

FINANCIAL RATIO ANALYSIS AND BUDGET PREPARATION

財務報表比率分析及預算編制

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An Overview – For Level 2 Participants

Part 1 – A comprehensive analysis of **Tsit Wing Group's financial performance with interpretation** 捷榮集團的財務表現及詮釋

Part 2 – Formulate a business plan for **Tsit Wing Group's** beverage and food operations in Hong Kong

(a) ...

(b) ...

(c) Business plan

- Marketing expense budget
營銷費用預算



TWVG 捷榮集團

Part 1:

Financial Ratios 財務比率分析



Instruction - 1

Apply the “**continuing operations 持續經營業務**” information, if available, on the Consolidated Statement of Profit or Loss **綜合損益表**

Consolidated Statement of Profit or Loss

綜合損益表

Year ended 31 December 2019

截至2019年12月31日止年度

**Apply the results from
continuing operation only.**

		Notes 附註	2019 2019年 HK\$'000 千港元	2018 2018年 HK\$'000 千港元
CONTINUING OPERATIONS	持續經營業務			
REVENUE	收入	5	784,998	831,072
Cost of sales	銷售成本		(475,166)	(516,894)
Gross profit	毛利		309,832	314,178
Other income	其他收入	5	5,127	2,968
Selling and distribution expenses	銷售及分銷開支		(115,863)	(117,147)
Administrative expenses	行政開支		(79,204)	(91,770)
Other expenses, net	其他開支淨額		(5,104)	(11,068)
Finance costs	融資成本	6	(3,509)	(4,513)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	持續經營業務除稅前 溢利	7	111,279	92,648
Income tax expense	所得稅開支	10	(21,466)	(19,408)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	持續經營業務所得年內 溢利		89,813	73,240
DISCONTINUED OPERATION	已終止業務			
(LOSS)/PROFIT FOR THE YEAR FROM A DISCONTINUED OPERATION	一間已終止業務所得年內 (虧損)	11	(12,523)	4,240
PROFIT FOR THE YEAR	年內溢利		77,290	77,480

Please ignore the impact of the discontinued operation on the Group's profit or loss in both years.



Instruction - 2 & 3

Apply Average figures 平均數：

2019 Avg = $\frac{1}{2}$ (31.12. 2019 + 1.1.2019)

2018 Avg = $\frac{1}{2}$ (31.12. 2018 + 1.1.2018)

31.12.2019 & 1.1.2019 => 2019 Annual Report

1.1.2018 => 2018 Annual Report

Consolidated Statement of Financial Position

綜合財務狀況表

31 December 2019
2019年12月31日

1.1.2019
31.12.2018

31.12.2019

1.1.2018
31.12.2017

2018
Annual
Report

Avg. Inventory 2019

		Notes 附註	2019 2019年 HK\$'000 千港元	2018 2018年 HK\$'000 千港元
NON-CURRENT ASSETS				
	非流動資產			
Property, plant and equipment	物業、廠房及設備	14	147,405	102,683
Prepaid land lease payments	預付土地租賃付款	15	—	10,920
Goodwill	商譽	16	—	15,447
Intangible assets	無形資產	17	419	2,873
Deposits paid for purchases of items of property, plant and equipment	已付購置物業、廠房及設備 項目按金		10,324	3,602
Prepayments, deposits and other receivables	預付款項、按金及其他應收 款項	20	5,024	3,819
Deferred tax assets	遞延稅項資產	27	2,460	2,783
Total non-current assets	非流動資產總值		165,632	142,127
CURRENT ASSETS				
	流動資產			
Inventories	存貨	18	125,748	205,795
Trade receivables	貿易應收款項	19	118,855	163,848
Prepaid land lease payments	預付土地租賃付款	15	—	393
Prepayments, deposits and other receivables	預付款項、按金及其他應收 款項	20	12,852	19,577
Tax recoverable	可收回稅項		205	1,117
Cash and cash equivalents	現金及現金等價物	21	315,211	328,684
Total current assets	流動資產總值		572,871	719,414

Ratio Analysis - Illustration

Notes:

- Share price 31.12.2019: \$5
- Share price 31.12.2018: \$6.5

ABM Limited
Consolidated Statement of Profit or Loss 綜合損益表
For the Year Ended December 31

	2019	2018
Revenue 收入	\$ 450,000	\$ 300,000
Cost of sales 銷貨成本	380,000	250,000
Gross profit 毛利	70,000	50,000
Selling and distribution 銷售及分銷開支	7,000	6,000
Administrative expenses 行政開支	30,000	20,000
Other income and expenses 其他收入及開支	0	0
Finance costs 利息/融資成本	1,500	1,500
Profit before tax 稅前淨利	31,500	22,500
Income tax expense 所得稅開支	5,000	3,000
Profit for the year 全年稅後淨利	\$ 26,500	\$ 19,500

Ratio Analysis - Illustration

ABM Limited Consolidated Statement of Financial Position 綜合財務狀況表

December 31

	2019	2018	2017
ASSETS 資產			
NON-CURRENT ASSETS 非流動資產			
• Property, plant and equipment (net) 房產, 廠房及機器 (淨值)	\$ 39,000	\$ 28,500	\$20,000
Total non-current assets	39,000	28,500	20,000
CURRENT ASSETS 流動資產			
• Inventory 存貨	\$ 50,000	\$ 30,000	20,000
• Trade receivable (net) 應收帳款 (淨值)	100,000	85,000	81,000
• Cash 現金	1,000	1,000	4,000
Total current assets	151,000	116,000	105,000
Total assets	\$ 190,000	\$ 144,500	\$ 125,000
LIABILITIES AND EQUITY 負債及股東權益			
NON-CURRENT LIABILITIES 非流動負債			
• Interest-bearing bank borrowings 計息銀行借款	\$ 12,000	\$ 18,000	\$ 10,000
Total non-current liabilities	12,000	18,000	10,000
CURRENT LIABILITIES 流動負債			
• Trade payable 應付帳款	\$ 80,000	\$ 70,000	\$ 60,000
• Income taxes payable 利得稅應付款項	30,000	15,000	12,000
Total current liabilities	110,000	85,000	72,000
Total liabilities	\$ 122,000	\$ 103,000	82,000
SHAREHOLDERS' EQUITY 股東權益			
• Share capital 股本 (\$2 par 面值)	\$ 22,000	\$ 22,000	20,000
• Reserves 儲備	46,000	19,500	23,000
Total shareholders' equity	68,000	41,500	43,000
Total liabilities and equity	\$ 190,000	\$ 144,500	\$ 125,000


Ratio Analysis

1. Profitability Ratios 盈利能力	Remark
(i) Gross profit margin 毛利率	Level 1
(ii) Net profit margin 淨利率	Level 1
(iii) Return on average capital employed (ROCE) 平均運用資金報酬率	Vs. Level 1
(iv) Return on average assets (ROA) 平均資產回報率	

2. Management Efficiency Ratios 管理效率	Remark
(i) Average inventory turnover period 平均存貨周轉期限	
(ii) Average trade payables repayment period 平均賒購期限	
(iii) Average Total assets turnover 平均總資產周轉	Vs. Level 1

3. Liquidity Ratios 流動資金	Remark
(i) Current ratio 流動比率	Level 1
(ii) Quick ratio 速動比率	Level 1
(iii) Cash ratio 現金比率	

4. Solvency Ratios 償債能力	Remark
(i) Gearing ratio 槓桿比率	Level 1
(ii) Debt to equity ratio 債務股本比率	
(iii) Time interest earned 利息保障倍數	

5. Investment Appraisal Ratios 投資評估	Remark
(i) Earning per Share (EPS) 每股盈利	Level 1
(ii) Price earning ratio (P/E ratio) 市盈率	

Profitability Ratios 盈利能力比率

Gross Profit Margin 毛利率

Gross Profit 毛利
Revenue 銷貨

2019	2018
\$70,000/\$450,000	\$50,000/\$300,000
15.56%	16.67%

From each \$100 revenue made, **less** amount was generated to cover operating and non-operating expenses than last year.

Net Profit Margin 淨利率

Net Profit Before Tax 稅前淨利
Revenue 銷貨

2019	2018
\$31,500/\$450,000	\$22,500/\$300,000
7.00%	7.50%


A **decrease** of profit generated from revenue.

Profitability Ratios 盈利能力比率

Return on Average Capital Employed (ROCE) 平均運用資金報酬率

- Rate of return based on the book value of long-term capital investment made in the business.

Formula:
$$\frac{\text{Profit Before Interest and Tax 利息及稅前淨利}}{\text{Average Capital Employed 平均運用資金, i.e., Non-current Liability 非流動負債 + Equity 股東權益}}$$

	2019	2018
Working:	$\frac{(\$31,500 + \$1,500)}{\frac{1}{2} (\$12,000 + \$68,000 + \$18,000 + \$41,500)}$	$\frac{(\$22,500 + \$1,500)}{\frac{1}{2} (\$18,000 + \$41,500 + \$10,000 + \$43,000)}$
Results:	47.31%	42.67%
Comments:	For every \$100 of long-term capital investment made in the business, more operating profit in 2019. 	



Profitability Ratios 盈利能力比率

Return on Average Assets 平均資產回報


- Rate of return based on the book value of assets.
- Measures how effectively a company uses its resources/asset (資產) to generate net income.

Formula:	$\frac{\text{Net profit after tax 稅後淨利}}{\text{Average total assets 平均總資產}}$	
	2019	2018
Working:	$\frac{\$26,500}{\frac{1}{2} (\$144,500 + \$190,000)}$	$\frac{\$19,500}{\frac{1}{2} (\$125,000 + \$144,500)}$
Results:	15.84%	14.47%
Comments:	The company is earning more profit with the existing assets in 2019 than 2018.	

Management Efficiency Ratios 管理效率

Average Inventory Turnover Period 平均存貨周轉期限

- the average number of days the company holds its inventory before selling it.

Formula:	$\frac{\text{Average Inventory 平均存貨}}{\text{Cost of Sales 銷售成本}} * 365 \text{ days}$	
	2019	2018
Working:	$\frac{\frac{1}{2} (\$50,000 + \$30,000)}{\$380,000} * 365$	$\frac{\frac{1}{2} (\$20,000 + \$50,000)}{\$250,000} * 365$
Results:	38.42 days	36.50 days
Comments:	The average selling time of 38.42 days in 2019 is longer than that in 2018. 	



Management Efficiency Ratios 管理效率

Average Trade Payables Repayment Period 平均賒購期限

- the average number of days which a company must pay for its credit purchases.


Formula:	$\frac{\text{Average Trade Payables 平均應付貨款}}{\text{Credit Purchase 賒購}} * 365 \text{ days}$ $\frac{\text{Cost of Sales 銷貨成本} + \text{Closing Inventory 期末存貨} - \text{Opening Inventory 期初存貨}}{\text{Credit Purchase 賒購}} * 365 \text{ days}$	
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	2019	2018
Working:	$\frac{\frac{1}{2} (\$80,000 + \$70,000)}{\$380,00 + \$50,000 - \$30,000} * 365$	$\frac{\frac{1}{2} (\$60,000 + \$70,000)}{\$250,000 + \$30,000 - \$20,000} * 365$
Results:	68.44 days	91.25 days
Comments:	The average settlement time for credit purchase (賒購) is 68.44 days in 2019, being 22.81 days earlier than in 2018.	

Management Efficiency Ratios 管理效率

Average Total Assets Turnover 平均總資產周轉

- Measures how efficiently a company uses its assets to generate revenue.

Formula:	$\frac{\text{Revenue 收入}}{\text{Average Total Assets 平均總資產}}$	
	2019	2018
Working:	$\frac{\$450,000}{\frac{1}{2} (\$190,000 + \$144,500)}$	$\frac{\$300,000}{\frac{1}{2} (\$144,500 + \$125,000)}$
Results:	2.69 times	2.23 times
Comments:	The company has efficiently used its assets, much more revenue is generated in 2018 than last year. 	

Liquidity Ratios 流動資金比率

Current Ratio 流動比率		Quick Ratio 速動比率	
$\frac{\text{Current Assets 流動資產}}{\text{Current Liabilities 流動負債}}$		$\frac{\text{Current Assets 流動資產} - \text{Inventories 存貨} - \text{Prepayments 預付款項}}{\text{Current Liabilities 流動負債}}$	
2019	2018	2019	2018
\$151,000/\$110,000	\$116,000/\$85,000	$(\$151,000 - \$50,000 - \$0)/\$110,000$	$(\$116,000 - \$30,000 - \$0)/\$85,000$
1.37 : 1	1.36 : 1	0.92 : 1	1.01 : 1
The company does not have short term debt-paying problem .		The company may have immediate debt-paying liquidity problem .	

Liquidity Ratios 流動資金比率

Cash Ratio 現金比率

- for every dollar of current liabilities, the dollar amount of **CASH** the company has.
- the most conservative of all the liquidity measurement.

Formula:

$$\frac{\text{Cash and Cash Equivalents 現金}}{\text{Current Liabilities 流動負債}}$$

	2019	2018
Working:	$\frac{\$1,000}{\$110,000}$	$\frac{\$1,000}{\$85,000}$
Results:	0.01 : 1	0.01 : 1
Comments:	There is insufficient cash on hand to pay off short-term debt in both 2018 and 2019.	

Solvency Ratios 償債能力比率

Gearing Ratio 槓桿比率

Formula:

$$\frac{\text{Interest-bearing Bank Borrowings 計息銀行借款}}{\text{Share Capital 股本 + Reserves 儲備}}$$


	2019	2018
Working:	$\frac{\$0 + \$12,000}{\$22,000 + \$46,000}$	$\frac{\$0 + \$18,000}{\$22,000 + \$19,500}$
Results:	17.65%	43.37%
Comments:	<p>Decline in Gearing ratio indicates the company is less debt-financing. The company has less difficulties in repaying debts from its equity funds.</p>	

Solvency Ratios 償債能力比率

Debt to Equity Ratio 債務股本比率

- how much debt a company is using to finance its assets relative to the amount of value represented in shareholders' equity.
- Debt to equity ratio (債務股本比率) of 100% would mean that investors and creditors have an equal stake in the business assets.

Formula:	$\frac{\text{Total Liabilities 總負債}}{\text{Total Equity 總股東權益}}$	
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	2019	2018
Working:	$\frac{\$122,000}{\$68,000}$	$\frac{\$103,000}{\$41,500}$
Results:	179.41%	248.19%
Comments:	the company is less debt-financing in 2019. 	



Solvency Ratios 償債能力比率

Time Interest Earned 利息保障倍數

- an indication of the company's ability to meet interest payments as they come due.

Formula:	<u>Profit Before Interest and Tax</u> 利息及稅前淨利 Finance Costs 利息/融資成本	
	2019	2018
Working:	$\frac{\$31,500 + \$1,500}{\$1,500}$	$\frac{\$22,500 + \$1,500}{\$1,500}$
Results:	22.00 times	16.00 times
Comments:	The company's interest expense in 2019 is better covered at 22 times, compared with that in 2018 of 16 times. 	

Investment Appraisal 投資評估

Earnings Per Share (EPS) 每股盈利		
Formula:	Profit for the year 全年稅後淨利 捷榮: Profit Attributable to Owners of the Parent 母公司擁有人應佔溢利 Weighted-average No. of Ordinary Shares 普通股加權平均數	
	2019	2018
Working:	<u>\$26,500</u> 11,000 shares	<u>\$19,500</u> 11,000 shares
Results:	\$2.41 /share	\$1.77 /share
Comments:	Much more net income is generated from each issued ordinary share in 2019 than 2018.	

(11,000 shares = \$22,000 Share Capital / \$2 par value per share)



Investment Appraisal 投資評估

Price-Earnings (P/E) Ratio 市盈率

- an indicator of investors' confidence in the prospects of a company.

Formula:

$$\frac{\text{Current Price Per Ordinary Share 普通股每股市價}}{\text{Earnings Per Share 每股盈利}}$$

2019

2018

Working:

\$5 / \$2.41 per share

\$6.5 / \$1.77 per share

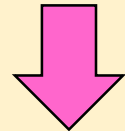
Results:

2.07 times

3.67 times

Comments:

Investors have a **lower degree of confidence** in the company's prospects.



Part 2:

Marketing Budget 營銷預算

Budget Preparation

A **budget** is a detailed quantitative plan for acquiring and using financial and other resources over a specified forthcoming time period.



Marketing Categories

Marketing Budget Major Categories





THANK
YOU!

