

# [Free financial analysis: general mills v s meiji holdings term paper sample](https://assignbuster.com/free-financial-analysis-general-mills-vs-meiji-holdings-term-paper-sample/)

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## Balance Sheet: a)What components of stockholders' equity do each of the companies disclose?

Referring to the balance sheet of both the companies, below is the information relating to stockholder equity:
Meiji Holdings:
The company during 2013, has total stockholder equity of $3242. 84 Million with the components of stockholder equity as follows:
- Common Stock(Authorized and Issued)
- Capital Surplus
- Retained Earnings
- Treasury Stock(at cost)

## General Mills Inc:

Noted from the balance sheet of the company for the year 2013, the total stockholder equity of the company was reported to be $3242. 84 Million with the component of stockholder equity as follows:
- Common Stock(par value)
- Additional Paid-in Capital
- Capital Surplus
- Retained Earning
- Treasury Stock at cost
- Other Comprehensive Losses
b) Do the companies have preferred stock shares outstanding? If so, what special features do these shares contain?

## Neither General Mills nor Meiji Holdings are reported to have any preference stock in their capital structure.

c) Do either of the companies report treasury shares? If so, do the companies disclose the reason for reacquiring the shares?
Meiji Holdings:
The company has disclosed the treasury stock at cost in their balance sheet and as for the year 2013 the company has reported treasury stock amounting to $98. 87 million. In addition, although no specific information is provided related to reason for treasury stock purchase but Note 17 decreases that during 2013, 9000 shares were repurchase while 1000 were sold again providing the ending treasury balance of 2683 shares.

## General Mills Inc:

The company has disclosed the treasury stock at cost in their balance sheet and as for the year 2013, the company has reported treasury stock amounting to $3687. 2 Million. In addition, the company specifically states the reason for treasury stock purchase under Note 10 where it declares that the stocks were repurchased under an Accelerated Share Repurchase(ASR) agreement with an unrelated third party financial institution.

## Income Statementa) What are the basic and diluted earnings per share for each company?

General Mills:
Referring to the income statement of the company for the year 2013, we find the basic EPS to be $2. 86/share and the diluted EPS to be $2. 79/share
Meiji Holdings:

## The company during 2013, had declared a basic EPS of $2. 403/share

b) Have the companies reported any discontinued operations?

## As for the fiscal year 2013, neither Meiji Holdings nor General Mills has reported any discontinued operations.

c) Do the companies disclose any stock compensation plans? If so, are they reporting such plans under the fair value or intrinsic value methods? What was the value of compensation expense measured for any outstanding stock option plans?

## General Mills

Under Note 3 of the financial statements, the company has declared that the total amount of stock compensation expense of $507. 4 million was made during the year . In addition, Note 11 of the financial statement declares that as of May 26th, 2013, a total of 35492790 shares was available under the various stock options, restricted stock units etc that were issued under 2011 compensation plans and 2011 non-director employee plan. As for the valuation, all the instruments of stock compensation plans are measured for their fair value using Black-Scholes Model.
Meiji Holdings:

## No information was provided relating to stock compensation plans in the latest annual report of 2013.

d) Ratio Analysis:
After discussing the financial statements of the company, we will now proceed with the Ratio Analysis of the company that will help us to unearth the real financial position of the company. Under this section, we will discuss the trend in the following ratio sections:
- Liquidity Ratios
- Profitability Ratios
- Leverage Ratios
- Efficiency Ratios
a)Liquidity Analysis:

## Current Ratio: Current Assets/ Current Liabilities

Quick Ratio: (Current Assets- Inventory)/Current Liabilities
Liquidity Analysis:
Noted from the above calculations, we find that while the liquidity position of Meiji Holdings has improved over the year, General Mills Inc. on the other hand, has witnessed a fall in their liquidity ratios indicating a fall in strength of their liquidity roots. For Instance, the current ratio and quick ratio of Meiji Holdings increased from 0. 92 to 1. 1 and 0. 52 to 062, respectively while as for General Mills, the current ratio and quick ratio of Meiji Holdings decreased from 0. 96 to 0. 81 and from 0. 47 to 0. 41, respectively
b)Profitability Analysis:
i) Net Profit margin: Net Profit/ Revenue
ii) Gross Profit Margin: Gross Profit/ Revenue
iii) Return on Equity: Net Income/ Total Equity

## Profitability Analysis:

Comparing the profitability ratios of both the companies, we noticed that profit margins of each of the companies increased over the year. For Instance, while net margins of Meiji Holdings increased from 0. 61% to 1. 48%, as for General Mills Inc, the bottom line profits increased from 9. 41% to 10. 44%. In addition, the shareholders of the company will also be more confident of their investment after witnessing appreciable increase in ROE multiple of both the companies.
c) Leverage Ratios:
i)Debt-Equity Ratio: Debt/Equity
ii) Debt-Total Asset Ratio: Debt/Total Assets
iii) Times Interest Covered: Operating Earnings/ Interest Expense

## Leverage Analysis:

Noted from the above calculations, we find that during the year, while General Mills has marginally reduced its reliance on debt financing as witnessed from the decline in debt-equity and debt-total asset ratio, Meiji Holdings on the other hand, has been aggressive with the inclusion of more debt financing in its capital structure. However, the analyst and shareholders will be satisfied that with the increase in proportion of debt financing, Meiji Holding’s has managed to improve its interest coverage ratio indicating its improved ability to honor their interest obligations.
d) Efficiency Ratio

## Inventory Turnover Ratio: Cost of Goods Sold/ Inventory

Efficiency Analysis:
Under this section, we calculated the inventory turnover ratio of both the companies and found that while the ratio multiple of General Mills has increased from 6. 87 to 7. 51 times, Meiji Holdings on the other hand has witnessed fall in the ratio multiple from 6. 80 to 6. 38 times. This indicates that it now takes more time for Meiji Holdings to sell its inventory and the capital is tied up in the inventory for a longer period of time.
e) What type of information do you find in footnotes to the financial statements?
These are the additional supplementary information provided by the company along with the financial statements. Footnotes includes information relating to significant accounting policies and all other items included in the financial statements such as inventory, taxation, stock compensation plans, dividends, etc.
f) Do you find the balance sheet, income statement or other measures such as ratios the most informative?
Yes, each of them have their own specific importance for the analyst, shareholders and other varied users. For Instance, balance sheet and the income statement provides information over the financial standing and performance of the company. However, the numbers turn meaningful only when they are turned into ratios that further facilitates inter-company comparison irrespective of their size and capital.
g)Advantages and Disadvantages of Ratio Analysis

## Advantages of Ratio Analysis:

- The turn raw financial data into meaningful numbers
- Ratios facilitate comparison among the companies irrespective of their size of operations
- Keeping a record of ratios calculated will also facilitate in conducting trend analysis of the company itself.

## Disadvantages of Ratio Analysis:

- Financial ratios are not useful when viewed in isolation.
- Conclusion cannot be made from viewing one set of ratios. All ratios must be viewed relative to one another
- Although ratios facilitates comparison, but it is difficult to find comparable industry ratios when analyzing the companies that operate in the multiple industries.
- Comparison with ratios of other companies is made more difficult when other company use different accounting standards.

## Works Cited

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