
Glas PLC

**Interpretation of
Accounts (Ratios)**

2012

Shareholders

Part B - Comments

SHAREHOLDER COMMENTS

Remember to use the following headings and ratios when commenting on part B. These will be used from a **share-holders point of view**

Performance		State of Affairs			Prospectus	
Profitability	Dividend Policy	Liquidity	Gearing	Investment policy	Sector	Share performance
1. ROCE	1. Dividend Cover	1. Acid Test	1. Gearing	1. Investment Policy	1. Sector	1. EPS
2. EPS	2. DPS		2. Interest Cover			2. P/E Ratio
	3. Dividend Yield					3. Market Price
	4. Dividend Pay out					

Try to use the following sentence to help you remember the headings for shareholder comments

Paul Does Landscaping Gardening In Spring & Summer

NOTE

You might have to calculate some ratios still for part B - calculate them quickly using your calculator and make a record of the figure

NOTE - This is a project question and is different to previous past exam questions

PERFORMANCE**Profitability****ROCE****Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Say if the company is profitable - compare to risk free investments
4. Compare to debenture & preference rates
5. Would shareholders be satisfied/dissatisfied?

Template

1. In _____ the ROCE is ____ %. In _____ the ROCE was ____%
2. This is an improvement / dis-improvement of ____ % and is a positive / negative trend
3. The company is profitable / not profitable as the return is higher /lower than risk free investment of 0-1%
4. It is also above /below the debenture rate interest of ____% and above /below Preference share capital rate of ____%
5. Shareholders would be satisfied / not satisfied - as the company is making efficient / inefficient use of its resources available to them

Suggest Solution (2012 - Glas PLC)

1. In 2011 the ROCE is 7.35%. In 2012 the projected ROCE is 8.1%
2. This is an improvement of .75% and is a positive trend
3. The company is profitable as the return is higher than risk free investment of 0-1%
4. It is also below the debenture rate interest of 8% but above Preference share capital rate of 6%
5. Shareholders would be dissatisfied - as the company is making efficient use of its resources available to them

EPS**Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Would shareholders be satisfied/dissatisfied?

Template

1. In _____ the EPS is _____c. In _____ the EPS was _____c
2. This is an improvement / dis-improvement of _____ c and is a positive / negative trend
3. Shareholders would be satisfied / dis-satisfied with this as it indicates the profit in cents coming from shares and how well / badly shareholders' investment is used

Suggested solution (2012 - Glas PLC)

1. In 2011 the EPS is 10.67c. In 2012 the projected EPS is 7c
2. This is a dis-improvement of 3.67c and is a negative trend
3. Shareholders would be dis-satisfied with this as it indicates the profit in cents coming from shares and how badly shareholder investments is used over the years

DIVIDEND POLICYDividend Cover**Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Would shareholders be satisfied/dissatisfied?

Template

1. In _____ the Dividend cover is _____ times, In _____ the Dividend cover was _____ times
2. This is an improvement / dis - improvement and is a positive / Negative trend. It means more / less profit is being retained for expansion purpose and repayment of loans
3. Shareholders would be satisfied / dis - satisfied with this as it increases share value, knowing payments are more / less likely to continue into the future

Suggested solution (2012 - Glas PLC)

1. In 2011 the Dividend cover is 2.8 times, In 2012 the projected Dividend cover is 1.67 times
2. This is a dis-improvement and is a negative trend. It means less profit is being retained for expansion purpose and repayment of loans
3. Shareholders would be dis-satisfied with this as it decreases share value, knowing payments are less likely to continue into the future

Dividend per Share (DPS)**Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Would shareholders be satisfied/Dissatisfied?

Template

1. In _____ the DPS is _____c. In _____ the DPS was _____c
2. This is an improvement / dis-improvement of _____c. This is a positive / negative trend
3. Shareholders would happy / not happy with this in the short terms as it indicates how much dividend they will receive

Suggested Solution (2012 - Glas PLC)

4. In 2011 the DPS is 3.33c. In 2012 the projected DPS is 4.2c
5. This is an improvement of .87c. This is a positive trend
6. Shareholders would be happy with this in the short terms as it indicates how much dividend they will receive

Dividend Yield**Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. compare to risk free investments
4. Compare to debenture & preference rates
5. Would shareholders be satisfied/Dissatisfied?

Template

1. In _____ the Dividend yield is _____ %. In _____ the Dividend yield was _____%
2. This is an Improvement / dis-improvement of _____ % and is a positive / negative trend
3. It is higher / lower than risk free investment of between _____%
4. This is also higher / lower than debentures of _____% and the preference share of _____%
5. Shareholders would be satisfied / dissatisfied with this as the company will find it easy / difficult to pay out dividends

Suggested Solution (2012 - Glas PLC)

1. In 2011 the Dividend yield is 2.9%. In 2012 the projected Dividend yield is 3.75%
2. This is a slight improvement of .85% and is a positive trend
3. It is still higher than risk free investment of between 1-2%
4. This is also lower than debentures of 8% and the preference share of 9%
5. Shareholders would be dissatisfied with this as the company will find it difficult to pay out dividends

Dividend Pay-out**Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Would shareholders be satisfied/Dissatisfied?

Template

1. In _____ the Dividend pay-out is _____%. In _____ the Dividend pay-out was _____%
2. This is an improvement / dis-improvement and a positive / negative trend
3. Shareholder would like to see this closer to 50% and would be satisfied / dissatisfied with this.

Suggested Solution (2012 - Glas PLC)

1. In 2011 the Dividend pay-out is 31.20%. In 2012 the projected Dividend pay-out was 60%
2. This is an improvement and a Positive trend
3. Shareholder would like to see this closer to 50% and would be dissatisfied with this as it is not good for the long-term stability of the company

Note - This can also be included under Profitability

NOTE On Dividend Pay-Out

1. Dividend pay-out should be in and around 50% for shareholders to be happy (Debenture holder would accept less)
2. If above 50% - they are paying out too much dividend - this means that debenture holders will not be happy as the company is not retaining enough money for expansion and paying interest. Shareholder will not be happy either as it is not good for the long-term stability of the company (even though they are receiving a higher dividend)
3. If below 50% - shareholders will not be happy, as they would expect a higher return. Debenture holders would be happy as the company should have enough retained for expansion and paying interest.
4. Formula to calculate Dividend payout is = $DPS/EPS \times 100/1 = \%$

STATE OF AFFAIRS**LIQUIDITY****Acid Test Ratio****Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend (compare to recommended ratio 1:1)
3. Does it have a liquidity problem - can they pay debts in the short term
4. Would Shareholder be satisfied/dis-satisfied

Template

1. In _____ the acid test ratio was _____. In 2019 the acid test ratio was _____
2. This is an improvement / Dis-improvement of _____c and is above the recommended ratio of 1:1
3. _____ PLC does / does not have a liquidity problem and are able / not able to pay their debts as they fall due in the short term. This is because they have €_____ in liquid assets for every euro it owes in the short term
4. Shareholders will be happy / not happy as _____ PLC will / will not have problems paying out dividends or other short terms debts as they fall due

Suggested Solution (2012 - Glas PLC)

1. In 2011 the acid test ratio was .56:1. In 2012 the projected acid test ratio is .85:1
2. This is an improvement of .29c but is below the recommended ratio of 1:1
3. Glas PLC does have a liquidity problem and are not able to pay their debts as they fall due in the short term. This is because they have €0.85 in liquid assets for every euro it owes in the short term
4. Shareholders will be not be happy as Glas PLC will have problems paying out dividends or other short terms debts as they fall due

GEARINGGearing**Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend and is the company a lowly/highly geared company.
3. Does it depend on outside borrowing
4. Would Shareholders be satisfied/dis-satisfied

Template

1. In ____ the gearing ratio is ____%. In ____ the gearing ratio was ____%
2. This is an improvement / dis - improvement and is a positive / negative trend. But the company is a Lowly / highly geared company
3. This means the company is dependent / less dependent on outside borrowing and would appear to be less / more of a risk from outside investors. Shareholder would be satisfied / dis-satisfied as the business is now less / more dependent on outside borrowing
However, if using the Debt to equity ratio it is a negative / positive trend as it has improved / dis-improved from ____% to ____% this is a positive / negative trend
4. Shareholders would be satisfied / dis-satisfied as the company is now more dependent on outside borrowing than before and there is significant risk to the firm from outside investors. The business is highly geared and is financed more by debt than by equity.

Suggested Solution (2012 - Glas PLC)

1. In 2011 the gearing ratio is 58.34%. In 2012 the projected gearing ratio is 51%
2. This is an improvement and is a positive trend. But the company is a highly geared company
3. This means the company is dependent on outside borrowing and would appear to be more of a risk from outside investors. Shareholders would be dis-satisfied as the business is now more dependent on outside borrowing but there would appear to be significant risk to the firm from outside investors.
4. Shareholders would be dis-satisfied as the company is now more dependent on outside borrowing than before and there is significant risk to the firm from outside investors.
The business is highly geared and is financed more by debt than by equity.

Interest Cover**Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend.
3. What does it mean - is there enough money for expansion, paying dividends and interest
4. Would Shareholder be satisfied/dis-satisfied
5. Make reference to when the debenture will be paid off
6. Will investment help with paying debenture

Template

1. In ____ the Interest Cover is ____ times. In ____ the interest cover was ____ times
2. This is an improvement / dis-improvement and is a positive / negative trend
3. This means the firm has more / less money available for expansion, paying dividends and paying interest/loans
4. Share holder would be satisfied / dis-satisfied with this
5. The Debentures are not listed for repayment until _____. _____ plc had enough time to put aside resources to be able to repay these when the time comes. The bank account is / is not overdrawn and Debtors owe €_____. _____ PLC should / should not follow up on this

Suggested Solution (2012 - Glas PLC)

1. In 2011 the Interest Cover is 3.15 times. In 2012 the projected interest cover is 3 times
2. This is a dis-improvement and is a negative trend
3. This means the firms has less money available for expansion, paying dividends and paying interest/loans
4. Shareholders would be dis-satisfied with this
5. However, the Debentures are not listed for repayment until 2018. Glas plc had enough time to put aside resources to be able to repay these when the time comes.

INVESTMENT POLICY**Investment Policy****Questions to answer**

7. What is the investment policy last year what is it now
8. Is this an improvement/dis-improvement, positive or negative trend.
9. Does this mean good / poor management of resource available to management
10. Would Shareholder be satisfied/dis-satisfied

Template

1. In ____ the investment is ____ . In ____ the investments was ____
2. This is an improvement / dis-improvement and is a positive / negative trend
3. This means good / poor management of resource available to management
4. Share holder would be satisfied / dis-satisfied with this

Suggested Solution (2012 - Glas PLC)

1. There is no project forecast for investments in the question

PROSPECTS**SECTOR****Sector****Questions to answer**

1. Say what sector the business is
2. Say what the short-term goals are
3. Say what the long-term goals are

Template

1. _____ plc is in the _____ industry.
2. In the short term this industry is growing / not growing as more _____

3. In the long term, the economic recovery is certain / uncertain and the firm is likely / unlikely to face competition and takeover from large multinational competitors.

Suggested Solution (2012 - Glas PLC)

1. Glas plc is in the Renewable Energy Sector.
2. In the short term this industry is growing with the Government giving out grants for solar panels, insulation and water heating
3. In the long term, prospect are good due to more on a emphasis on the environment and the increase in oil prices and shortages of oil

SHARE PERFORMANCE**The price earnings ratio****Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Would shareholders be satisfied/Dissatisfied?

Template

1. In _____ the P/E Ratio is _____ years. In _____ the P/E ratio was _____ years
2. This is an improvement / dis-improvement of _____ years, meaning it will take _____ years to make back the market price of the share at current performance levels.
3. Shareholders will be satisfied / dis - satisfied with this as they will recover their investment is a shorter / longer time frame

Suggested Solution (2012 - Glas PLC)

1. In 2011 the P/E Ratio is 12.3 years. In 2012 the projected P/E ratio was 16 years
2. This is dis improvement of 4.3 year, meaning it will take 16 years to make back the market price of the share at current performance levels.
3. Shareholders will be dis satisfied with this as they will recover their investment is a longer time frame

Market Price Per Share**Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Would shareholders be satisfied/Dissatisfied?

Template

1. In _____ the MPS is _____ c. in _____ the MPS was _____ c
2. This is an improvement / dis-improvement of _____c and is a positive / Negative trend
3. Shareholder would satisfied / dis-satisfied with this as it indicates confidence / lack of confidence in the firm by the stock market

Suggested Solution (2012 - Glas PLC)

1. In 202011 the MPS is 1.15. in 2012 the projected MPS is 1.12c
2. This is a dis-improvement of 3c and is a negative trend
3. Shareholders would dis-satisfied with this as it indicates less confidence in the firm by the stock market.

Overall**Question to answer**

1. Say yes or no if the shareholder would be satisfied with the performance, state of affairs and prospects of the company.

Template

1. Yes / No the shareholder would be satisfied / dis-satisfied with the performance, state of affairs and prospects of the company.

Suggested Solution (2012 - Glas PLC)

No, The Shareholders would be dis-satisfied with the performance, state of affairs and prospects of the company.