DO THE NUMBERS MEAN ANYTHING TO YOU?
Your uncle is a retired headmaster who believes he is an astute investment
analyst. He has been following the financial performance of Unilever Ghana and
Fan Milk Ghana for several years. Indeed he has substantial shares in both
companies and has recently been elected the Chairman of Pensioners Investors
Association (PIA). Of late PIA members have become jittery about the
performance of Unilever and want to know what exactly is going on at the
manufacturing concern. On the other hand, they seem to be impressed with the
performance of Fan Milk Ghana. There have been several discussions among the
members on whether to sell their Unilever shares and buy shares of Fan Milk or
keep the status quo and hope the situation improves soon.
You went to see your uncle during the weekend over some family issues and he
got to know that you are doing your MBA in Accounting and Finance at no less a
University than UPSA. Your uncle proudly introduces you to his PIA members as a
seasoned financial analyst who can provide answers to all their concerns, of
course at no cost to them. The rumour network spread like wild fire and soon
your uncle’s house is filled to capacity with worried pensioners. Your uncle’s wife
is very concern about the ambush and suggests that they allow you time to think
about the issues and address them later. PIA members welcome this suggestion

enthusiastically and fix an emergency general meeting for April 11th 2015 where
you are expected to address them on their concerns, principally about what
explains the seemingly sluggish performance of Unilever as against the buoyant
performance of Fan Milk.
After the crowd had left, your uncle’s wife felt very bad as she did not anticipate
this outcome when she made the suggestion and you assured her she need not
worry because financial analysis is in the blood!
Required:
1. On the trip back to Accra, you realize the first thing to do is to compare the
liquidity, leverage, activity, profitability and market ratios of the two
companies. Using the statements of comprehensive income and financial
position shown below, prepare a detailed comparison report indicating the
strength and weakness of each company.
2. Your spouse, who is very supportive of your schooling, suggested that you
should include an analysis of common size statements in the report. Is s/he
right? Of what use is such an analysis? Please prepare the analysis and
explain your answer.
3. Your spouse further recommended that a DuPont analysis would be
valuable. How can such an analysis be performed and what information
does it indicate about relative performance of the two companies?
4. Knowing your uncle, you have decided to include some caveats into your
report particularly about the limitations regarding the various analyses that
have been suggested above as well as qualitative factors that should be
considered in addition to the financial analysis.
5. What are your conclusions after your analysis and what recommendations
do you intend making in your report to PIA members.



