

Final Project Format

**Market Ratio Analysis of Company A, Company B and
Company C in Same Industry for FY 20X1,20X2 & 20X3**

(Bold, 16 font, Times New Roman style)

A PROJECT
SUBMITTED TO THE DEPARTMENT OF MANAGEMENT SCIENCES,
VIRTUAL UNIVERSITY OF PAKISTAN
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF BS BUSINESS ADMINISTRATION

(Bold, 12 font, Times New Roman style)

Submitted By

<<Student ID>>

<<Student Name>>

(Bold, 16 font, Times New Roman style)



**Department of Management Sciences
Virtual University of Pakistan**

Letter of Undertaking

You are required to fill in the **Letter of Undertaking** provided in the 'Download' section of the course VULMS and attach here the scanned copy after signing it.

Note: There is NO need to send us its hard copy through post or any other means.

Job Confirmation Letter

You are required to attach here scanned copy of your original and fresh JCL (Job Confirmation Letter) which is provided to you by your current organization/employer.

Note:

You are also required to upload scanned copy of your original JCL on VULMS against relevant assignment.

Overseas students are required to carefully read the note which is especially mentioned for them in lesson no.3.

Dedication (*Optional*)

Acknowledgement

Here you will write a brief paragraph to acknowledge the help and support you received through out your project. You can acknowledge the library staff, lecturer, family or any other person who helped you in your project completion.

Executive Summary

An executive summary is one among the several important parts of a project. It is like a micro image of the research project because it covers all the sections of the project. It may range from one to two pages providing brief overview of the subject matter, methods of analysis you used in the project, findings based on your analysis and recommendation in the light of the findings. It comprises several paragraphs which are numbered and deal with the following sections:

NOTE: In the following paragraphs your actual work must be reflected.

Paragraph one (1) should deal with back ground of the study.

Paragraph two (2) should deal with the purpose and methodology of the research/study.

Paragraph 3, 4 should deal with the findings of the study.

Last paragraphs should deal with recommendations of action plan if any.

Table of Contents

(Enlist the main headings and sub-headings of the project along with page numbers)

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Section I

Chapter 1) Introduction:

You are required to provide a brief introduction of the selected companies, their industry and your selected topic of project.

1.1 Financial Period Under-Consideration for Analysis:

You are required to mention the financial years for ratio analysis such as: FY20X1, FY20X2 & FY20X3

1.2 Objectives:

You will carry out this Project to know the position of the selected companies in the market. This Project will highlight that:

- Why companies need to manage a good market position?
- Which one of the selected companies is enjoying the stable market position?
- What are the dividend policies of the selected companies?
- What will be the effects of proposed financing i.e. on earning per share etc?
- What are the bases due to which companies are able to maintain the market positions?
- What reasons work behind the ineffective market position of the companies?

Note: At the end of the study, objectives must be assessed to see if they have been met/achieved or not.

1.3 Significance:

You will state here the significance of this Project for the stakeholders like investors, creditors and debtors, and the management. You will state here why you want to carry out this type of Project.

Chapter 2) Methodology

This section should provide solid or concrete foundations to the study. Quality and value of the research project depends upon how precisely and accurately the data is collected, processed, analyzed and interpreted so that fruitful conclusions may be drawn out of it. It includes:

2.1 Data Collection Sources: (Describe the sources used for data collection. Whether primary / secondary or both.)

2.2 Data Processing and Analysis Tools:

- Mention the methods used to extract and process the information gathered
 - Software used to process the data

Chapter 3) Data / Ratio Analysis

RATIO ANALYSIS of both the organizations under consideration will be conducted for the **most recent THREE financial years.**

Ratio analysis is the calculation and comparison of ratios which are derived from the information in a company's financial statements. Financial ratios are usually expressed as a percent or as times per period.

Market Ratio Analysis Project

In this project, you have to:

- Select **three listed companies existing in the same industry** (e.g. PSO, Shell and Attock Petroleum in petroleum industry etc.)
- Get their financial statements for the **most recent three years** and
- Perform the **Market Ratio** analysis

Market Ratios

Market ratios measure a firm's ability to convert different accounts within their balance sheets into cash or sales.

These include:

- 1) Dividend per share
- 2) Dividend Coverage
- 3) Dividend payout
- 4) Dividend yield
- 5) Earning per share
- 6) Price / Earning Ratio
- 7) Percentage of retained earnings
- 8) Book value per share
- 9) Market to Book Ratio

a) Trend Analysis

Trend analysis studies the financial history of a firm for comparison. It is the comparative analysis of a company's financial ratios over time. This helps to detect problems or observe good management. Ratios are plotted on graph to see whether the ratios are falling, rising, or remaining relatively constant.

Special Guidelines for Presentation of Ratio Analysis

Ratio analysis is a very important part of your project and should be presented properly.

Follow the below given format:

Significance of Earning per share

This ratio is used to measure the earnings potential of the business against invested equity of the owners. How much earning is available for distribution against each share?

Formula:

$$\text{Earning per share} = \frac{\text{Earning after tax and preferred dividend}}{\text{Total outstanding number of shares}}$$

Step 1: Show the table as given below (calculation)

	Year 20X1	Year 20X2	Year 20X3
Company A	155,359,574,000 / 226,426,625,000 = Re. 0.69	284,488,232,000 / 202,548,387,000 = Rs. 1.40	153,907,344,000 / 190,333,538,000 = Re. 0.81
Company B	152,219,526,000 / 340,994,479,000 = Re. 0.446	157,239,861,000 / 284,034,788,000 = Re. 0.553	154,226,886,000 / 261,316,870,000 = Re. 0.590
Company C	252,229,456,000 / 200,844,669,000 = Rs. 1.26	157,139,061,000 / 184,004,752,000 = Re. 0.85	154,000,220,000 / 161,206,870,000 = Re. 0.96

- * Must mention the values of numerator and denominator in the table.
- * Round the answers upto two decimal places for better presentation of values.
- * Must mention the measuring unit with each result you have calculated in all required ratios just like mentioned with above results.

Step 2: Working

After the table show how you have calculated the amounts given in numerator and denominator (for those items that require calculations).

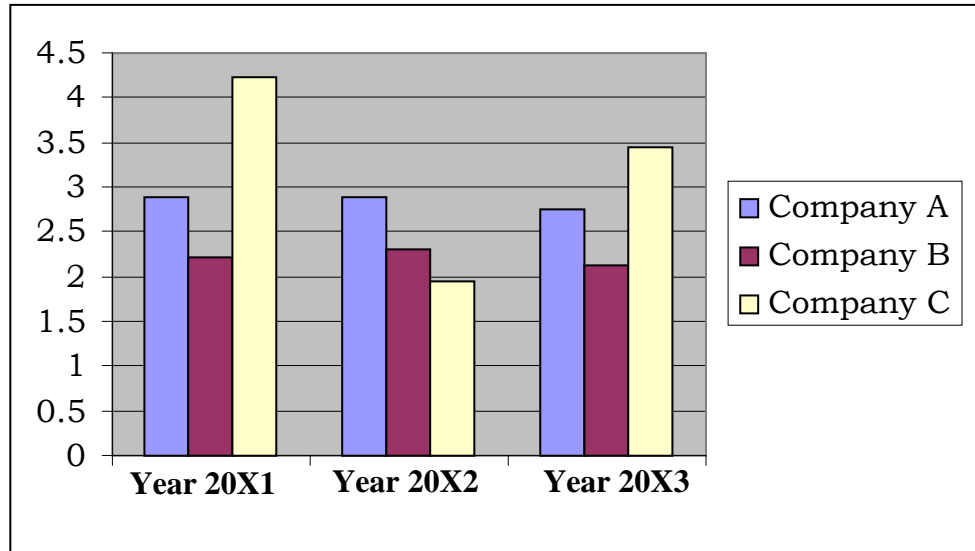
Earning after Tax and preferred dividend = 1111- 2222=*****

Total number of outstanding shares (ordinary shares) = *****

NOTE: If earning after tax and preferred dividend (or any other figure) is provided in the financial statements, then there is no need of working. Working is required only for those items for which the calculated amounts in the financial statements are not provided.

Step 3: Graphical Presentation of Ratio/Trend Analysis

Plot the calculated ratio results on graph. Use only Column chart for graphs. Do not use Line chart or Pie chart.



Step 4: Interpretation & comparison

In this section interpret the graph shown above and explain that what are the reasons/factors for decreasing or increasing trend of this ratio i.e. you have to explain that why it has been increased or decreased over the three years in both selected companies. Also compare ratio of both the companies and state what company is better in accordance with the ratio calculated

Guidelines for Interpretation of Ratios

The following guidelines will help to understand what interpretation means and how it should be done.

What does interpretation of ratios mean?

Interpretation means explanation of the ratios results. It does not mean definition of ratios rather it should enable the readers to understand what the calculated ratio indicates and what the trend for that particular ratio is. You should keep in mind following four points while interpreting the ratios:

A) Result understanding:

i.e. what does the answer derived from ratio calculation indicates? You have to critically analyze the result of calculated ratio by explaining the relationship of numerator with that of a denominator.

B) Trend Analysis:

i.e. what are the variations in a company's ratio results i.e. the trend for the same company and the reasons for that change in trend? All three selected companies should be analyzed in this way.

C) Comparison:

i.e. among the three selected companies which company is leading/ taking edge and why?

D) Bench mark (if applicable):

i.e. the comparison of ratio with the benchmark/rule of thumb/standard of that ratio in that particular industry (as these standards vary according to the type of industry selected for analysis e.g. Manufacturing, Banking, FMCG companies, etc). Also give reasoning of deviation from that standard.

You will have to interpret the calculated ratios in the way described above **step wise.**

Note:

You have to follow the same format for all the ratios that you will calculate. This format will cover **Market Ratio analysis and Trend analysis** as in trend analysis ratios are plotted on graphs to show the increasing/decreasing trends. So by following the above format you will do both these analyses. **Also keep in mind that you must have to mention the measuring unit with the results in each ratio.**

Remember, without formulas, working, graphs and interpretations your analysis will NOT be accepted.

Instructions:**Please follow these instructions strictly:**

- You must provide scanned copies of all the financial statements used for financial analysis. However, if you have downloaded the financial statements from organization's website then URL or web link should be provided. In this case, scanned copies will not be required.

Scanned copies should be provided in the following format:

Resolution: 200 dpi

File type: JPEG

Size: 300-400 kb

NOTE: Your work will not be considered or accepted in case you do not provide scanned copies or source of original financial statements.

- You must perform complete market ratio analysis of the selected companies for the **MOST RECENT THREE YEARS.**
- You must apply all afore-mentioned techniques when doing analysis of financial statements.
- You must provide all the supporting calculations, working and interpretation of results obtained from each ratio. You are required to calculate/analyze **all nine (9)** ratios.

NOTE: Failure to provide the financial statements, supporting calculations and working of analyses in your project will affect the worth of your work and may result in failure/rejection of the project.

- While selecting companies for analyses, keep in mind that they are from same industry **for example**; you CANNOT select one company from Textile and one from Sugar. All companies should be either from textile or from sugar sector.
- You can get annual reports of companies from companies' offices, stock exchanges or from companies' websites.

Chapter 4) Conclusion & Recommendations:

4.1) Conclusion

Precisely state the final outcomes of the work. It is the ultimate result of the inquiry conducted under the given context and circumstances. Conclusion/findings should be in short yet comprehensive sentences/paragraphs. Each sentence/paragraph describing new idea should be bulleted.

4.2) Recommendations

This section deals with your proposed solutions or plans to cover and remove all the flaws and deficiencies that you think (in light of data processing and analysis) needs to be removed or improved. Recommendations should be clear, specific and based on your findings. They must be logical and applicable.

Section II

a) Introduction of the student

- Last Degree Obtained:
- Organization's Name:
- Designation:
- Experience (Years)

b) Appendix/Appendixes

These contain material related to the report but not included in the text because these were lengthy or not directly relevant. These include scanned copies of financial statements. However, if you have downloaded the financial statements from company's website then URL or web link should be provided. In this case, scanned copies will not be required.

c) Bibliography

A bibliography is a list of source materials on a particular subject. In a formal report it shows what books and other library materials were consulted. As part of the reference matter, it follows the appendix or appendixes. APA format should be used for citing the references.

Note: The APA formatting guidelines for the references citation are given in the lecture # 45 of the course "Research Methods (STA630)". You must review and watch video lecture # 45 of STA 630 for your better understanding. It is advised to explore downloads link of this project course where APA guidelines file is also available.