

Graded Assignment #6: Profitability in Financial Analysis

For GA 6, please prepare a separate sheet which calculates these 9 financial analysis ratios. There are two categories of analysis, which can be handled separately, or the 9 ratios may be lumped together into an aggregate average, then added to the master financial analysis sheet, where GAs 1-5 are located.

Category #1: Returns on Sales

1. Gross Profit Margin. $\text{Gross Profit} / \text{Revenue}$
2. Operating Margin. $\text{Operating Profit} / \text{Revenue}$
3. Pretax Margin. $\text{EBT (Earnings Before Taxes)} / \text{Revenue}$
4. Net Profit Margin. $\text{Net Income} / \text{Revenue}$

Category #2: Returns on Investment (ROI)

1. Operating Return on Assets (ROA). $\text{Operating Income} / \text{Average Total Assets}$
2. ROA. $\text{Net Income} / \text{Average total assets}$
3. Return on Total Capital. $\text{EBIT} / \text{Debt} + \text{Equity}$
4. Return on Equity (ROE). $\text{Net Income} / \text{Average Total Equity}$
5. Return on Common Equity. $\text{Net Income} - \text{Preferred Dividends} / \text{Average Common Equity}$

For GA 6, be sure to do these tasks:

1. Treat category #1, and Category #2 as separate columns in your master sheet, where GA 1, 2,3, 4, 5 already have a column. Your new master sheet should have two new columns after this assignment, containing "Return on Sales (ROS)", and "Returns on Investment (ROI)".
2. Be sure to average the results of each above ratio into a master ratio, for each category. Thus, there should be an average ROI, and an average ROS.
3. Once ROS / ROI aggregates are added to your master, a new leader may emerge. Be prepared to discuss the top 3 companies in your paper, which will likely be two pages.