It companies

Technology

The first of the beer companies owns several theme parks and hence have an extremely higher amount of Net Fixed Assets and a higher amount of Long Term Debt. This beer company has a mass-market approach and therefore has a higher inventory turnover ratio The other beer company has recently completed a successful Initial Public Offering (IPO). This is reflected by the high level of cash, and the higher P/E ration driven upwards by overconfidence in the offering.

The high levels of cash from the IPO have resulted in this beer company having a very high Current Ratio, Based on the above analysis, I conclude that the first company is Company M, and the second company is Company N. Steel: The first steel company is a small company and can fill orders profitably due to low labour costs. Furthermore the company is not susceptible to foreign competition. These factors are reflected by a high profit margin

The second of the steel companies is a large integrated steel company, which faces higher labour costs, and therefore has a lower profit margin. These two steel companies have in majority very similar financial, however one is a very large company while the other is very small. This is reflected in the P/E rations; where a high P/E ratio is commonly associated with small growing companies and lower P/E rations an associated with large mature companies.

Based on the above analysis, I conclude that the first company is Company P, and the second company is Company O. Comparison between Industries: Companies in the appliance industry face a higher risk, reflected by a higher

Beta, in comparison with companies in the Newspaper field. This is because, people will generally purchase newspapers independently of market events, however if the economy is slowing down or in a downturn, consumers may be less willing to purchase appliances.

Put another way, companies seeling appliance are more susceptible to market risk than companies selling newspapers. Companies that face large and consistent technological changes need to maintain completive by large amounts of Research and Development and a high reinvestment rate. This can be seen by comparing the computer industry that has a zero dividend payout ratio1 compared to the hight dividend payout ration of the hotel industry, where their service they provide is not greatly affected by changes in technology.

Industries such as Hotels and Newspapers have a comparatively high Inventory turnover as there inventory, food and newspapers respectively, are generally sold in high amounts daily. In contrast the Health Products industry has a much lower inventory turnover ratio as the products they sell a much slower moving. Industries that sell more generic products or products that face a high risk of replication or substitution, such as Appliances, Computers. Retail, Newspapers and Steel have a lower profit margin.

While industries that are more built upon differentiated products and services tend to achieve higher profit margin; examples include Health Products, Hotels and Beer,. The Capital structure changes quite dramatically form industry to industry. The computer industry has a very low debt to

equity ratio as during the IT boom may IT companies went to financial markets to raise equity. While other industries such as Hotels, Appliances and Health Products rely more on debt as a tool for expansion and growth.