

Star rivers electronics



Although prices were slashed more than 40%, Star Electronics survived, growing at a robust rate the past two years. However, with due to price competition, as well as the introduction of digital video discs (DVD's), unit prices on CD-Room's started to fall because of the DVD's. With the future of the CD-ROOM industry in major flux, Star River began to experiment with the establishment of DVD's, even though it accounted for less than 5% of sales ending the 2001 fiscal year.

After following a review of Star River Electronics' ratio analysis, I found that there is some inventory problems within that needs to be dealt with immediately. It seems that current inventory being created by Star Rivers Electronics is becoming outdated before it even is put on their shelves and sold to other firms. The next questionable area I found within their ratios came from their accounts receivables section. In the future, this problem will lead to numerous amounts of cash Inflow setbacks, unless something is done for it to be fixed.

With their current Inventory malfunctions, and a lack of cash that is entering the firm, Star Rivers Electronics can find themselves with a high default risk. This shouldn't come as a big surprise because Star Rivers has the highest debt ratios within their industry. Even with all of these struggles, Star Rivers have been able to decrease their payable account, and have been able to create a suitable return on equity. In calculating the , I found it to be 6. 53% (our cost of debt) and the cost of equity (after viewing comparable industry data) to be 2. 4. After reviewing everything, I think Star Rivers should take on the project for the DVD equipment and the new packaging machine. The DVD equipment will put them in a better position in the up and coming

market. The new machine allows the firm to cut costs and add value as well. If Star River Implements these current changes, I feel they can put themselves In a good position In the CD-ROOM and DVD market, and have the opportunity to maximize shareholders value. By On July 5, 2001 , Deadline , the newly introduced CEO of Star River Electronics LTD. Was assigned to make important financial decisions that would affect the firms' financial future. Earlier in the week, Star River's President and former CEO abruptly resigned, admit financial allegations. On the first day of her new Job, , met with Starlight Electronics LTD. , and New Era Partners. Starlight was a United Kingdom firm growth accumulated in the CD-ROOM industry during the mid-. This major boom led to and over supply of manufacturers, resulting in a large decrease in prices. E introduction of digital video discs (DVD's), unit prices on CD-Room's started to fall future, this problem will lead to numerous amounts of cash inflow setbacks, unless something is done for it to be fixed. With their current inventory malfunctions, and a lack of cash that is entering the firm.