SvedbergOpen
DISSEMINATION OF KNOWLEDGE

International Journal of Management Research and Economics

Publisher's Home Page: https://www.svedbergopen.com/

Research Paper Open Access

Corporate Strategic Financial Analysis: Tesco and Benedict Co.

Sixbert Sangwa[1*]

[1]University of South Wales, Pontypridd, UK. E-mail: sangwamukiza@gmail.com

Article Info

Volume 1, Issue 4, October 2021
Received : 15 April 2021
Accepted : 21 September 2021
Published : 05 October 2021
doi: 10.51483/IJMRE.1.4.2021.61-71

Abstract

This report comprises of two main parts whose objectives are to respectively analyze the key Tesco stakeholders and the financial position of Benedict Co. in the first part the author will use Tesco annual report 2016 to identify and analyze its key stakeholders who are customers, suppliers and employees, focusing on how the company's environmental and social review and the corporate governance report help Tesco demonstrate its performance in terms of its corporate and social responsibilities to two of its stakeholders. Although there are many other stakeholders that are affected by corporate decisions or serve as link between financial and non-financial objectives, the report concluded that these two stakeholders play a very significant role in helping the company measure the performance of both of its financial and non-financial objectives. On the other hand, Benedict Co.'s financial position has been evaluated using a number of financial statements/ratios. In this regard, the report has demonstrated a very weak profitability which increases the company's liabilities and eventually put strain on its liquidity.

Keywords: *Stakeholder Analysis, Corporate Social responsibilities, Financial Ratio, Corporate Financial Analysis*

1. Introduction

The objective of this report is to financially analyze two companies which are Tesco and Benedict Co. It will look at Tesco's key stakeholders and utilize the company's annual report 2016 to review the company's performance in terms of corporate and social responsibilities against its environmental, social review and corporate governance report. Tesco is a UK shopping mart whose purpose is to make money by investing and selling quality products (UKEssays, 2017) and a leading retailer customer-centric company serving customers from their stores and online (Tesco, 2018). As any other company in the business world, Tesco works with different stakeholders such as customers, suppliers, employees, investors, shareholders, etc. This report will only analyze the contribution of the first three stakeholders to the company's financial performance.

On the other hand, the report tries to evaluate the financial position of Benedict Co. as "*professional, experienced buyer and reseller of damaged cargo, abandoned freight, casualty losses and more*" (Benedict Co., 2018). The report will analyze a range of financial ratios to measure the company's financial performance.

* Corresponding author: Sixbert Sangwa, University of South Wales, Pontypridd, UK. E-mail: sangwamukiza@gmail.com

2. Tesco Corporate Strategic Financial Analysis

2.1. Definitions

As defined in the business dictionary, stakeholders are people (individuals or groups) or organizations that have interest or concern in an organization. They can affect or be affected by the organization's action, objectives or policies. Some example of stakeholders, in this broader sense, are customers, creditors, employees, government agencies, shareholders, etc.

However, when Freeman and Reed (1983, p. 93) defined stakeholder in their view point, they narrowed this definition to refer to individuals, groups or organizations, on which an organization depends for survival.

To sum up, many definitions given by different authors, such as Donaldson and Preston (1995), Freeman and Reed (1983), suggest that stakeholders are people, firms, organizations, entities or simply the entire community that can affect or be affected by the company's activities. In our case, Tesco has, through its annual report 2016, classified its stakeholders into three categories which are: Internal, External and connected stakeholders and this classification will be followed (Tesco, 2017, p. 40).

2.2. Tesco Stakeholders

Reading the Tesco annual report 2016, three main stakeholders are highlighted. These are customers, suppliers and its colleagues (Tesco, 2017, p. 48, 53). Other stakeholders are also referred to as external stakeholders. These are for instance the shareholders and environmental and social stakeholders (Tesco, 2017, p. 40,126). Back to the three key stakeholders, the company clearly indicated the below in their annual report 2016:

Customers are referred to as people or entities who buy the company product/services or come back again or recommend the company to other shoppers. This group belongs to the company's external stakeholders and their customer's loyalty is defined by the frequency of shopping and their average weekly spend.

Suppliers are the Tesco's second key stakeholders that belong to partnerships and that the company categorizes under connected stakeholders.

Colleagues are referred to by the company as Tesco's employees, in whom the company invests in order to better serve its customers. This group is categorized into the internal stakeholders. The company has also reflected on its employees' KPI where it referred to the measurements about recommendation and great place to work or to shop.

2.3. Performance of Two Tesco's Stakeholders

A. Corporate and Social Responsibilities Performance of Customers and Suppliers

In this part, customers and suppliers' performances will be analyzed to give a view on how environmental and social review and corporate governance report helps the company demonstrate its performance in terms of corporate and social responsibilities. We have chosen these two stakeholders for a number of reasons:

1. These are part of the three key Tesco stakeholders illustrated in Tesco annual report 2016;
2. The report also highlighted the significance of customers and suppliers among other stakeholders.
3. In the Tesco's annual report 2016, customers and suppliers' KPIs were introduced which suggest their importance on the measurements of the company's performance;
4. The report has shown significant contribution of these two stakeholders to the company's performance.

In the corporate governance report (Tesco, 2017), Tesco's Environmental and Social Review (presented in the report) is more informative for the company in order to demonstrate the importance and measure the performance of its key stakeholders, especially those of our concern (customers and suppliers). Main Reasons are presented below:

- Specific measures and objectives, to measure the performance of customers and suppliers to support its key corporate governance objectives of trust and transparency, have been put in place (Tesco, 2017, p. 30, 48, 50).
- For its three key stakeholders namely, customers, suppliers and colleagues, the company indicates PSP targets, performance measures and definitions.
- Tesco has also included customers and suppliers in its 6 big KPIs (Tesco, 2017 p. 12).
- The company has adopted the UK Corporate Governance Code by adopting specific report structures, highlighting relationships between its social and environmental actors (Tesco, 2017, p. 30).

- Some other corporate governance factors relative the company's customers and suppliers performance and that address the issues of compensation, management and leadership accountability and effectiveness, were demonstrated by Tesco.
- In the Tesco Annual Report (2016, p. 50, 51), it's also obvious that Tesco establishes a direct link between its compensation policy and its performance measures and strategy, where Tesco's strategy is linked with each performance measure in the annual bonus and performance share plan. In addition, the overall measures and objectives of the PSP and stakeholders were defined in relation to the remuneration policy as part of the external audit (Tesco, 2017, p. 51).
- The corporate report clarifies that "supplier code of conduct" together with "key relationships with stakeholders, including employees, customers and suppliers", are the responsibilities of the company and the board (Tesco, 2017, p. 39).

B. (Non) Financial Objectives, Stakeholders and Performance

On the relevance of the on non-financial objectives and overall performance, the following assumptions are highlighted to support student's reasoning:

1. In the student's view point, this corporate governance report is very relevant to Tesco's global and financial performance.
2. Tesco's non-financial objectives, social and environmental responsibilities are also included in the corporate governance report.

These assumptions are evident in the Tesco's annual report 2016, especially on (p. 8, 12-13, 30, 39, 43, 51, 126) where these relationships between Corporate Governance and its Social and Environmental Reviews and their stakeholders and performance measures are clearly defined. The same report demonstrates the performance of Tesco's three-key stakeholders (customers, suppliers and colleagues) against non-financial objectives.

Finally, the company introduces the specific group of stakeholders [made of investors and shareholders] which serves a link between its financial and non-financial objectives, whose performance are also inter-correlated and correlated with the overall corporate performance (Peloza and Papania, 2008, pp. 169-181).

3. Benedict Corporate Strategic Financial Analysis

3.1. Introduction and Methodology

Benedict Co. is leading UK retailer salvage company with many years of professional experience in buying and reselling damaged cargo, abandoned freight, casualty losses and more (Benedict Co., 2018).

In this report, we have used a range of financial ratios to analyze and evaluate its financial position in meeting its stakeholders' requirements. We have utilized available financial statements for the years 20X0 and 20X1 and other materials that provide information on the company's relevant ratios.

Literature reviews have been used to ensure relevance of our financial ratios, help us in calculating and interpreting these ratios, in order to measure the company's financial performance and position. While we also used literature review for the relevance of our chosen ratios for a number of stakeholders, this report has used the following ratios:

- **Liquidity Ratios**: Quick and current ratio, as they relate to customers and suppliers.
- **Gearing Ratios**: Debt or equity ratio as well as interest cover, relevant to lenders.
- **Profitability Ratios**: Applicable to customers, lenders and suppliers.
- **The Use of Resources Ratios:** Creditor days, stock days, debtor days and cash conversion cycle, to measure suppliers' performance.
- **Investor Ratios**: To measure investors performance we will employ, the return on equity, dividend and earnings yield, dividend and earnings per share, etc.

3.2. Analysis of the Company's Financial Ratios

3.2.1. Profitability Ratios

- **Return on Capital Employed Ratio — ROCE:** Obviously this decrease in the ROCE is explained by a combination of two factors which are: the company's decrease in its profits before taxes (decreased from $8.7M to $8.3M) and an

Table 1: Profitability ratio			
Ratios	**20X1**	**20X0**	**Observations**
Return on Capital Employed (ROCE)	17.50%	24.19%	Decreased
Net Profit Margin	22.73%	32.93%	Decreased
Gross Profit %	48.05%	41.77%	Increased
Net Asset Turnover	0.77	0.73	Increased
Scicluna (2018)			

increase in capital employed (increased from $33.9M to $40.0). According to Nissim and Penman (2001), this status indicates how the company's efficiency in using capital to generate profit has reduced.

- **Net Profit Margin:** As per the above table, a decrease in profits before taxes and interests has also negatively affected the net profit margin ratio as well. At the same time, there was also an increase in sales (increased by 23.69%) putting down this ratio too from 32.93% to 22.73%. A decrease in the Net profit Margin implies a reduction in the company's ability to efficiently use revenues to generate profits (Diacogiannis, 1994, p. 107).
- **Gross Profit %:** Observation on this ratio indicates 6.28% increase in the gross profit percentage from 20X0 to 20X1. Parallel increase in the sales and the gross profits are the explanations of this results. While the gross profit increased from $10.4M to $14.8M (42.31% of increase), the sales also increased by 23.69%, which suggests the growth of the gross profit percentage. However, this ratio's interpretation contradicts the previous assumption that the company's ability to generate profits from revenues was reduced (see Net Profit Margin). From my view perspective, this increase in the gross profit ratio is explained by an increase in sales, compared to very lower costs of sales.
- **Net Asset Turnover:** For the period of our concern (20X0 to 20X1), an increase of this ratio from 0.73 times to 0.77 times is observed. In terms of percentage that is 4.83% of ratio increase, resulting higher increase in sales than the capital employed. Scicluna (2018, p. 9) interprets this movement as the company's slight improvement in its ability to efficiently generate revenues from the capital.

3.2.2. Use of Resources Ratios

- **Stock Days:** The table shows a considerable increase in the average number of days that the company keeps its stock before selling. This means that Benedict Co. has not been able to accelerate stock trading and has moved away from the inventory days of its industry (Edwards, 2003).
- **Debtor Days:** This ratio normally indicates how many days (average) the debtor use to pay the company. Obviously this number increased from 55.7 to 90.06. In 20X1 debtors need 34.9 more days to pay the company (up by 62.66%). Hence, the company's ability to quickly collect revenues (trade receivables) from invoiced or sold stock, has decreased.
- **Creditor Days:** From 20X0 to 20X1, the company has also increased its average period for paying its creditors by 43.31 days (from 108.24 days to 155.13 days). While Benedict Co. enjoys the trade credits, the increase in creditor days is higher than the increase in debtor days (see above). This is a critical company situation because suppliers

Table 2: Resources Ratios			
Ratios	**20X1**	**20X0**	**Observations**
Stock Days	118.63	65.45	Increased
Debtor Days	90.06	55.70	Increased
Creditor Days	155.13	108.24	Increased
Cash Conversion Cycle	53.56	12.91	Increased
Scicluna (2018)			

may refuse to supply the company due to its long creditor period. This also suggests a complicated financial situation of a company.

- **Cash Conversion Cycle:** An increase in this ratio observed in the table, also suggests the underperforming situation of the company which requires 40, 66 days more, in order to turn its stock into cash, compared to 20X0.

3.2.3. Liquidity Ratios

- **Current Ratio:** This ratio has undergone a slight decrease from 1.25 in 20X0 to 1.19 in 20X1 (down by 5%). The movement is due to lower increase in the company's current assets (up by 100%) compared to its increase in current liability (up by 111%).

Table 3: Liquidity Ratios

Ratios	**20X1**	**20X0**	**Observations**
Current ratio	1.19	1.25	Decreased
Quick ratio	0.70	0.75	Decreased
Scicluna (2018).			

- **Quick Ratio:** This ratio has also decreased by 0.05 times, i.e., from 0.75 times to 0.70 times, due to the reason explained above (see current ratio).

Decrease in above ratios means an increase of the company's risk. This suggests that the company may not be able to hedge short-term liabilities from its short-term assets, which puts strain of the company's liquidity. Diacogiannis (1994) also argues that: "*the company's ratios in 20X1 and 20X0 were below industry levels*" because, while the industrial quick and current ratios are respectively 1 time and 1.6 times (see Appendix), Benedict Co.'s ratios are lower (see above table), which comparison confirms the liquidity limits of this company as we may also see it in the gearing ratios.

3.2.4. Gearing Ratios

- **Gearing Ratio:** The table shows that, during period of 20X0-20X1, the gearing ratio has increased by 6.40%, i.e., from 23.60% to 30.00%. This is explained by the company's higher increase in its long-term debt (from $8M to $12M, up by 50%) than its increase in capital employed (from $33.9M to $40M, up by 17.99%). As seen in the liquidity ratios above, this movement means that the company has increased its risk to cover its long-term debts by its capital employed (Edwards, 2003).

Table 4: Gearing Ratios

Ratios	**20X1**	**20X0**	**Observations**
Gearing Ratio	30.00%	23.60%	Increased
Debt/Equity Ratio	42.86%	30.89%	Increased
Interest Cover	5.38	16.40	Decreased
Scicluna (2018).			

- **Debt/Equity Ratio:** Remarkable increase in the ratio from 30.89% in 20X0 to 42.86% in 20X1 (50%) was due to higher increase in the company's long-term debt than that of its stock capital and reserves (8.11%). Here it's obvious that an increase of capital and reserve by 8.11% (from $25.9M to $28.9M) was not able to balance a respective increase in debts of up to 50% (Rushinek and Rushinek, 1987, pp. 93-100).
- **Interest Cover Ratio:** From the table, this ratio has decreased from 16.40 times to 5.38 times, reflecting the decline in Benedict Co.'s profits (4.6% which also lead to increased financial costs, having increased from $500.000 to $1.3 M (up by 160%). As Eduard (2003) suggests, this also implies a deterioration of the company's ability "to hedge its interest expense from its earnings".

3.2.5. Investor Ratios

- **Return on Equity:** Decreased giving the same interpretation as that of its homologous (see return on capital employed).

Table 5: Investor Ratios

Ratios	20X1	20X0	Observations
Return on Equity	23.57%	27.03%	Decreased
Dividend per Share (DPS)	0.03	0.02	Increased
Earnings per Share (EPS)	0.00004	0.00004	Unchanged
Dividend Cover	0.001	0.002	Decreased
Payout Ratio	68181.82%	51428.57%	Increased
Price/Earnings Ratio	152727.27	92571.43	Increased
Dividend Yield	0.45%	0.56%	Decreased
Earnings Yield	0.0007%	0.0011%	Decreased

Scicluna (2018)

- **Dividend per Share Ratio (DPS):** Observations indicate that the company's DPS increased from $0.02 to $0.03. This is explained by the total dividend paid by the company which increased by 25%, i.e., from 3.6M to $4.5 M.
- **Dividend Cover:** This ratio also decreased from 0.002 times to 0.001 times, following lower earnings after tax (–5.71%) and higher dividends (+25%). As the EPS tends to zero, this ratio is considered unchanged and tends to zero too.
- **Payout Ratio:** As this is an inverse of the dividend cover ratio, once one tends to zero the other one tends to infinity, hence we don't consider this increase.
- **Dividend Yield:** This ratio decreased from 0.56% to 0.45% (down by 0.11%), result of increased stock's market price of 55.56% (from $ 3.6 per share to 5.6 per share), offsetting the DPS by 25%.

Due to the deterioration of earnings, profitability and EPS values tending to zero, earnings per share and return on earnings, Lewellen (2004), Ohlson and Juettner-Nauroth (2005) and Faello, (2015) suggest that analysis and interpretation can be limited to dividend ratios only.

4. Conclusion and Causes for Concern

From the above analysis, our main causes of concern are such that Benedict Co. lacks competitiveness and has very strong financial and business risks. This is explained by the profitability deterioration as indicated in (3.2.1), severe increase in the company's creditor days and the cash conversion cycle (3.2.2), increased debtor days (3.2.2) and increased liquidity strain (3.2.4) and (3.2.3).

However, we understand that more analysis is needed to confirm whether the identified worsening resource use is the company's problem or not. There is need for more comparison of industrial information of different years to clear our assumptions.

What we observed in the profitability ratios suggests further analysis on the company's profitability. Indications are that the company's efficiency in using its capital and revenues to generate profit from revenues have reduced (see ROCE and NPM), which was disputed by an increase of the gross Profit Margin and a slight increase of the Net Asset Turnover.

On the other hand the use of resources ratios (3.2.2) show that Benedict Co. has failed to accelerate its stock trading, to quickly collect revenues and to faster return stock into cash. The fact that the company enjoys trades credits to is an indication of possible problematic situation which can push back its suppliers.

The observed reduction in liquidity ratios (3.2.3), suggest the company's inability to offset its short-term liabilities by its current assets. This demonstrate increased company business and financial risks, that may occur when Benedict

Co. is unable to cover its operations and sales costs by its current assets or simply fails to meet creditors' obligations.

Complementary to the above ratios, the company's gearing ratios were very exacerbated, which suggests the company's inability to meet its obligations once they come due.

Lastly, the analysis of investor ratios, which was only limited to dividend ratios due to stagnant profitability, earnings and EPS, present Benedict Co.'s inability to generate earnings for its investors, due to earning lesser than its dividends values.

Acknowledgment

This work was carried out as part of the author's learning path at the University of South Wales in the United Kingdom, which is why the author would like to thank the entire academic team for this opportunity and more particularly Dr. Chris Benjamin for his consistent supervision and advice on the project and Leonidas Stergiou, my fellow student who remained closer to inspire and added his incredible contributions.

References

Benedict Co. (2018). Benedict Company Profile. Available online at http://www.benedictcompany.com/services/. Accessed on February 24, 2018.

Diacogiannis, G (1994). Financial Management: A Modelling Approach Using Spreadsheets. McGraw- Hall.

Donaldson, T. and Preston, L. E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *The Academy of Management Review*, 20(1), 65-91. https://doi.org/10.2307/258887

Edwards, C. (2003). Fundamentals of Corporate Finance. Available at http://highered.mheducation.com/sites/dl/free/0070898669/65177/Chapter17.ppt. Accessed on February 15, 2018.

Faello, J. (2015). Understanding the Limitations of Financial Ratios. *Academy of Accounting and Financial Studies Journal*, 19, 75-86.

Freeman, R.E. and Reed, D.L. (1983). Stockholders and Stakeholders: A New Perspective on Corporate Governance. *California Management Review*, Available at http://journals.sagepub.com/doi/10.2307/41165018. Accessed on February 24, 2018.

Lewellen, J. (2004). Predicting Returns with Financial Ratios. *Journal of Financial Economics*, 74, 209-235.

Nissim, D. and Penman, S.H. (2001). Ratio Analysis and Equity Valuation: From Research to Practice. *Review of Accounting Studies*, [Online] 6, 109-154. Available at https://www0.gsb.columbia.edu/mygsb/faculty/research/pubfiles/316/Ratio_analysis_and_equity_valuation_From_research_to_practice.pdf. Accessed on February 4, 2018.

Ohlson, J.A. and Juettner-Nauroth, B.E. (2005). Expected EPS and EPS Growth as Determinants of Value. *Review of Accounting Studies*, 349-365.

Peloza, J. and Papania, L. (2008). The Missing Link Between Corporate Social Responsibility and Financial Performance: Stakeholder Salience and Identification. *Corporate Reputation Review* Available online at http://link.springer.com/10.1057/crr.2008.13. Accessed on February 25, 2018.

Rushinek, A. and Rushinek, S.F. (1987). Using Financial Ratios to Predict Insolvency. *Journal of Business Research*, 15, 93-100.

Scicluna, C. (2018). Strategic Financial Management AF4S31: Interpretation of Financial Statements. Available at http://vle-usw.unicaf.org/mod/resource/view.php?id=36393

Tesco (2018). Company Profile. Available online at https://www.tescoplc.com/about-us/. Accessed on February 24, 2018.

Tesco, P.L.C. (2017). Annual Report and Financial Statements 2016. pp. 1-172 [Online] Available at https://www.tescoplc.com/media/264194/annual-report-2016.pdf. Accessed on February 28, 2018.

UKEssays. (2017). Analysis of Tesco Stakeholders. Available online at https://www.ukessays.com/essays/business/investigate-profit-tesco-and-non-profit-oxfam-business-essay.php. Accessed on February 24, 2018.

University of South Wales (2018). Summative Assessment 1 Brief and Marking Scheme V2. United Kingdom: University of South Wales. Available at: http://vle-usw.unicaf.org/mod/resource/view.php?id=36408. Accessed on February 20, 2018.

Appendices

1. Industrial Financial Data

Current Ratio	1.6
Quick Ratio	1.0
Trade Receivable Days	55 days
Trade Payable Days	90 days
Inventory Days	60 days
University of South Wales (2018).	

2. Benedict Co.'s Income Statement

In $'000	A	D	E	F
11		**20X1**	**20X0**	**Diff. %**
12	Sales	30800.0	24900.0	23.69
13	Cost of Sales	16000.0	14500.0	10.34
14	Gross Profit	14800.0	10400.0	42.31
15	Admin Expenses	1700.0	400.0	325.00
16	Distribution Costs	3500.0	800.0	337.50
17	Finance Costs	1300.0	500.0	160.00
18	Profit Before Taxation	8300.0	8700.0	-4.60
19	Taxation	1700.0	1700.0	0.00
20	Profit After Taxation	6600.0	7000.0	-5.71
21	Dividends ($'000)	4500	3600	25.00
22	Share Price 31 Jan ($/share)	5.6	3.6	55.56
23	Issued Shares (Items)	180000000	180000000	0.00
24	Nominal Value ($/spare)	1	1	0.00
University of South Wales (2018).				

3. Benedict Co.'s Balance Sheet

In $'000	A	D	E	F
28		**20X1**	**20X0**	**Diff. %**
29	Non-Current Assets	38,000	32,600	16.56
30	Inventory	5,200	2,600	100.00

Appendices (Cont.)

	A	D	E	F
31	Account Receivables	7,600	3,800	100.00
32	**Current Assets**	**12,800**	**6,400**	100.00
33	**Total Assets**	**50,800**	**39,000**	30.26
34	Share Capital	18,000	18,000	0.00
35	Reserves	10,000	7,900	26.58
36	**Capital and Reserves**	**28,000**	**25,900**	8.11
37	6% Bonds	12,000	8,000	50.00
38	**Non-Current Liabilities**	**12,000**	**8,000**	50.00
39	Trade Payables	6,800	4,300	58.14
40	Overdraft	4,000	800	400.00
41	**Current Liabilities**	**10,800**	**5,100**	111.76
42	**Total Liabilities**	**50,800**	**39,000**	30.26
University of South Wales (2018).				

4. Calculated Capital employed

A	D	E	F
In $'000	**20 × 1**	**20 × 0**	**Diff. %**
Total Assets	50,800	39,000	30.26%
Minus Current Liabilities	10,800	5,100	111.76%
Capital Employed	**40,000**	**33,900**	**17.99**

5. Calculation of Benedict Co.'s Financial Ratios

Ratios	Interpretation	Formulas	Calculations		Results	
			20 × 1	20 × 0	20×1	20×0
Profitability Ratios						
Return on capital employed (ROCE)	Indicates the % of return earned by a company's capital employed.	$\frac{PBIT\times100}{TA-CL}$	$\frac{(8,300-1300)\times100}{(50,800-10,800)}$	$\frac{(8700-500)\times100}{(39,000-5,100)}$	17.5%	24.19%
Net profit margin	Indicates the % of a company's turnover which is represented by profit after operating costs.	$\frac{PBIT\times100}{Sales}$	$\frac{(8,300-1300)\times100}{(30,800)}$	$\frac{(8,300-1300)\times100}{(30,800)}$	22.73%	32.93%
Gross profit %	Indicates the % of selling price that represents profit rather than cost.	$\frac{gp\times100}{Sales}$	$\frac{14800\times100}{30,800}$	$\frac{10400\times100}{24,900}$	48.05%	41.77%

Appendices (Cont.)

Ratios	Interpretation	Formulas	Calculations		Results	
			20 × 1	20 × 0	20×1	20×0
Net asset turnover	shows how efficiently the company's capital employed is used to produce turnover	Turnover / Capital Employed	30,800 / (50,800 -10,800)	24,900 / (39,000-5,100)	0.77%	0.73%
Use of resources Stock days	Shows the number of days (average) worth of stock held by a company.	Inventory×365 / Cost of Sales	5,200×365 / 16,000	2600×365 / 14,500	118.63	65.45
Debtor days	Shows the number of days (average) that it takes a debtors to pay.	recievables×365 / Sales	30,800	24,800		
Creditor days	Shows the number of days (average) that it takes to pay creditors.	payables×365 / Sales	6,800×365 / 16,000	4,300×365 / 14,500	156.13	108.24
Cash Conversion cycle	Gives an idea of the (average) length of time it takes a company to generate cash from operations	Stock days + Debtors days – Creditors days	(118.63 + 90.06) – 155.13	(65.45 + 55.70)– 108.24	53.6	12.91
Liquidity ratios Curent ratio	It gives the number of times that a company's working capital assets cover its short-term liabilities	Current Assets / Current Liabilities	12,800 / 10,800	6,400 / 5,100	1.19	1.25
Quick ratio	Similar to the current ratio but Stock is excluded from current assets	Current Asset less stock / Current liabilities	(12,800-5,200) / 10,800	6,400-2,600 / 5,100	0.70	0.75
Gearing ratios Gearing ratio	Indicates the level of long-term borrowings.	Long-term debts x100 / Total assets less	12,000×100 / (50,800-10,800)	8,000×100 / (39,000-5,100)	30.00	23.60
Debt/equity ratio	Indicates the level of long-term borrowings.	Long-term debts×100 / Share capital and reserves	(12,000×100) / (28,000)	(8,000×100) / (25,900)	42.86	30.89

Appendices (Cont.)

Ratios	Interpretation	Formulas	Calculations		Results	
			20 × 1	20 × 0	20×1	20×0
Interest cover	Indicates the number of times that the company's interest charge in its income statement is covered by the profit before interest (and tax)	Profit before tax / Interest chares	(8,300-1,300) / (1,300)	(8,700-500) / (500)	5.38	16.40
Investor ratios Return on equity	A similar measure to ROCE	Earning after tax×100 / Ordinary share capital plus reserves	6,600×100 / (28,000)	(7,000×100) / (25,900)	23.57	27.03
Dividend per share (DPS)	DPS	Dividend paid to ordinary share / # issued ordinary shares	(4,500×1,000) / 180,000,000	(3,600×1000) / 180,000,000	0.03	0.02
Earnings per share (EPS)	Show the amount of dividend (DPS) and profit (EPS) available to each ordinary shareholder	Earning after tax / # of issued ordinary shares	6,600 / 180,000,000	7,000 / 180,000,000	0.00004	0.00004
Earnings per share (EPS)	Show the amount of dividend (DPS) and profit (EPS) available to each ordinary shareholder	Earning after tax / # of issued ordinary shares	6,600 / 180,000,000	7,000 / 180,000,000	0.00004	0.00004
Dividend cover	Inverse of pay-out ratio	EPS / DPS	0.00004 / 0.03	0.00004 / 0.02	0.001	0.002
Payout ratio	Inverse of dividend cover	Dividend paid to ordinary shareholders× 100 / earnings after tax	(4,500×1000×100) / 6,600	(6,600×1000×100) / 7,000	68181.82	51428.57
Price/earnings ratio	Shows the number of years' earnings that a shareholder would be willing to sacrifice in order to purchase one share.	Market price per share / EPS	5.6 / 0.000038888889	3.6 / 0.000038888889	15272727	92571.43
Dividend yield	Shows the return to ordinary shareholders as a % of the share price represented by DPS	DPS×100 / Market price per share	(0.025×100) / 5.6	(0.02×100) / 3.6	0.45	0.56
Earnings yield	Shows the return to ordinary shareholders as a % of the share price represented by EPS	EPS×100 / Market price per share	(0.000038889×100) / 5.6	(0.000038889×100) / 3.6	0.0007	0.0011

Cite this article as: Sixbert Sangwa (2021). Corporate Strategic Financial Analysis: Tesco and Benedict Co. *International Journal of Management Research and Economics.* 1(4), 61-71. doi: 10.51483/IJMRE.1.4.2021.61-71.