

Introduction to executive tools for decision making



**ASSIGN
BUSTER**

How much cash is available for the company to pay its current debts? (in million Bank of America McDonald's Ford Automotive Current Assets 772, 738

3, 416. 3

82, 002

Current Liabilities

991, 611

2, 988. 7

37, 037

Current Ratio

1. 79

1. 14

2. 21

Is the company in trouble or in good shape?

Based on the financial information gathered, all companies have the capacity to pay their current liabilities. Bank of America spends 1. 79 dollar amounts of current assets to pay their current debts. McDonald's has 1. 14 dollar amounts of current assets to pay their current obligations. Ford Automotive has 2. 21 dollar amounts of current assets to pay their current liabilities.

Is each company increasing or decreasing its investment in its operations.

Cash flows from investing activities (in million \$)

Bank of America

McDonald's

Ford Automotive

2009

157, 925

(1655)

(11, 165)

2008

(2930)

(1624)

(929)

Net increase/(decrease)

(160, 855)

30

10, 236

McDonald's and Ford Automotive have increased their investment in operation activities. Only Bank of America has decreased their use of investment for continuing operations. However, Ford Automotive has invested on its operating activities more than what McDonald's is spending. This shows that the company is looking forward to growth.

How well is each company doing in its operations?

Net Income (in million \$)

Bank of America

McDonald's

Ford Automotive

2009

6, 276

4, 551

1, 212

2008

4, 008

4, 313

(11, 917)

2007

14, 982

2, 395

(5, 081)

Cash Flow from Operating Activities

(in million \$)

Bank of America

McDonald's

Ford Automotive

2009

129, 731

5, 751

4, 091

2008

4, 034

5, 917

(12, 440)

2007

11, 036

4876

8, 725

The financial data showed that the three companies are doing well in terms of net income and cash flow in 2009 as compared to 2008. Although, Ford Automotive has experienced a negative income for two years in 2008 and

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2007, it has returned to profitability by the end of 2009. Bank of America, on the other hand, experienced a decline in profit for 2008. This may be due to the financial crisis in the country.

Company President's Grade

Bank of America

McDonald's

Ford Automotive

Grade

A

B

C

Bank of America receives a grade of A because of its high profitability and liquidity. It means that investor's money put up in the firm is safe and earning. McDonald's got a grade of B for sustaining a profitable business.

However, there is less growth in term of net income for the past years. Ford Automotive receives a grade of C because the company experienced a negative net income and the growth of the company is stagnant.

References

Bank of America. (2009). Annual Report. Charlotte, NC: Bank of America.

Ford Motor Company. (2009). Annual Report. Michigan: Ford Motor Company.

McDonalds Corporation. (2009). Annual Report. Oak Brook, IL: McDonalds Corporation.