

# [Financial management rnoa](https://assignbuster.com/financial-management-rnoa/)

Powell Panther Corporation Cash flow ment For the year ended 31st December 2001 I. Cash Flow Operating Activities $ $ Cash receipt from operations 200
Cash paid to suppliers and employees 170
Cash generated from operation 30
Income taxes paid (41. 9)
Interest paid (15)
Net cash from operating activities (13. 4)
II. Cash flow from investing activities
Divided received 54. 1
Account received 30
Purchase of inventory 20
Cash flow investing activities104. 1
III. Cash flow from financing activities
Proceeds from retained earnings 26. 5
Proceeds from long term bonds 150. 0
280. 6
Net increase in cash and cash equivalent 294. 0
Add cash and cash equivalents at the beginning of the period 10
Cash and equivalent at the end of the period 304
Du Pont analysis model usually provide a look that is unique into an operations financial structure and operating efficiency. With specific focus on ROA and ROE, the model is used to troubleshoot structural or operational problems from a financial perspective.
Du Pont analysis decomposes return-on-net-operating assets (RNOA) into two multiplicative components: profit margin and asset turnover, both of which are largely driven by industry membership. The analysis is a useful tool in predicting future changes in RNOA. We can use the model to predict future changes in RNOA in both in-sample and out-of-sample forecasting tests.
For the case of return-on-net-operating assets (RNOA) for the period 2001-2002 it shows that since:-
NOA = Total assets - current assets
For year 2001 = 672 - (108+67+72) = 425
RNOA= net profit after tax/net operating assets x 100%
= 77/425 x 100%= 18%
For year 2000
RNOA= net profit after tax/net operating assets x 100%
62. 9/408. 5 x 100 = 15. 4%
RNOA indicate the efficiency with which the firm is utilizing its operating net assets to generate profits. In the year 2000, Powell Panther Corporation generated $15. 4 as profit after tax for every $100. In the year 2001, RNOA increased to $18, this being an upward trend at the rate of 16. 8% as shown below.
(18-15. 4/15. 4 x 100) = 16. 8%
Using the above rate of increase in RNOA, the 2002 RNOA can be predicted as:
(16. 8/100x18) + 18%= 21. 024%