

# 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

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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

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### 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

Yahoo! Finance. (2013a). Dell: Income Statement. Retrieved September 25, 2013 from [http://finance.yahoo.com/q/is?s=](http://finance.yahoo.com/q/is?s=DELL+Income+Statement&annual)

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