SOLUTIONS

1)**What factors can affect the composition of a company's current assets vs. long-term assets**?

Ans-Current assets are short-term assets that a company expects to convert into cash, sell, or consume within a year or during its normal operating cycle.(eg:Cash,Account receivable,Inventory)

Long-term assets are assets that a company expects to hold and use for more than one year or one operating cycle.(eg:Building,plant,machinery,patent)

Factors:

The composition of a company's current vs. long-term assets is influenced by several factors:

1). **Industry**: Asset-heavy industries (e.g., manufacturing, utilities) tend to have more long-term assets like property and equipment, while service or tech companies often have more current assets like cash or receivables.

2). **Business Model**: Inventory-driven companies (e.g., retail) have higher current assets, while capital-intensive businesses invest more in long-term assets like machinery or buildings.

3). **Growth Stage**: Startups focus on current assets for liquidity, while mature companies hold more long-term assets for stability and growth.

4). **Capital Expenditure (CapEx)**: High CapEx firms (e.g., energy, telecom) have significant long-term assets, while low CapEx companies (e.g., consulting) maintain fewer.

5). **Cash Flow Strategy**: Firms seeking aggressive growth may focus on current assets, while conservative businesses invest in long-term stability.

6). **Seasonality**: Seasonal businesses may increase current assets, like inventory, during peak periods.

7). **Leasing vs. Owning**: Leasing reduces long-term assets, while ownership increases them.

8). **Financing Strategy**: Debt-heavy firms often invest in long-term assets for future returns.

9). **Mergers & Acquisitions**: Acquisitions can increase long-term assets, particularly goodwill and property.

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2)How can a company's debt-to-equity ratio impact its creditworthiness and access to capital?

Ans-Debt to Equity ratio=Total debt/Shareholder's Equity.
It is a metric which gauges a company's financial leverage.

Creditworthiness:-**High D/E** ratio indicates company relies heavily on debt financing.This increases financial risk and lower credit ratings as creditors may see it as over leveraged and less capable of meeting debt obligation.
Lower D/E ratio is preferable.

Access to Capital:-Companies with a **high D/E ratio** may find it difficult to access additional capital, as lenders may be reluctant to extend further credit or may charge higher interest rates due to the perceived risk.

3)Debt-to-Equity Ratio: How has the debt-to-equity ratio changed over the four years? (take in consideration total liabilities and total equity)Is the company relying more on debt financing or equity financing?

Ans-Debt to Equity ratio

YEAR	2018	2019	2020	2021
D/E RATIO	2.11	1.91	1.97	2.27

For the year 2018 the company relied mainly on debt financing.
For the year 2019 the mode of financing was slightly tilted towards equity financing which means more financial leverage
For the year 2020 the value shows a slight increase in terms of debt compared to equity.
For the year 2021 the mode of financing has more been aligned towards debt financing may be due to the pandemic.

4)Revenue Growth: How has the company's total revenue grown over the three years? What segments are driving this growth (merchandise sales, membership fees)?

Ans-

YEAR	2019	2020	2021
MERCHANDISING SALES	1,49,351	1,63,220	192052

MEMBERSHIP FEES	3352	3541	3877

It is very clear that Merchandising sales contribute to maximum revenue and its also clear that sales have been increasing over the years

5)Gross Margin: Calculate and compare the gross margin (consider total revenue and total expense) across the three years. Is the company able to maintain or improve its margins?

YEAR	**2019**	**2020**	**2021**
GROSS MARGIN	19,817	21,822	25,245

Ans-If we consider the gross margin for 3 years it is evident that gross margin has been increasing over the years.The company performed well over the 3 years.

6)How can investors utilize free cash flow analysis to compare different companies in the same industry?

Ans-Investors can use free cash flow (FCF) analysis to compare companies in the same industry by evaluating their ability to generate cash after capital expenditures. Key comparisons include:

1. Profitability and Cash Generation: Investors can compare FCF margins (FCF as a percentage of revenue) and FCF growth to assess how efficiently each company converts sales into cash and whether cash generation is improving over time.
2. Financial Flexibility: FCF helps assess how easily companies can manage debt, invest in growth, and maintain financial stability. Companies with higher FCF have more flexibility to reduce debt or fund expansion.
3. Dividend Sustainability: Comparing FCF shows which companies can sustain dividends or share buybacks. Companies with stronger FCF are more likely to support ongoing dividend payments or return capital to shareholders.
4. Valuation: The FCF yield and price-to-FCF ratio allow investors to determine which companies offer better value relative to their cash flow, highlighting potentially undervalued stocks.
5. Operational Efficiency: Companies with higher FCF relative to capital expenditures or working capital requirements tend to have more efficient operations.