Financial analysis of pepsi inc

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PepsiCo, based in New York, is a company founded in the late 19th century and is involved in the manufacturing and marketing of an assortment of carbonated and non-carbonated beverages in addition to a catalogue of snacks. The company has over 7 brands with the most popular one, Pepsi, averaging volumes of over 100 trillion cans a year. Recent efforts have been directed towards combating the impact of theenvironmentin addition to providing healthier foods and advocacy for healthier lifestyles.

On a domestic and global scale, the company is involved in numerous activities geared at improving the livelihoods of its active and potential consumers. Financial ratio analysis As a company involved in trading activities, the company's objectives converge to profitability. Since PepsiCo Inc. a publicly traded company listed in the New York Stock Exchange, its capital structure is comprised of equity and debt (Consolidated Statements, web 2010). As a result, the company's activities are mirrored on satisfying the demands and wishes of all investors in order to sustain a reliable capital and funds flow.

Analysis of its financial ratios is a basic approach to gauging its attractiveness to investors. The financial ratios to be analyzed are based on the latest financial records released for the year 2009. Net profit margin According to Gibson (p 300), the net profit margin is a comparison between the net income from trading activities and the sales revenue. Since investors are entitled to returns emanating from the net income, it is necessary for them to appreciate the percentage of the sales revenues which will accrue to the company.

The net profit margin is calculated by comparing the net income with the total sales revenues. It is normally presented as a percentage. The higher the net profit margin, the more attractive the company to investors since the trading process is postulated as being efficient (Weihle, 99). PepsiCo's Net profit margin for the year was 14. 2% as outlined on Pepsico Inc: Key Records (web, 2010). With the profit being higher than the company average of 11. 4%, the company ranks higher in the rational investor's preference.

Debt equity ratio The most common sources of capital to companies are equity and debt. The in Read also Walmart Financial Analysis papertrinsic characteristics of each source necessitate a balance between the amounts of capital sourced from each avenue with an aim of striking a balance which is favorable for a company. Companies are constantly in the search for an optimal capital structure with the most appropriate mix of debt and equity. The comparison between the debt and equity composition of capital in a company is termed as the debt ratio, and is depicted as under:

A high debt ratio denotes that the company is at risk of illiquidity since most of the financing is sourced from creditors who may. The assets of the company are not sufficient to settle all claims by creditors and thus make the company less attractive to investors. PepsiCo's debt ratio is 1. 1 showing that the company's debt is slightly higher than equity. However, some companies can operate with such a level of debt owing to the characteristics of debt and still remain attractive to investors.