

Financial analysis of wal-mart inc



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For investors to be able to determine whether a company is profitable and evaluate whether it would be a good investment opportunity, a financial analysis is required to study the financial ratios and the policies put in place. For Wal-Mart Inc, the financial analysis has been done in terms of liquidity, profitability, and solvency ratios as well as the evaluation of the capital structure. With the current economic changes, it is a common belief that retailers supplying to lower end customer would be greatly affected.

Wal-Mart being a retail store is one bound to be affected by the struggles in the sub prime mortgage chaos. Wal-Mart stock has continued to rise steadily as it caters for the working class clients enabling it to outperform its business rivals. The reason for the success in the overall performance of Wal-Mart is attributed to the fact that it supplies life necessities. The sales are not rising dramatically but on total store basis, the sales rose at 5. 2% while other retailers suffer reduced sales in same store line. This is because people only reduce expenditure on discretionary products and not necessities.

Trading up has been the central aspect of the Wal-Mart's retail strategy gaining the largest retailer a good reputation which serves it properly. In the current economy, there is easy credit and consumer choice expansion and many consumers tend to incline their shopping to staples at cheap outlets like Wal-Mart retailer stores. Wal-Mart has gained International recognition and appreciation, as indicated by the International sales report; the sales are steadily increasing from 16. 7% of overall revenue in 2003 to 24.

5% in 2008. The Financial Analysis

The financial analysis of Wal-Mart indicates that it is an extremely profitable venture currently the leader in retail marketing. It is very tricky to ascertain how the company is growing in these difficult global financial times, but as previously noted it may be because it supplies mainly necessities plus the fact that it has established a good reputation which gives them the clients trust and loyalty (Robinson et al 2004). For this reason, every aspect of the venture in growing with the net sales marking a 10% increase every year.

Over the past three years, the total assets recorded an increase of 15.0% to reach the \$138.

2 billion between 2005 and 2006 while the operating income has a record of about 10% increase each year (Johnson et al 2008). The Wal-Mart retail sales are continuously decreasing, but it still manages to remain the leading retailer in the United States making the largest seller of groceries with close to 2 000 super centers in over 45 states and currently it is working on some improvements in its stance in apparel market to upgrade it (Harrison & Horgren 2008).