Peer-graded Assignment: Peer Assessment - This contributes 10% towards your final grade

Reviews 4 left to complete

It looks like this is your first peer-graded assignment. Learn more

Links or files from other learners aren't verified for security by Coursera. If a file appears suspicious, use your preferred antivirus software before opening.

Kellog's Financial Ratios Analysis

AP by Api Pole
September 29, 2022

Like Flag this submission

PROMPT

Profitability Ratios 1

Profitability Ratios 1	2012	2013
Gross Margin (%)	?	41%
Operating Margin (%)	?	19%
Net Profit Margin (%)	?	12%
ROE (%)	?	60%
ROA (%)	?	12%

Comment and interpret on the Profitability Ratios 1 in the text box below:

1. Gross Margin in 2012 was 38% indicating possibly lower pricing of products and higher cost of goods sold.
2. Operating Margin in 2012 was 11%. This indicates that the indirect costs of production where not managed better in 2012 compared to 2013 resulting in higher Selling, General and Administration expenses.
3. Net Profit Margin in 2012 was 7% indicating lower profits were realized from the 2012 sales compared to 2013 sales.
4. ROE of 45% in 2012 shows that the capital invested by shareholder was not well utilized compared to 2013.
5. ROA was 7% which indicates less efficient use of the company's assets to generate profits in 2012 compared to 2013.

RUBRIC

Profitability Ratios 1 - The student's comments and interpretations should include aspects of the following model answer -- Comment: Kellogg's 2012 profitability ratios are all below those in 2013. This indicates a weaker financial position in 2012 compared to 2013 across all dimensions of profitability.

- 0 pts
  No genuine attempt was made to discuss or interpret the change in ratios across time
- 1 pt
  Some attempt was made, but either the change or the implication was missed by the student
- 2 pts
  Most of the change/implication of the ratios was discussed by the student

PROMPT

Profitability Ratios 2

Profitability Ratios 2	2012	2013
EPS	?	4.98
P/E	?	11.65
P	?	57.98

Comment and interpret on the Profitability Ratios 2 in the text box below:

1. EPS of 2.68 in 2012 indicates lower earnings per share for shareholders in 2012 compared to 2013. This is likely due to lower net income from sales impacted by higher expenses in 2012.
2. P/E ratio was 21.09 in 2012 . This could possibly indicate the share was overvalued in 2012.
3. The price was 56.52 in 2012 and 57.98 indicating an upward trend and increased interest from investors.

RUBRIC

Profitability Ratios 2 - The student's comments and interpretations should include aspects of the following model answer -- Comment: For 2012 we see that Kellogg's equity based profitability ratio (EPS) is much less than in 2013, and the 2012 P/E ratio much higher than in 2013, demonstrating a significant improvement in Kellogg's financial position in 2013 compared to 2012. As Kellogg's 2012 share price ($56.52) was not much different from its 2013 share price ($57.98), this suggests that 2012 earnings were much less than in 2013 – explaining the difference in ratios.

- 0 pts
  No genuine attempt was made to discuss or interpret the change in ratios across time
- 1 pt
  Some attempt was made, but either the change or the implication was missed by the student
- 2 pts
  Most of the change/implication of the ratios was discussed by the student

PROMPT

Leverage Measures

Leverage Measures	2012	2013

RUBRIC

Leverage Measures - The student's comments and interpretations should include aspects of the following model answer --

Debt/Equity Ratio	?	3.29
Debt/Assets Ratio	?	0.77
Interest Coverage Ratio	?	12.09

Comment and interpret on the Leverage Measures in the text box below:

1. D/E ratio in 2012 was 5.12 which indicates that the company was using $5.12 of Debt for every dollar of Equity in 2012. This slightly improved in 2013 as it reduced its debts.
2. D/A ratio in 2012 was 0.84 indicating that total assets was funded by a manageable portion of debt. And this position improved to 0.77 in 2013.
3. ICR of 5.98 in 2012 indicates the Kellogs generated sufficient income to cover the interest expense for the period.

Comment: We can see that Kellogg's was significantly more leveraged in 2012 than in 2013 – it carried higher amounts of relative debt to equity. It also carried higher amounts of relative debt to total assets. Kellogg's also faced a much lower Interest Coverage Ratio in 2012 than in 2013 consistent with its higher leverage in 2012.

- 0 pts
  No genuine attempt was made to discuss or interpret the change in ratios across time
- 1 pt
  Some attempt was made, but either the change or the implication was missed by the student
- 2 pts
  Most of the change/implication of the ratios was discussed by the student

PROMPT

Efficiency Measures

Efficiency Measures	2012	2013
Total Asset Turnover	?	0.96
Receivables Turnover	?	10.28
Average Collection Period (days)	?	36
Inventory Turnover	?	6.65
Days in Inventory	?	55

Comment and interpret on the Efficiency Measures in the text box below:

1. Total Asset Turnover was 1.05 in 2012 indicating more efficient use of Assets compared to 2013.
2. Receivables Turnover was 10.75 in 2012 indicating slightly more efficient collection compared to 2013.
3. Average Collection period in 2012 was 34 days which was slight better than 2013.
4. Inventory Turnover in 2012 6.9 indicating slightly strong sales or insufficient inventory to support sales at that rate.
5. Days in Inventory in 2012 was 53 days indicating faster inventory sales compared to 2013.

RUBRIC

Efficiency Measures - The student's comments and interpretations should include aspects of the following model answer -- Comment: We can see that assets and receivables turned over at a higher rate in 2012 than in 2013. This is consistent with a shorter average collection period and less days in inventory in 2012 compared to 2013.

- 0 pts
  No genuine attempt was made to discuss or interpret the change in ratios across time
- 1 pt
  Some attempt was made, but either the change or the implication was missed by the student
- 2 pts
  Most of the change/implication of the ratios was discussed by the student

PROMPT

Liquidity Measures

Liquidity Measures	2012	2013
Current Ratio	?	0.85
Quick Ratio	?	0.53
Cash Ratio	?	0.07

Comment and interpret on the Liquidity Measures in the text box below:

1. Current Ratio was 0.75 in 2012 indicating that Kellogs had sufficient assets to cover financial obligations and liabilities.
2. Quick Ratio was o.69 in 2012 indicating it had lower liquid assets to pay current financial obligations.
3. Cash Ratio 0.06 indicating that it had very low cash available to cover short term debt.

RUBRIC

Liquidity Measures - The student's comments and interpretations should include aspects of the following model answer -- Comment: While the ratios suggest that Kellogg's has a potential liquidity problem in both years, we can see that Kellogg's faced a weaker liquidity profile in 2012 than in 2013. In 2012, Kellogg's had less liquid assets relative to current liabilities and was therefore more at risk of facing liquidity problems than in 2013.

- 0 pts
  No genuine attempt was made to discuss or interpret the change in ratios across time
- 1 pt
  Some attempt was made, but either the change or the implication was missed by the student
- 2 pts
  Most of the change/implication of the ratios was discussed by the student

Submit Review