

Task: Compose an essay on financial analysis and strategy of Just Play Limited.

Topic: Just Play Limited Financial Analysis and Strategy

Type: Analytical Essay

Length: 5 pages

Formatting: N/A

Requirements:

Write an in-depth financial analysis of Just Play Limited activity. Explain the strategy of the company.

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Paper details

Type of paper

Essay (any...

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Just Play Limited Financial Analysis and Strategy

Introduction

Just Play Ltd is a company that deals in the sales of sport equipment for all kinds of sporting activities and operates within Birmingham area. In the light of increasing sporting events, the business is set to expand in an attempt to boost profits. Therefore, the business current income statement was evaluated so as to determine whether the business can form a

Comment [AwfulEssa1]: It would be great if you somehow emphasized that this is a company name.

Comment [AwfulEssa2]: Forgetting an article.

Comment [AwfulEssa3]: Which is... where?

merger or acquire Going Nowhere Ltd as a business strategy to capitalize on the sporting demand during the 2014 FIFA World Cup.

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Table 1. A table showing Just Play Ltd financial accounts for the year that ended 31st December.

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Revenue

Gross Sales

150000

Net Sales		150000
Cost of Goods Sold		
Beginning Inventory		10000
Add:	Purchases	80000
	Trade Receivable	21000
	Indirect Expenses	10000
Inventory Available		121000
Less: Ending Inventory		15000
Cost of Goods Sold		106000
Gross Profit (Loss)		44000

Expenses		
Bad Debts		6000
Depreciation		2100
Electricity owing		600
Insurance		1600
Miscellaneous		12000
Subfreight		3700
Motor Expenses		8000
Salaries and Wages		30000
Total Expenses		241600

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**Net Operating
Income**

(197600)

Just Play income statement presented in table 1 above shows that the business management used the company's resources in January to generate a gross profit of 44,000 pounds. Specifically, the management brought resources worth 150,000 pounds in the form of revenues while maintaining a relatively high cost of operating expenses. Since the income calculated is based on all expenses incurred, it can be used for decision making.

Comment [AwfulEssa6]: You like forgetting articles?

Going Nowhere Limited Financial Performance between 2012 and 2013

Going Nowhere Ltd is a company that Just Play Ltd. would like to include in its expansion strategy. The company had a liquid capital of 315,000 pounds in 2012, but increased its liquidity to 339,000 pounds in 2013. The company's normalized net income stands at 142,150 pounds with a nominal growth rate of 3.5 percent. The company, following the financial

Comment [AwfulEssa7]: Do you forget about periods as well?

information provided, can be valued at 1,134,607 pounds with 11% required rate of return by the end of 2013. Furthermore, the company had an operational leverage of 0.9 for the trading

Comment [AwfulEssa8]: What's the extra s

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sports products that the company pays are over and above the company's set cost for that product. It can be concluded, from the gross profit margin, that Going Nowhere Ltd adds values to the products that it sells; thus attracting the larger customers than the margin proxies. The value added that is implied by the gross profit margin comes at a cost; therefore, it is true that

Comment [AwfulEssa9]: Mmm... Did you mean "sportswear and gear that the company produces?"

Comment [AwfulEssa10]: Bad syntax. And cut both of these commas.

Comment [AwfulEssa11]: You're piling words up.

Going Nowhere management invests heavily on their services. The growing profit margin, as shown between 2012 and 2013, renders the company a probable candidate for acquisition. In fact, the higher the margin the most likely that the business prospect initiated between that company and others will prosper since it indicates the strength in the market niche that the acquiring company would have upon completion of the deal (Megginson & Smart, 2008; Sarngadharan & Rajitha, 2011).

Comment [AwfulEssa12]: ...And this phrase should be marked with commas. man.

Comment [AwfulEssa13]: Unclear as \$(#)@&^\$%).

The return on assets of the company's also strengthened between 2012 and 2013. The company recorded an ROA of 0.081 in 2012 while a higher value of 0.12 the following year.

Comment [AwfulEssa14]: a

Comment [AwfulEssa15]: Shouldn't you explain what it is?

Therefore, Going Nowhere Ltd management team values their role in the company and strives to achieve their strategy. The Return on Investment (ROI), a term commonly identified as a return on assets is the best measure of a company's management, and for this case, it asserts that Going Nowhere's management team is effective and goal oriented.

Going Nowhere's current ratio for the two years were 2.32 and 2.03 in 2012 and 2013 respectively. The current ratio fell to a lower value in 2013 suggesting that the company's

Comment [AwfulEssa16]: Ratio of what?

Comment [AwfulEssa17]: Decrease

management did not put to good use the company's assets in 2013 compared to 2012. Therefore, the company performed better in the year 2013 compared to 2012. The company's quick ratio further

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period (Bingham & Ehrhart, 2007).

Finally, as per the information provided, the company's inventory turnover ratios were 6.4 in 2012 and 5.7 in 2013. Clearly, the sporting products that the company specializes in have a

longer life span; hence are not regularly purchased. However, the volume of sales of these products reduced in 2012 as supported by a lower inventory turnover ratio (Mittal, n.d.).

Financial Accounting and decision making

Going by the financial analysis of Going Nowhere Ltd financial data documented in the previous section, I find it prudent that an acquisition be effected so that Just Play limited can achieve its set objectives. The management of Just Play Ltd should go ahead and purchase and/or launch an official acquisition process of the Going Nowhere Ltd. The previous analysis done on the company revealed healthy information regarding the financial position of the business, the liquidity, and results of business operation. The performance of the company is supported by the synergies unveiled in its financial data and if Ash purchases the business, then it stands better chances of improving the market niche that Just Play Ltd currently occupies. The information that supports this stand regarding the purchase of Going Nowhere by Just Play is found within the financial analysis results which focused on ratios.

Comment [AwfulEssa21]: Healthy, young, and good-looking?

Comment [AwfulEssa22]: I am not sure I can understand such sublime things.

Comment [AwfulEssa23]: Who are these guys?

The financial analysis shed light on the liquidity status of the company and going by the results, Ash should feel safe to purchase a business because the business can settle its debts on a

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liabilities. Ash should purchase the company and heavily invest in it since the quick ratio indicates that the company has loyal customers who are ready to support despite the prices set.

Similarly, the current ratio for the current market is greater than one and as such the business

Comment [AwfulEssa24]: You mean "is above the index 1.0," or something like this?

upon purchase will be efficient in terms of managing accounts payable. Given the position of the business, payments to the bank will not result in a reduction of the current ratio. Nonetheless, Ash must be aware that the company's debt ratio stands at 1; hence there is 100% chance that the business liabilities are funded by debts. However, no data to this effect was given, and a conclusion to that effect cannot be made without prejudicing the company's financial position (Baker & Powell, 2009; Megginson & Smart, 2008).

Comment [AwfulEssa25]: Numbers before 10 are written in letters.

Comment [AwfulEssa26]: Nope. Wrong word.

In the light of inventory turnover ratio, Ash should be informed that the business targeted utilizes its assets efficiently. For instance, in 2012, the business had an inventory turnover of 6.4 and was able to accrue £6.4 to net sales for a single pound. The reduction of the inventory turnover from 6.4 to 5.7 can be attributed to depreciation that again was not accounted for by the financial data analyzed. In the process of acquiring the business, Ash should be prepared to make major investments that will improve the assets of the company. Similarly, Ash is assured of a dedicated customer willing to support and even purpose sporting products at prices much higher than the company's standard profits as indicated by the inventory turnover ratio (Baker & Powell, 2009; Mittal, n.d.).

Comment [AwfulEssa27]: ?

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his business but also effectively manage the business and improve its liquidity. The business

harbors greater profit margins that will enable Just Play Limited achieve its objective set for this intense sporting period (Megginson & Smart, 2008; Sarngadharan & Rajitha, 2011)

Comment [AwfulEssa29]: Where is the period at the end of this sentence?

The Return on Investment further gives Ash a higher hand and more reasons to buy the company. The net earnings of the target business illustrate proper operational management and Ash would not have to wander looking for managers and other employees. Just Play Ltd can be assured of a dedicated management team that would be added on its remarkable management profile. Ash has got every supporting reason working to his advantage, and the acquisition should be a successful one. The purchase will impact positively on the business market position in the sporting industry and improve its market share and consequently net income and profits.

Comment [AwfulEssa30]: Is this a book title? Or some sort of an epic global event? If no, then why did you capitalize it?

Comment [AwfulEssa31]: Yeah, and also roam and stride.

References

Baker, H. K., & Powell, G. E. (2005). *Understanding financial management: a practical guide*. Oxford: Blackwell Pub.

Brigham, E. F., & Ehrhardt, M. C. (2013). *Financial management: Theory and practice*. Mason,

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Sarngadharan, M., & Kumar, R. S. (2011). *Financial analysis for management decisions*. New Delhi: PHI Learning Private Limited.

Overall Impression

Not such a bad paper, though confusing. Some of it was solid and some of it was gibberish.

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