

# Issue and opportunity identification essay



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The potential problems that LEI and Shang-wa faces can be identified and mitigation plans created. Shang-wa vs.

Avral - The greater value? LEI can use compare TEC and Shang-wa's performance by using ratios to compare data provided in their financial statements, which are provided in Table 7. If we look at table 7 we can find out that TEC has a good current ratio as compared to Shang-wa and Lester. This is because, as we know that the standard current ratio is 2: 1 and Tech is just above the standard measure but Shang-wa is high above the standard whereas Lester is well below the 2: 1. Here we can also see that TEC and Shang-wa is continuously trying to bring there current ratio nearer to standard.

Here the current suggest about the liquidity available with the company to pay its liability as soon it's required. From the inventory turnover we can analyze that Lester is highly capable of utilizing its inventory into sales. TES is also a bit good but if we look at Shang-wa for this company the inventory turnover is much below the Lester and TES. If we look at the DSO, we can find out that Lester has the best recovery period; Tech has also a recovery as compared to Shang-wa. As far as fixed asset turnover is concerned we can see that TEC is over utilizing its asset as compared to Lester and Shang-wa. Lester has a normal return on its fixed asset but Shang-wa is not able to utilize its fixed asset properly but for total asset turn over we can find out that TES and Lester are utilizing there asset properly.

But Shang-wa is not able to use its asset properly. With the help of total debt to total asset we can see that Shang-wa is financed most (more than 50%) of

its asset through debt. Lester and TES have comparatively very low debt to asset ratio to the Shang-wa. If we look at time interest earned we can see that TEC has a poor time interest earned and its operating income decline before the interest payment. Shang-wa has a good ratio but Lester has a very high operating income before interest payment and the forces Lester to pay more taxes.

For profitability ratio we can see that TES not able get proper return from its asset but Lester and highly capable get return from there asset. From the return on equity we can find out TEC is not able to increase its shareholder wealth, but Shang-wa is highly capable of increasing its shareholder's wealth. Lester is well capable to generate wealth to its share holder's wealth. Overall, if we look at the all ratio we can find out a merger can help Lester to make a good combination. Gaining Shareholder Approval for the Merger With the help of ration a complete analysis of synergy generated from this merger can be find out and as we can look at the ratio a merger between Lester and Sang-wa would create a lot of synergy for the shareholders. And if we look at the ratios such a return on equity and return on asset for LEI and Shang-wa a joint effort of both shang-wa and LEI will increase the return for the share holders.