

# [Effects of rover sell off on the financial performance of bmw](https://assignbuster.com/effects-of-rover-sell-off-on-the-financial-performance-of-bmw/)

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Total debt as a percentage of total assets is 40. 92% in 1999 which is significantly higher than the 34. 34% and 36. 75% reported in 1997 and 1998, respectively. BMW appeared satisfactory in terms of liquidity as its current assets can more than pay-off its immediate obligations. Its current ratios are 1. 33 in 1999, 1. 09 in 1998, and 1. 27 in 1997. However, the ballooning of accounts receivable is evidenced by the increasing percentage of receivables to current assets which peaked at 57. 36% in 1999.
Three years after the sell-off of Rover, BMW seems to fail in improving its financial position except for its profitability. In fact, its computed financial ratios indicate further deterioration in terms of leverage, asset utilization, and liquidity. Being able to show net income for the three-year period following the sell-off, return on assets and return on invested capital generally improved albeit declining from 2000-2002. BMW's cost management has become more efficient evidenced by its growing net income margin (from 2. 90% in 2000 to 4. 78% in 2002). After slightly inching up to 0. 99 in 2000, asset utilization begins to slide down the following years ending up at 0. 76 in 2002 which is much lower than the 1. 11 recorded in 1997. Reliance on riskier financing, long term debt is also higher as this source of fund contributes 47. 47% of the company's total resources. This higher leverage exposes BMW to more risk of default in paying its immediate interest obligations. Liquidity has declined from 2000-2002 indicated by the decreasing current ratio (1. 14 in 2000, 1. 15 in 2001, and 0. 97 in 2002). BMW's problem of account receivables collection has never been contained resulting in an even higher percentage of accounts receivables in its pool of current assets. The percentage of accounts receivable in current assets is 56. 83% in 2002.