

# [Income and balance](https://assignbuster.com/income-and-balance/)

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DELL INC. DUPONT ANALYSIS FORMULA The formula for calculating ROE using the DuPont Formula is elaborated below CALCULATING RETURN ON EQUITY (ROE) The information extracted from the financials of Dell Inc. provided on Yahoo Finance has been used for the calculation of ratios. The details have been shown in the figure below. With these details the ratios will be calculated.   
Details required for calculating the Ratios   
2013   
2012   
2011   
  
  
  
  
Net Profit   
2, 372, 000   
3, 492, 000   
2, 635, 000   
Revenue   
5, 6940, 000   
62, 071, 000   
6, 1494, 000   
Total Assets   
47, 540, 000   
44, 533, 000   
38, 599, 000   
Equity   
10, 680, 000   
8, 917, 000   
7, 766, 000   
The Net Profit Margin calculated from the above details for the three years has been shown below.   
Calculation of Ratios   
2013   
2012   
2011   
Net Profit Margin   
4. 17%   
5. 63%   
4. 28%   
The Asset turnover calculated from the above details for the three years has been shown below.   
Calculation of Ratios   
2013   
2012   
2011   
Asset Turnover   
1. 198   
1. 394   
1. 593   
The Financial Leverage calculated from the above details for the three years has been shown below.   
Calculation of Ratios   
2013   
2012   
2011   
Financial Leverage   
4. 451   
4. 994   
4. 970   
From these calculations the Return on Equity (ROE) using the DuPont Method will be calculated.   
Calculation of Ratios   
2013   
2012   
2011   
Net Profit Margin   
4. 17%   
5. 63%   
4. 28%   
Asset Turnover   
1. 198   
1. 394   
1. 593   
Financial Leverage   
4. 451   
4. 994   
4. 970   
  
  
  
  
DuPont Ratio (ROE)   
22. 21%   
39. 16%   
33. 93%   
INTERPRETING THE RESULTS   
The DuPont analysis is very effective in assessing the performance of the company. If the company’s performance is unsatisfactory then which part of the business is underperforming can be identified using this formula.   
The ROE of Dell Inc. has fallen in 2013 as compared to 2012. The decrease in the ROE has been observed due to the operating inefficiency of the company. This is assessed from the Net Profit Margin of the company. The Asset turnover of the company has improved over the years. The Decrease in the Financial Leverage ratio is a good sign for the company.   
Analyzing the ROE of Dell Inc., the company must take measures to improve its Net Profit Margin. Improving the operating efficiency will increase the returns of the company.   
References   
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Yahoo! Finance. (2013b). Dell: Balance Sheet. Retrieved September 25, 2013 from http://finance. yahoo. com/q/bs? s= DELL+Balance+Sheet&annual