Chapter 15 Problems

15.1)

For 2003, calculations for parts a, b and c are:

\[
a: 100\left(\frac{721}{8256}\right) = 8.73\%
\]
\[
b: 100\left(\frac{289}{8256}\right) = 3.5\%
\]
\[
c: \frac{289}{51.92} = $5.57
\]

The same value for 1999-2003 are:

<table>
<thead>
<tr>
<th>Year</th>
<th>a</th>
<th>b</th>
<th>c</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>9.6%</td>
<td>4.2%</td>
<td>$4.65</td>
</tr>
<tr>
<td>2000</td>
<td>9.0</td>
<td>4.3</td>
<td>5.12</td>
</tr>
<tr>
<td>2001</td>
<td>8.6</td>
<td>3.9</td>
<td>5.16</td>
</tr>
<tr>
<td>2002</td>
<td>8.3</td>
<td>2.6</td>
<td>4.47</td>
</tr>
</tbody>
</table>

\[\text{d, e, f, g, and h are calculated for 2003, and are summarized for 1999-2002 below:}\]

\[
d: \frac{2315}{1342} = 1.72
\]
\[
e: \left(\frac{736}{2804}\right)(100) = 26.2\%
\]
\[
f: \frac{1872}{51.92} = $36.06
\]
\[\text{g: 100 (net income after tax/common equity) - 100}(289/1872) = 15.4\%
\]
\[\text{h: } \left(\frac{289}{4310}\right)100 = 6.7\%
\]

\[
<table>
<thead>
<tr>
<th>Year</th>
<th>d</th>
<th>e</th>
<th>f</th>
<th>g</th>
<th>h</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>2.05</td>
<td>1.49%</td>
<td>$26.46</td>
<td>17.6%</td>
<td>9.0%</td>
</tr>
<tr>
<td>2000</td>
<td>1.86</td>
<td>13.8</td>
<td>29.62</td>
<td>17.3</td>
<td>8.6</td>
</tr>
<tr>
<td>2001</td>
<td>2.11</td>
<td>18.4</td>
<td>32.57</td>
<td>15.8</td>
<td>8.2</td>
</tr>
<tr>
<td>2002</td>
<td>1.86</td>
<td>29.3</td>
<td>32.88</td>
<td>13.6</td>
<td>5.7</td>
</tr>
</tbody>
</table>

Again the 2002 calculations will be shown for (i-n)

\[
i: \frac{4310}{1872} - 2.30 \quad \text{Note: 2.30 x 6.7% = 15.4%, the ROE}
\]
\[
j: \left(\frac{289}{8256}\right)100 = 3.5\%
\]
\[
k: \frac{8256}{4310} = 1.92
\]
\[
l: 535 + 139 = $674 \text{ mn}
\]
\[
m: \left(\frac{289}{8256}\right)100 = 8.2\%
\]
Evaluate the current status of the health of GF: Examining the figures for the years 1999-2003 from arts (a-n), we see that ROE declined through 2002, although it recovered somewhat in 2003. The same is true for ROA.

In summary, it would appear that GF underwent some deterioration between 1999 and 2003, with some improvement in 2003.