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Interpretation :

BHP company has \$1.12in current assets for 2017 \$ 1in current liabilities but in 2018 has current ratio 1.10 in current assets for covered current liabilities 1.22times , in 2019 has more current assets than both years and that's current ratio more 1.22 to covered current liabilities.

Quick Ratio	=	$\frac{\text{current asset} - \text{inventory}}{\text{Current liabilities}}$	=	$\frac{7,391 - 3,673}{6,658}$	=	0.56		=	$\frac{7,925 - 3,764}{7,183}$	=	0.58		=	$\frac{9,512 - 3,840}{7,791}$	=	0.73
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Interpretation :

In 2017, 2018, 2019 the inventories are more it shows quick ratio is less than current ratio because inventory affect on quick ratio and does not affect On current ratio all three years quick ratios are less than current ratio.

2017

2018

2019

Cash Ratio	=	$\frac{\text{Cash}}{\text{Current liabilities}}$	=	$\frac{882}{6,658}$	=	0.14times		=	$\frac{1,065}{7,183}$	=	0.14times		=	$\frac{2,210}{7,791}$	=	0.28
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Interpretation:

A ratio above means that a company will be not able to pay off its current liabilities with cash and cash equivalent and 0.14 enough cash not pay off its current liabilities but in 2019 increase 0.28 cash ratio.

Net working capital to total assets	=	$\frac{\text{NWC}}{\text{Total assets}}$	=	$\frac{7,391 - 6,658}{7,391}$	=	0.078		=	$\frac{7,925 - 7,183}{7,925}$	=	0.010		=	$\frac{9,512 - 7,791}{9,512}$	=	0.024
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Total assets 93,949

73,235

71,241

2. Long-term solvency measures

Total Debt Ratio	$\text{=Total assets-total equity}$	=93,949-58,873	=0.37	73,235-47,708	=0.35	71241-40,933	=0.42
	$\frac{\quad}{\text{Total assets}}$	$\frac{\quad}{93,949}$		$\frac{\quad}{73,235}$		$\frac{\quad}{71241}$	

Interpretation:

In 2017 has 0.37 is considered a good debt ratio BHP has 0.35 in debt for every \$in assets in 2018 and 2019 has 0.42 the debt ratio increase because total equity decreases in all years.

2017

2018

2019

Debt – equity ratio	= Total debt	₹ 35,076 = 0.59	30,527 = 0.64times	30,308 = 0.74
	Total equity	58,873	47,708	40,933

Interpretation:

The debt of a business is worth 50million and the total equity is worth 120million, then debt to equity is 0.59 then 0.64 and 0.74 it means that debt equity ratio increases and total equity ratio decrease.

Long term debt ratio	=long term debt = 28,418	=0.33	23,344	=0.33	22,517	=0.35
	Long term debt +total equity	28,418 +58,873	23,344+47,708		22,517+40,933	

Interpretation:

In 2017 & 2018 the long term debt ratio 0.33 same but in 2019 the long term debt ratio is different because both years the total equity more.

	2017	2018	2019
Time Interest Earned = EBIT =	11,137	14,751	15,049
Interest	169	240	399
	= 65.8	= 61.5times	= 37.7

Interpretation:

This ratio shows that interest bill is covered 65.8 in 2017 and 61.5 in 2018 and 37.7 in 2019 this ratio also known as interest coverage ratio.

Cash coverage ratio	= EBIT+Depreciation=11,137+6184=	102.4	14,751+6,288=	87.6	15,049+5829=	52.3
	Interest	169	240		399	

Interpretation: cash coverage ratio in 2017 more cash coverage because of interest and depreciation less.

3. Asset management ,or Turnover

	2017	2018	2019
Inventory turnover=	$\frac{\text{cost of goods sold}}{\text{Inventory}} = \frac{9,918}{3,673} = 2.7$	$\frac{16,565}{3,764} = 4.5$	$\frac{17,471}{3,840} = 4.5 \text{ times}$

Interpretation:

BHP sold off or turned over the entire inventory 4.5 times in both years, the higher this ratio the more efficiently we are managing inventory.

Receivables turnover=	$\frac{\text{sales}}{\text{Accounts receivable}} = \frac{36,135}{2,836} = 12.7$	$\frac{43,129}{3,096} = 13.9$	$\frac{44,288}{3,462} = 12.7$
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Interpretation:

BHP collected its outstanding credit accounts and reloaned the the money 12.7 times during every two years and in 2018 collected 13.9.

Day's sales in receivables = $\frac{365}{12.7} = 28.7$ days $\frac{365}{13.9} = 26.2$ days $\frac{365}{12.7} = 28.7$ days

Receivable turnover 12.7

13.9

12.7

Interpretation: BHP collects on its credit sales in 28.7 days

2017

2018

2019

Assets Turnover Ratios:

NWC turnover = $\frac{\text{sales}}{\text{NWC}}$ = $\frac{36,135}{733} = 49$ times $\frac{43,129}{742} = 58$ times $\frac{44,288}{1,721} = 25.7$ times

Interpretation:

This ratio measures how much work we get out of our working capital. In 2018 we get more working capital because of more sales.

Total assets turnover = $\frac{\text{sales}}{\text{Total assets}}$ = $\frac{36,135}{93,949} = 0.38$ times $\frac{43,129}{73,235} = 0.58$ times $\frac{44,288}{71,241} = 0.62$ times

Interpretation:

In 2017 for every dollar in assets BHP generated \$0.38 in sale but in 2018 0.58 more generated assets for sales and in 2019 also more sales times

4.Profitability Measures

	2017	2018	2019
Profit Margin	$\frac{\text{Net incomes} = 5,890}{\text{Sales} \quad 36,135} = 16.2\%$	$\frac{3,705}{43,129} = 8.6\%$	$\frac{8,306}{44,288} = 18.8\%$

Interpretation:

This tells us that BHP in an accounting sense, generates a little less than 10 cents in 2018 profit for every dollar in sales. BHP generate 16% for every dollar in sales and in 2017 generate 18.8 profit for every dollar in sales.

Return on Assets	$\frac{\text{Net incomes} = 5,890}{\quad} = 6.3\%$	$\frac{3,705}{\quad} = 5.1\%$	$\frac{8,306}{\quad} = 11.6\%$
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Total assets **93,949**

73,235

71,241

Interpretation:

BHP has return 5.1 per dollar of assets in 2018 but more get in 2017, 2019 per dollar.

Return on equity	=Net income =5,890	=10.0%	3,705	=7.8%	8,306	=20.2%
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	Total equity	58,873	47,708		40,933	

Interpretation:

BHP generated 20.2% in profit for 2019 but ~~2017~~, 2018 less return profit because net income decrease.



