

# [Perform a financial analysis of amcor and alumina](https://assignbuster.com/perform-a-financial-analysis-of-amcor-and-alumina/)

Alumina Limited is a leading Australian resource company with a specific focus on alumina, the feedstock for aluminum smelting” (Aluminalimited, . During 2010 Alumina Corporation had net income of $265. 4 million. In comparison with 2009 the net income of the company increased by $435 million. An increase in net income is a good sign for a business. The cash position of Alumina as of December 31, 2010 was $112. 1 million. The cash reserves of the company were depleted by 63. 3% in comparison with the previous year. The current assets of the company were $126. 7 million which represents a reduction of $187. 6 million. Reductions in current assets are not good for businesses because they lower the liquidity of a company. One of the possible reasons for the reduction in current assets is sales of old equipment or short term investments such as treasury bills. The current ratio of the company in 2010 was 0. 56. The current ratio shows the ability of the company to pay off its short term debt. The current ratio of the company is not good due to the fact that the firm’s current ratio is below the norm of 1. 0.
The total assets of Alumina were $3, 542 million in 2010. The company achieved an increased in total assets of $38 million. The return on assets (ROA) of the company in 2010 was 7. 49%. Return on assets measures how well the assets of the firm have been employed by management (Garrison & Noreen, 2003). The company achieved a tremendous improvement in comparison with the previous year since its ROA in 2009 was -4. 84%. Improving ROA is a positive sign that infers greater profitability for the company. The reason for the higher profitability numbers was a foreign exchange translation difference of $230 million. The return on equity of Alumina in 2010 was 8. 64%. Return on equity measures the extent to which financial leverage is working for or against common stockholders (Garrison, et. al, 2003). In 2009 the return on equity of Alumina was -5. 81%. The debt to equity ratio of Alumina in 2010 was 1. 15. The firm’s debt to equity ratio is 0. 05 lower than the previous year.
Amcor is one of the world’s leading suppliers of rigid plastic packaging companies which operates in 43 countries worldwide (Amcor, 2012). The company obtained revenues of $9, 850 billion in 2010. The revenues of the firm decrease by $315 million or 3. 3% in comparison with 2009. The net income of the organization in 2010 was $201. 6 million. The firm’s net income the previous year was $218. 4. The company had a decrease in net income of $16. 8 million. One of the reasons that the company had lower net income in 2010 was due to higher expenses. The earnings per share (EPS) of the company in 2010 were $15. 8. In 2009 the EPS of the company were $24. 1. EPS tends to have an effect on the market price per share as reflected in the price-earnings ratio (Garrison, et. al, 2003). The preferable outcome is to achieve the highest possible EPS. In 2010 the net margin of the company was 2. 04%. The net margin is an absolute measure of profitability (Investorwords, 2012). In 2009 the net margin of the firm was 2. 28%. Its net margin went down by 0. 24% in 2010. The cash balance of the company at the end of 2010 was $267. 1 million. The cash account of the company went up by $78. 5 million in comparison with 2009. A higher cash accumulation is good because cash is the most liquid asset a firm has. The firm’s discipline to be more stringent is its spending helped it improve its cash position. The current ratio of the firm in 2010 was 0. 84. Amcor’s current ratio is 0. 06 higher than in 2009. The return on assets of the firm in 2010 was 1. 78%. In comparison with the previous year the ROA of Amcor was 0. 80% lower.
References
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