

Toyota motor corporation

Finance



The 5C's of credit for Toyota Toyota Motor Corporation was started in 1933 in Japan. It is a business dealer in automobile as well as finance services and housing deals. The company stands as the leader in the automobile industry followed by general motors and other car manufacturing industries. The company has its wings spread all over the world supplying cars. It makes about 40% of all vehicles in the world selling half in its domestic market and the rest international. It has 511 subsidiaries and 217 associate companies by the end of March, 2011. It has been argued that the company sells its merchandise at very high cost leading to abnormal profits. This report looks at the 5c's of credit worthiness of Toyota Corporation. The credit rating of Toyota has gone down from AA to AA minus accordingly to the scores rates. Capital is one of the key aspects examined here. The company profitability in 2011 has gone down and capital funding reduced. It has a large capital reserve . the first quarter has experienced a decrease of 17. 2% in sales. This indicates future drops and forecast with the economic times. Debt to equity ratio is 0. 69. This indicates that the company is more funded with equity than debts. Current ratio of is 1. 0 in the past one year. This indicates that the company has liquidity value overall. There have not been significant changes in its shareholders equity within the first quarter. This indicates that the shareholders have not forsaken their duties in this company.

Character is analyzed in terms of the willingness to repay the loan. A credit report is generated on Toyota's borrowings, tax remittances, any court proceedings on default, past loaners, and overall honoring the debts. The length of the present debt is analyzed as well as the amount owed. Toyota is current paying a fine of \$16. 4 million for a recall suit. This has jeopardized the power leadership in the automobile industry. FICO scores of 300-800 are <https://assignbuster.com/toyota-motor-corporation/>

used and it is said, the higher the score the better the customer is worth.

Collateral is the asset or guarantee placed that can be seized by the company in case the customer default in repayments. At Toyota, current assets and fixed assets stands at 28 387 556 yen a drop from last year's value of 29 million yen. This ownership of land and buildings has been attached to the acquisition of loans in the past and presently. The housing services also provide a good basis for collateral.

Conditions are analyzed in the form of the current economic condition and the business condition. The intended use of the loan granted has always been analyzed by the lending institutions. The uses have range from expansion of its operations, acquisition strategies and so on.

Capacity - At Toyota, this is at the core of determining the potential worth of customers to be given credit. Toyota has been generating profits and has been on the lead for the last decade. However, its profitability is going low but no losses are presumed so far. The cash flow of Toyota indicates that it has already paid dividends for \$20, 000 in the first quarter of 2011; it has stock and cash in hand amounting to 3. 1 million yen. A strained business is more than likely default to repay its debts (Lawrence et al, 192). A return on its operations stands at 1. 9% and that of assets is 1. 2%. These have been used to analyze its credit worth and that Toyota has had a good return all together. Its market share stands \$63. 56 and has been reducing lately. This though is a good indicator of its capital worth.

Work cited

Lawrence Gitman, Michael Joehnk, and Randall Billingsley, Personal Financial Planning Available Titles Coursemate, 12th Ed. Cengage Learning, New York. 2010

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