Molson Coors Brewing Company Analysis

A vertical analysis is a method of financial statement analysis that bases specific account items according to the total of the three main categories of accounts (assets, liabilities and equities).

A vertical analysis of Molson Coors brewing company would be as follows:

Year 2005

i) Cash and cash equivalents=39410000/11799240000*100%

=0.33%

ii) Inventory=314730000/11799240000*100%

=2.6%

iii) Current assets=1468240000/11799240000*100%

=12%

iv) Current liabilities=22360000000/6474000000*100%

=34.5%

Year 2006

i) Cash and cash equivalents=182190000/11603360000*100%

=1.57%

ii) Inventory=319540000/11603360000*100%

=2.7%

iii) Current assets=1458360000/11603360000*100%

=12.5%

iv) Current liabilities=1800000000/5789000000*100%

=31.0%

Year 2007

i) Cash and cash equivalents=377020000/13451810000*100%

=2.80%

ii) Inventory=369520000/13451810000*100%

=2.7%

iii) Current assets=1776810000/13451810000*100%

=13.2%

iv) Current liabilities=1735000000/6302000000*100%

=27.5%

Year 2008.

i) Cash and cash equivalents=216200000/10416100000*100%

=1.57%

ii) Inventory=192100000/10416100000*100%

=2.7%

iii) Current assets=1107100000/10416100000*100%

=12.5%

iv) Current liabilities=986000000/4436000000*100%

=31.0%

Sab miller company vertical analysis.

YEAR 2005

i) Cash and cash equivalents=1143000000/15647000000*100%

=0.33%

ii) Inventory=627000000/15647000000*100%

=2.6%

iii) Current assets=2778000000/15647000000*100%

=12%

iv) Current liabilities=3199000000/6892000000*100%

=34.5%

Year 2006

i) Cash and cash equivalents=472000000/26776000000*100%

=1.57%

ii) Inventory=881000000/26776000000*100%

=2.7%

iii) Current assets=2825000000/26776000000*100%

=12.5%

iv) Current liabilities=4807000000/13177000000*100%

=31.0%

Year 2007

i) Cash and cash equivalents=481000000/28736000000*100%

=1.60%

ii) Inventory=928000000/28736000000*100%

=2.7%

iii) Current assets=3053000000/28736000000*100%

=32.2%

iv) Current liabilities=5176000000/13735000000*100%

=37.5%

Year 2008.

i) Cash and cash equivalents=673000000/35813000000*100%

=1.57%

ii) Inventory=1350000000/35813000000*100%

=3.7%

iii) Current assets=4127000000/35813000000*100%

=11.5%

iv) Current liabilities=6203000000/35813000000*100%

=17.0%

In this analysis the management would be in a position to note the following three points that would be vital for decision making.

i) It would enable the management to trace and interpret change of cash and cash equivalents as a proportion of the total assets in the different years.

ii) It would enable the management to trace and interpret change of inventory as a proportion of the total assets in the different years.

iii) It would enable the management to trace and interpret change of current liabilities as a proportion of the total liabilities in the different years.

HORIZONTAL ANALYSIS.

A horizontal analysis of Molson-Coors brewing company would be as follows:

Year 2005- year 2006

Cash and cash equivalents= (39410000-182190000)/39410000*100%

=-3.6%

Inventory= (314730000-319540000)314730000*100%

=-1.5%

Current liabilities= (2236000000-1800000000)2236000000*100%

=19.5%

A horizontal analysis of Sab Miller Company would be as follows:

Year 2005- year 2006

Cash and cash equivalents= (1143000000-472000000)/ 1143000000*100%

=-58.7%

Inventory= (627000000-881000000)627000000

=-40.5%

Current liabilities= (3199000000-4807000000)3199000000

=50%

In this analysis the management would be guided to:

i) Know and analyze the change in cash and cash equivalents in the different years and from this make decisions and conclusions on actions to take when forecasting.

ii) It will also enable the managers to know the change in inventory requirements in the different years

iii) It will enable the management know the change in current liabilities in the different years and therefore a good basis for performance evaluation is formed.

Ratio analysis:

Ratio analysis depicts a comparison of the various ratios in different years. For Sab miller this analysis will be as follows:

Profitability ratios:

- Return on capital employed did not change and remained at 0.05% in all the years.

Debt ratios:

The total debt ratio I n the year 2005 was 0.44 while in year 2006 it increased to 0.49 meaning that there was an increase in the level of debt that was used to finance the assets of the company.

Liquidity ratios:

The current ratio in the year 2005 was 0.07 while in the year 2006 it increased to 0.59 meaning that the company was holding more illiquid assets in 2006 than in 2005.

Ratio analysis depicts a comparison of the various ratios in different years. For Molson Coors this analysis will be as follows:

Liquidity ratios:

The current ratio in the year 2005 was 0.66 while it was 0.81 in the year 2006. There was an increase in this ratio.

Asset ratios:

The inventory turnover ratio shows that there was an increase in the level of stock turnover as it was 20.48 in 2005 and 21.55 in the year 2006.

Market ratios:

In the year 2005 the earning per share was 0.81 while in 2006 it was 2.01 meaning that there was an increase in shareholders wealth between the two years.

The above ratios will enable management make adequate financial decisions such as;

I) Assessing what debt levels to maintain in the companies so as not to have a high gearing.

II) Calculating their return on investment and the overall profitability of the company

III) Liquidity ratios will enable management to know how the company is positioned to meet maturing obligations.

According to a press release in 2009 the sustained growth of Molson Coors has been due to the quality of its brews and other brand and its subsequent social responsibility. In this regard brand loyalty has been achieved and hence the increased performance standards.

Sab miller on the other hand according to a business report has experienced sustained growth due to the extent of its partnership reliability, product mix and visionary expansionist policies.

Woods, C. (2006). *Financial Accounting: Fundamentals of Ratio Analysis*. New York: USA.