

# Response to comments on dq1 ks and mb w10



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DQ1 I agree with you that based on the information given an analyst cannot assume that the company is doing well because the data lacks a comparison basis as you mentioned. A database that has detail information about the industry ratios of over 100 industries is the Dun & Bradstreet database (Dun & Bradstreet, 2011). The profit margin is a profitability ratio that is calculated dividing net income by total sales. I liked the approach you indicated of using horizontal analysis. Knowing if the company improved its profitability in comparison with past performance is vital information an investor should have at their disposal when making a buying or selling decision of a common stock. I would not recommend a buy decision on such a stock because it is never wise to make investment decisions when not all the information is available. The investor should seek the information using advanced search techniques such as using professional databases.

DQ2 When investors analyze the value of a stock the trends and events occurring in the industry influence the price of the common stock a lot. Microsoft belongs to the computer industry. They are the market leaders in the operating system software segment. The company belongs to an industry that is currently booming in terms of sales. The company also has a diversified product portfolio that includes products such as the Xbox 360 which is one of the top selling game consoles in the marketplace. On the other side of the coin is General Motors. A company that struggled so much recently that they decided to take the bailout money and the dishonored their shareholders making the shares of the common stockholders virtually worthless after the bankruptcy decision. The P/E ratio of Microsoft in comparison to GE clearly shows that the investor community values Microsoft as a better investment than GE. References Dun & Bradstreet <https://assignbuster.com/response-to-comments-on-dq1-ks-and-mb-w10/>

(2011). Key Business Ratios. Retrieved June 7, 2011 from Dun & Bradstreet database.