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The paper "How Promising Are Singapore Airlines and Hitachi Metal as Investment Targets?" is a forceful example of a case study on finance & accounting. The stock market is a sea of opportunity for investors of all ages. The investing strategy a person chooses depends on how much risk a person is willing to undertake. The higher the risk in an investment provides the opportunity for the investor to obtain larger financial returns. Two stocks selected by this writer as investment opportunities were Singapore Airlines and Hitachi Metal. The stocks were purchased in an investment game. 20,000 shares of Hitachi Metal were purchased and 10,000 shares of Singapore Airlines were acquired. The two investments were selected for a variety of reasons. This report analyzes the two companies as well as the industries in which they operate.

Singapore Airlines is one of Asia's leading companies in the airline industry. The World Travel & Tourism Council (WTTC) estimated that the industry would generate \$2.97 trillion in 2007 (Plunkett Research). Singapore Airlines introduced in 2007 a new fleet of planes that provide greater comfort and luxury for passengers and higher profit for the company since the new A380 aircraft has a capacity of 550 passengers. The future revenue stream of the company should increase due to the strategic move. In 2006 the company's revenues increased by 8.7% while its profits attributable to equity holders increased a staggering 71.6% (Annual Report: Singapore Airlines). Appendix A shows a ratio analysis comparison of the company and the airline industry. The return of assets of Singapore Airlines is nearly double the industry standard. The company is making great assets investment and is generating an above-normal return on its assets. The debt to equity ratio of Singapore Airlines is only 0.12, which represents a metric that is 78% lower than the <https://assignbuster.com/shares/>

industry standard of 0.54. The low debt levels of Singapore Airlines represent an opportunity for the company for future growth since the credit capacity of the firm is high. The company enjoyed a 10.4% revenue increase in the first half of 2007 in comparison with last year and in the 2nd quarter of 2007 which ended in September 2007 the company declared an interim dividend of 20 cents per share at the end of October (Hitachi). The 10,000 share investment in this firm represents cash earning from dividend revenue of \$2,000.

Hitachi Metal is a multinational firm dedicated to producing steel derived products. The company is diversifying its product line into new business segments such as information technology. In 2006 the company established a new strategic focus to promote collaborative creation and profits by applying new ideas such as future inspiration value, a high-profit business portfolio, innovation and cooperation among partners (Hitachi). The company's financial results in the first half of 2007 rose by 11% in comparison with the same period last year and its operating income rose by 613% largely due to an increase of the companies international operations (Interim Annual Report: Hitachi). The company suffered a net loss of 13.06 million yens in the first half of 2007, but the result was a significant improvement in comparison with the 78.08 million yen loss in the previous year's first half. The fastest-growing steel market in the world is China, Hitachi a Japanese firm, is closely following the trajectory of this emerging Asian market. The steel industry is a high energy consumption industry, for example in the United States, this industry accounted for nearly 2-3% of the nation overall energy consumption (EIA). Among the top-selling products,

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Hitachi producers are LCD television sets. This product should be a great seller in 2008 since the demand for high definition television sets is going up as the entire television industry must convert to digital programming by that year's end. The product diversification strategy, the new strategic focus, the high demand for some of the company specialized products and the years of accumulative experience influence my decision to categorized this stock as a strong buy and investing in 20, 000 shares in the stock simulation.

The stock market is a fascinating game that provides people with the opportunity for financial gains. The stock market simulation was a good learning experience which exposed me to investment terminology, marketplaces, investment strategies and it allowed me to evaluate different companies to determine which common stocks are good investments. In the future, I plan to invest money in the stock market to build a diversified portfolio.