Case 1: Review the requirements of the Chapter 3 Mini-Case, parts b through j. Then apply those requirements to do an analysis of Yum! Brands, 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. 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.

• http://yum.com/

•http://investing.money.msn.com/investments/key-ratios?symbol=YUM

Note:

•All quantitative work must be done in Excel.

b. Calculate the 2014 current and quick ratios based on the projected balance sheet and income data. What can you say about the company’s liquidity position in 2012, 2013, and as a projected for 2014? We often think of ratios being (1) to managers to help run business, (2) to bankers for credit analysis, and (3) to stockholders for stock evaluation. Would these different type of analysts have an equal interest in the liquidity ratios?

c. Calculate the 2014 inventory turnover, days sales outstanding (DSO), fixed assets, turnover, and total assets turnover. How does Brinker’s utilization of assets stack up against that of other firms in its industry?

d. Calculate the 2014 debt ratio, liabilities-to-assets ratio, time-interest-earned, and EBITDA coverage ratios. How does Brinker compare with the industry with respect to financial leverage? What can you conclude from these ratios?

e. Calculate the 2014 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 2014 price/earnings ratio, price/cash flow ratio, and market/book ratio. Do these ratios indicate that 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 analysis tell you about Brinker?

h. Use the extended equation to provide a summary and overview of Brinker’s financial condition as projected for 2014? What are the firm’s major strengths and weaknesses?

i. What are some potential problems and limitations of financial ratio analysis?

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