Review the requirements of the Chapter 3 Mini-Case, parts b through j (See below). Then apply those requirements to do an analysis of Yum! Brands Inc., which is a real company. Don't complete the minicase itself, just Yum!. Do the analysis on the basis of the figures for the most recent year. For part g, use the 2 most recent years. Download 10K financial statements for the most recent year for Yum!. A good source is the company's home page or Edgar website. Also compare the Yum! ratios to the industry averages. You'll note that some of the company's ratios you calculate won't agree with those found on the web page. Ratios are calculated in different ways, however, you should use the formulas in the text. Also, you won't find all of the industry averages, but you will find most of them. You'll need the company's stock price for several of the ratios; use the fiscal year end price. The company's stock symbol is YUM.

* [(Visit Yum! web site)](http://www.brinker.com)
* [(Edgar web site)](http://www.sec.gov/edgar/searchedgar/webusers.htm)
* [(Access industry averages)](http://investing.money.msn.com/investments/key-ratios?symbol=YUM)

B. Calculate the 2012 current and quick ratios based on the projected balance sheet and income statement data. What can you say about the company's liquidity position in 2010, 2011, and as projected for 2011? We often think of ratios as being useful to (1) to managers to help run the business, (2) to bankers for credit analysis, and (3) to stockholders for stock valuation. Would these different types of analysis have an equal interest in liquidity ratios?

C. Calculate the 2012 inventory turnover, day's sales outstanding, fixed assets turnover, and total assets turnover. How does Yum’s utilization of assets stack up against that of other firms in its industry?

D. Calculate the 2012 debt, times-interest-earned, and EBITDA coverage ratios. How does Yum Brand compare with the industry in respect to financial leverage? What can you conclude from these ratios?

E. Calculate the 2012 profit margin, basic earning power (BEP), return on assets (ROA), and return on equity (ROE). What can you say about these ratios?

F. Calculate the 2011 price/earnings ratio, price/cash flow ratio, and market/book ratio. Do these ratios indicate investors are expected to have a high or low opinion of the company?

G. Perform a common size analysis and percentage change analysis. What do these analyses tell you about Yum Brand?

H. Use the extended Du Pont equation to provide a summary and overview of Yum's financial condition as projected for 2012. What are the firm's major strengths and weaknesses?

I. What are some potential problems and limitations of financial ratios analysis?

J. What are some qualitative factors that analysts should consider when evaluating a company's likely future financial performance?