

Corporate Finance, Module 24: "Financial analysis"

Homework Assignment: EVA and Profitability measures

(The attached PDF file has better formatting.)

A firm's December 31, 20XX, financial statements show the following figures:

	<i>December 31, 20XX-1</i>	<i>December 31, 20XX</i>
Current assets	44	54
Fixed assets	85	88
Current liabilities	26	33
Long-term debt	43	43

In 20XX, the firm's earnings before interest and taxes are 51, its weighted average cost of capital is 9.1%, the interest rate on its long-term debt is 7.25%, and the corporate tax rate is 21%. The firm does not raise new equity in 20XX.

In this illustration, fixed assets include all non-current assets, long-term debt includes all non-current liabilities, market values equal book values for all items, and the tax expense is pre-tax income times the tax rate.

- A. What are total assets for 20XX (beginning of the year and end of the year)?
- B. What are total liabilities for 20XX (beginning of the year and end of the year)?
- C. What is shareholders equity for 20XX (beginning of the year and end of the year)?
- D. What is total capital for 20XX (beginning of the year and end of the year)?
- E. What is the interest expense for 20XX?
- F. What is the tax expense for 20XX?
- G. What is the net income for 20XX?
- H. What is the return on assets for 20XX?
- I. What is the return on capital for 20XX?
- J. What is the return on equity for 20XX?
- K. What is the economic value added for 20XX?

Verify your solutions with the practice problems for this module.