
Certified financial consultant project (CFC) for
the Institute of Financial Consultants (IFC)

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Project &Company overview

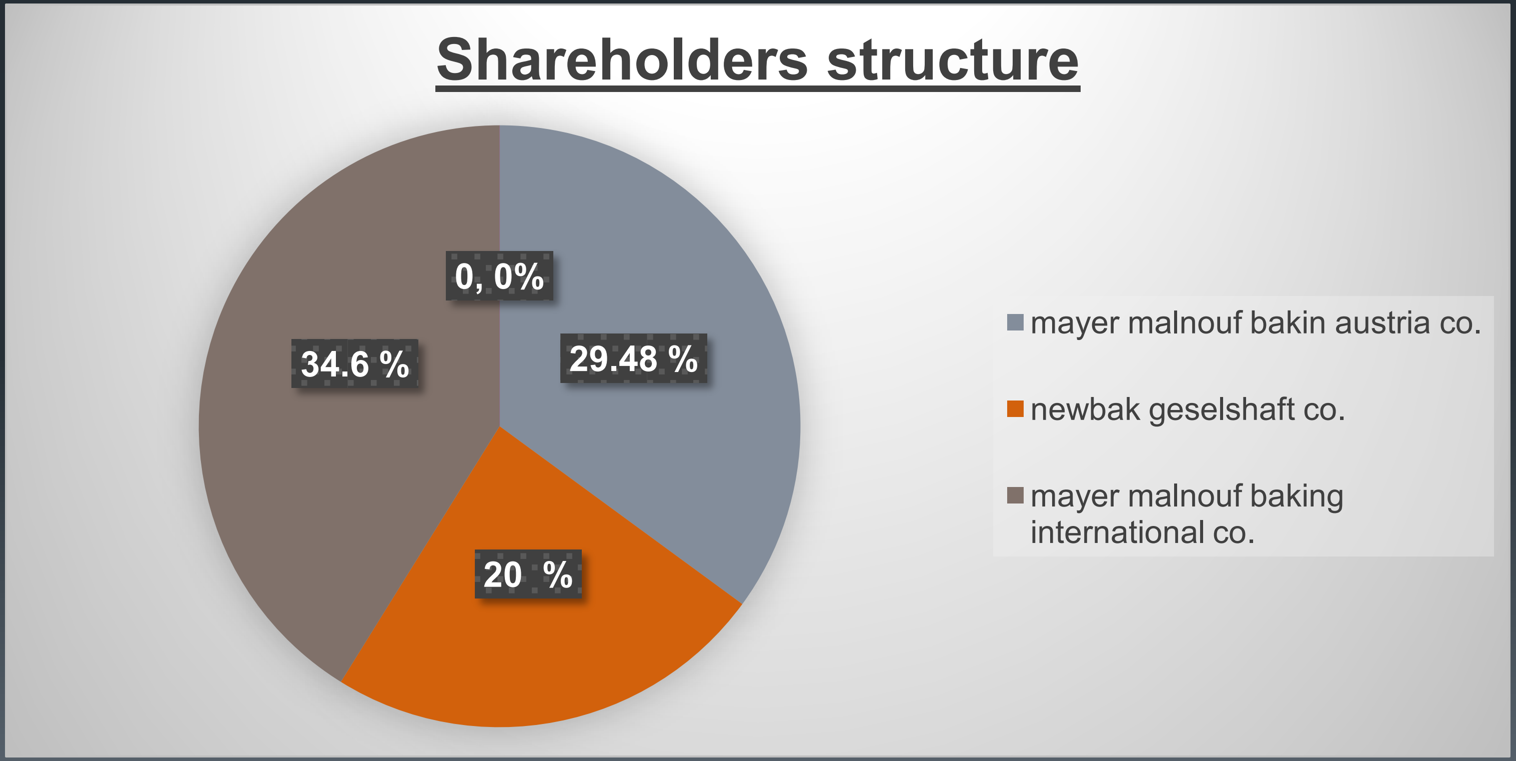
- *My project will be on (al Ekbal Printing and Packaging company) which is a public limited company, listed on Amman (Jordan)Stock Exchange since October 2003. Al Ekbal operates within the materials sector focusing on paper packaging. It has one subsidiary operating across Jordan, working on capital goods. Al Ekbal is based in Amman, Jordan and was established in December 1994 with a (5) million JD capital and (11) million capital investment .*
- *It has (123) employees and It is registered with the Ministry of Industry and Commerce under the number (264) .*

- ***Company activities :***
- *Al Ekbal Printing and Packaging Co PSC is a Jordan-based company engaged in the manufacture of paper and cardboard packaging products. The Company's products portfolio includes cosmetics and pharmaceuticals packets and boxes, cigarette and tobacco packs and boxes, detergents and soaps packs and boxes, and folding boxes for food products packing. In addition, its Commercial division provides text books, brochures, pamphlets and letterhead printing services for educational institutions, publishing houses and businesses. Al Ekbal Printing and Packaging Co PSC offers its products and services locally as well as to the Middle East, North Africa and Europe markets. Its wholly owned subsidiary is Al Ekbal Logistics Services and Paper Trading Co.*

- ***Company boards of directors :***
- *- Mr. Arminhesenberger*
- *- Mr. Adel abu dargham*
- *- Mr. Anwar al sukari*
- *- Mr. George rao*
- *- Mr. walfgang rawth*

- ***<u>Company Biggest Shareholders as follow :</u>***

- ***Mayer malnhouf baking Austria co. (29.48%)***
- ***Newbak geselshaft co. (20%)***
- ***Mayer malnhouf baking international co. (34.6%)***



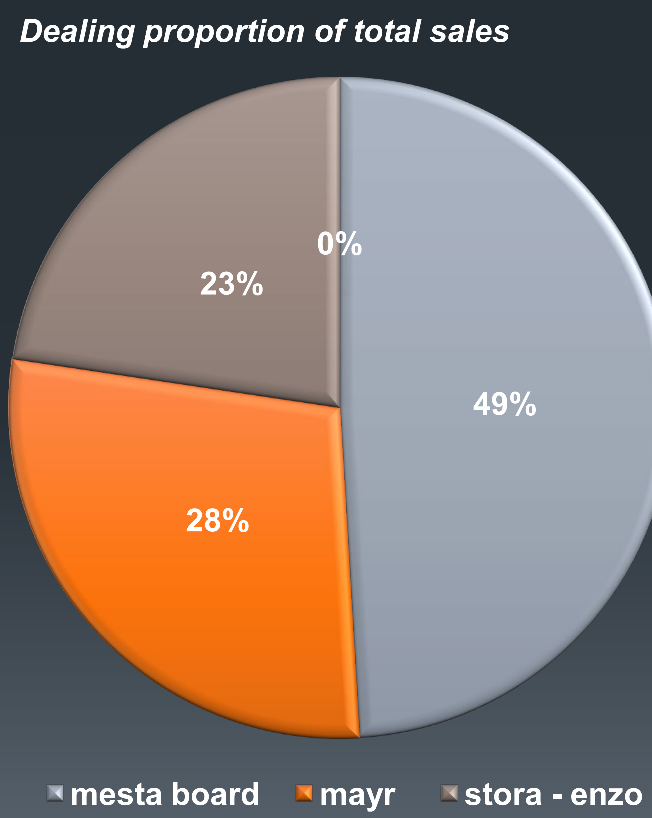
- ***Competitive position of the company***
- ***due to high production capacity and the level of the market which negatively reflects because of the Prevailing security situation in the region , the competition in the market high and may Pressure on prices and margins , In spite of this competitive situation Ekbal company owns a large share in the market .***

- ***Company V.I.P costumers:***

- ***japan tobacco international (JTI)***
- ***Philip Morris – Jordan***
- **JTI - (offset)**
- **Hikma pharmaceuticals**
- **PMI (Jordan)**

- ***Company V.I.P Suppliers :***

- ***Mesta board co.***
- ***Mayr – melnhof karton gesselschaft co.***
- ***Stora enzo co.***



- ***<u>Company also exported its product to many countries like :</u>***

- ***U.A.E***
- ***SUDAN***
- ***QATAR***
- ***SAUDI ARABIA***

Review of company financial Statements

several external data sources to obtain some information about the situation of al ekbal Financial position and its performance. In this section, we are going to explain more details about the information which is related to the financial statements so I will review the financial statement for *al Ekbal Printing and Packaging company for the years (2012 , 2013 , 2014)*

- statement of financial position
- income statement
- statement of cash flow

Statement of financial position

Assets	2012	2013	2014
Non current assets			
Property , plant , equipment	3,861,599	3,647,150	3,803,888
Projects under construction	--	558,728	410,367
Total noncurrent assets	3,861,599	4,205,878	4,214,255
Current assets			
Inventory	3,738,679	3,275,375	3,963,730
A/R	2,350,327	2,705,576	2,567,495
Cash	54,065	376,791	319,982
Total current assets	6,143,071	6,357,742	6,851,207
Total assets	10,004,670	10,563,620	11,065,462

liabilities	2012	2013	2014
Currents liabilities			
Short term borrowings	167,383	237,557	237,557
Bank	675,045	284,589	482,175
A/P	1,111,576	1,452,083	994,167
N/P	490,951	423,676	1,125,954
Income tax Provision	125,529	181,835	236,749
Other current liability	325,578	230,338	-
Total current liabilities	2,896,062	2,810,078	3,076,602
Non- current liabilities			
Long – term borrowings	184,511	414,823	177,266
Pension provision	279,490	330,009	418,807
Total non-current liabilities	464,001	744,832	596,073
Total liabilities	3,360,063	3,554,910	3,672,675

Owners equity	**2012**	**2013**	**2014**
capital	5000,000	5000,000	5,000,000
Statutory reserve	850,376	892,472	937,480
Optional reserve	167,564	167,564	167,564
Retained earning	626,667	948,674	1,287,743
Total owners equity	6,644,607	7,008,710	7,392,787
Total liabilites&owners equity	10,004,670	10,563,620	11,065,462

Income statement

	2012	2013	2014
Net sales	9,071,255	11,139,817	11,220,078
Cost of sales	(7,749,569)	(9,691,172)	(9,697,341)
Gross profit	1,321,686	1,448,645	1,522,737
Sales and distribution exp.	(205,144)	(218,307)	(222,780)
General and admin. expenses	(692,382)	(747,030)	(814,625)
Other operating income	86,976	102,975	118,354
The profits resulting from the liquidation of the subsidiary company	-	-	29,432
Operating income	511,136	586,283	633,118
Currency differences	(24,775)	(33,576)	(15,636)
Financing expenses	(59,985)	(107,258)	(117,440)

	2012	2013	2014
Net income before income tax and provisions	426,376	445,449	500,042
Directors' remuneration	(25,000)	(25,000)	-
Income tax provision	(80,880)	(56,346)	(82,535)
Net income after tax and provisions	320,496	364,103	417,507

Cash Flow Statement

* Indirect method

	2012	2013	2014
Cash flow from operating activities			
Net profit before income tax	401,376	420,449	500,042
Debit interests	59,985	107,258	117,440
Depreciation &amortization	277,185	344,291	335,184
Provision for doubtful receivables	21,182	453	45,000
Profit from selling plant &property and equipment	(1849)	(29,352)	(46,942)
Provision for slow-motion inventory	109,183	100,868	47,088
The liquidation of subsidiary company	-	-	(33,430)

	2012	2013	2014
Changes in working capital			93081
A/R	(450,036)	(355,702)	(735,443)
inventory	(690,479)	362,436	130,251
A/P	(35,387)	-	-
Other current liability	489,080	(191,465)	-
Amounts related to parties	-	369,417	(116,227)
Pension liabilities	72,851	50,519	102,469
Cash from Operating activities before income tax payment	253,091	1,179,172	438,513
Income tax	(2589)	-	(27,621)
Provision for end of the period paid	-	-	(13,671)
Net cash flow from operating activity	250,502	1,179,172	397,221

Cash flow from investing activities	**2012**	**2013**	**2014**
Purchases of property &plant and equipment	(720,577)	(140,478)	(72,121)
Projects under construction	-	(549,011)	(212,919)
Proceeds from the sale of property	1851	30,271	88,421
Cash flow from investing activities	(718,726)	(659,218)	(296,619)
Cash flow from financing activities			
Proceeds from loans	268,380	592,000	-
Payment of loans	(267,492)	(291,514)	(237,557)
Creditor bank	269,613	(390,456)	197,586
Debit interests	(59,985)	(107,258)	(117,440)
Cash flow from financing activities	210,516	(197,228)	(157,411)

	2012	2013	2014
Net cash (decrease) increase in cash and cash equivalents	(257,708)	322,726	(56,809)
Cash and cash equivalents at (Jan,1)	311,773	54,065	376,791
Cash and cash equivalents at (dec,31)	54,065	376,791	319,982

- After assessing the quality of financial statements of al ekbal printing & packaging company that provide insights to us about the firm’s profitability, risk, and growth. we are coming with the most important information which are related to measure the financial position and operating performance by using quantitative data . However, but the financial statements do not stand alone. To provide more relevant and reliable information for financial statement users, firms typically provide a substantial amount of important additional information with the financial statements. This section briefly introduces two important additional elements of information:

- Notes
- Management Discussion and Analysis.

Financial statements analysis

- *financial statement analysis will be used to evaluate the company performance for the selected years so I will use the vertical analysis and the horizontal analysis (trend analysis)* that shows the changes in the amounts of corresponding financial statement items over a period of time and It is a useful tool to evaluate the trend situations .

Vertical analysis for the statement of financial position

Assets	**2012**	**2013**	**2014**
Non current assets			
Property , plant , equipment	38.5 %	34.5 %	34.3 %
Projects under construction	--	5.2 %	3.7 %
Total noncurrent assets	38.5 %	39.8%	38 %
Current assets	-	-	-
inventory	37.3 %	31.006 %	35.8 %
A/R	23.4 %	25.612 %	23.2 %
Cash	0.05 %	3.567 %	2.8 %
Total current assets	61.4%	60.185 %	61.9 %
Total assets	100%	100%	100%

Note : each amount of the liabilities and owners equity taken as a percentage of total liabilities &equity

Currents liabilities	**2012**	**2013**	**2014**
Short term borrowings	1.67%	2.24%	2.14%
Bank	6.7%	2.69%	4.35%
A/P	11.11%	13.74%	8.98 %
N/P	4.9%	4 %	10.17%
Other current liabilities	3.25%	2.18 %	-
Income tax provision	12.5%	1.72%	2.13 %
Total current liabilities	28.9%	26.6%	27.8 %
Non- current liabilities			
Long – term borrowings	1.84%	3.92%	1.6%
Pension provision	2.79%	3.12 %	3.78%
Total non-current liabilities	4.63%	7.05 %	5.38%
Total liabilities	33.5%	33.6 %	33.1 %

Owners equity	2012	2013	2014
capital	49.9%	49.9%	49.9%
Statutory reserve	8.4%	8.4 %	8.4 %
Optional reserve	1.6%	1.5 %	1.5 %
Retained earning	6.2%	8.9 %	11.6 %
Total owners equity	66%	66 %	66.8 %
Total liabilites&owners equity	100 %	100%	100 %

Note : each amount of the income statement taken as a percentage of net sales for the following years :

	2012	2013	2014
Net sales	100 %	100%	100%
Cost of sales	85.4 %	86 %	86.4 %
Gross profit	14.5 %	13 %	13.5 %
Sales and distribution exp.	2.2 %	1.9 %	1.9 %
General and admin. expenses	7.6 %	6.7 %	7.2 %
Other operating income	0.9 %	0.9 %	1 %
The profits resulting from the liquidation of the subsidiary company	-	-	0.2 %
Operating income	5.6%	5.2 %	5.6%
Currency differences	0.2 %	0.3%	0.1%
Financing expenses	0.6 %	0.9%	1.04%

	2012	2013	2014
Net income before income tax and provisions	4.7 %	3.9 %	4.4 %
Directors' remuneration	0.2 %	0.2 %	--
Income tax provision	0.9 %	0.5 %	0.7 %
Net income after tax and provisions	3.5 %	3.2 %	3.7 %

Horizontal analysis for the statement of financial position and income statement (2012) base year .

Assets	**2012**	**2013**	**Percent change in 2013**	**2014**	**Percent change in 2014**
Non current assets					
Property , plant , equipment	3,861,599	3,647,150	(5) %	3,803,888	(1.4) %
Projects under construction	--	558,728	100 %	410,367	(26.5) %
Total noncurrent assets	3,861,599	4,205,878	9%	4,214,255	9 %
Current assets					
Inventory	3,738,679	3,275,375	(12) %	3,963,730	6 %
A/R	2,350,327	2,705,576	15 %	2,567,495	9 %
Cash	54,065	376,791	597 %	319,982	491 %
Total current assets	6,143,071	6,357,742	3.4 %	6,851,207	11 %
Total assets	10,004,670	10,563,620	5.5 %	11,065,462	10.6 %

liabilities	2012	2013	Percent change in 2013	2014	Percent change in 2014
Currents liabilities					
Short term borrowings	167,383	237,557	41.9%	237,557	41.9%
Bank	675,045	284,589	(57.8)%	482,175	(28.5)%
A/P	1,111,576	1,452,083	30.6%	994,167	(10.5)%
N/P	490,951	423,676	(13.7)%	1,125,954	129%
Other current liabilities	325,578	230,338	(29.2)%	-	-
Income tax Provision	125,529	181,835	44.8%	236,749	88.3%
Total current liabilities	2,896,063	2,810,078	(2.9)%	3,076,602	6.2%
Non- current liabilities					
Long – term borrowings	184,511	414,823	124%	177,266	(3.9)%
Pension provision	279,490	330,009	18%	418,807	49.8%
Total non-current liabilities	464,001	744,832	60.5%	596,073	28.4%
Total liabilities	3,360,063	3,554,910	5.7%	3,672,675	9.3%

Owners equity	2012	2013	Percent change in 2013	2014	Percent change in 2014
capital	5000,000	5000,000	-	5,000,000	-
Statutory reserve	850,376	892,472	4.9%	937,480	10.24 %
Optional reserve	167,564	167,564	-	167,564	-
Retained earning	626,667	948,674	51.3 %	1,287,743	105 %
Total owners equity	6,644,607	7,008,710	5.4 %	7,392,787	11.2%
Total liabilites&owners equity	10,004,670	10,563,620	5.5%	11,065,462	10.6%

	2012	2013	Percent change in 2013	2014	Percent change in 2014
Net sales	9,071,255	11,139,817	22.8 %	11,220,078	23.6 %
Cost of sales	(7,749,569)	(9,691,172)	25 %	(9,697,341)	25.1 %
Gross profit	1,321,686	1,448,645	9.6 %	1,522,737	15.2 %
Sales and distribution exp.	(205,144)	(218,307)	6.4 %	(222,780)	8.5 %
General and admin. expenses	(692,382)	(747,030)	7.8 %	(814,625)	17.6 %
Other operating income	86,976	102,975	18.3 %	118,354	36 %
The profits resulting from the liquidation of the subsidiary company	-	-	-	29,432	100%
Operating income	511,136	586,283	14.7 %	633,118	(23.8) %
Currency differences	(24,775)	(33,576)	35.5 %	(15,636)	(36.8) %
Financing expenses	(59,985)	(107,258)	78.8 %	(117,440)	95.7 %

	2012	2013	Percent change in 2013	2014	Percent change in 2014
Net income before income tax and provisions	426,376	445,449	4.4 %	500,042	17.2 %
Directors' remuneration	(25,000)	(25,000)	-	-	-
Income tax provision	(80,880)	(56,346)	(30.3) %	(82,535)	2 %
Net income after tax and provisions	320,496	364,103	13.6 %	417,507	30.2 %

One simple but powerful analytical tool is common-size financial statements, a tool that is helpful in highlighting relations in a financial statement. Common-size income statements and balance sheets express all items in the statement as a percentage of a common base.

As we can see at common-size balance sheet for al ekbal company, there is a increasing in current assets in the years, 2013 , 2014(**3.4%** in 2013 and **11%** in 2014) this because of increasing cash as a result of increasing sales .

For the equity, there is increasing over time from 2012 to 2014. About total liabilities , there are increasing in the percentages (**(5.7)%** , **(9.3%)** , respectively)

On other hand, the common-size in income statement shows increasing of operating profit and net profit over time from 2012 to 2014. But in return, there is an increase in cost of sales .

Ratio analysis

- *Ratio analysis is a useful management tool that will improve my understanding of financial results and trends over time, and provide key indicators of organizational performance. Managers will use ratio analysis to pinpoint strengths and weaknesses from which strategies and initiatives can be formed. Funders may use ratio analysis to measure our results against other organizations or make judgments concerning management effectiveness and mission impact so in my project I will use many of the financial ratios that indicate the company performance for the selected years in this project .*

- ***Ratios are divided in major categories and I will use some of standard ratios that is meaningful and important to our organization and to the stakeholders so I will use this ratios to determine the organization performance :***

- ***Liquidity Ratios*** *: a class of financial metrics used to determine a company's ability to pay off its short-terms debts obligations. Generally, the higher the value of the ratio, the larger the margin of safety that the company possesses to cover short-term debts.*

- ***Activity Ratios :*** ratios that measure a firm's ability to convert different accounts within its balance sheets into cash or sales
  These ratios are important in determining whether a company's management is doing a good enough job of generating revenues, cash, etc. from its resources.

- **Financial Leverage Ratios** :A leverage ratio is any one of several financial measurements that look at how much capital comes in the form of debt (loans), or assesses the ability of a company to meet financial obligations.

- **Profitability Ratios :** are a class of financial metrics that are used to assess a business's ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time

Liquidity Ratios

- Current Ratio = total current assets / total current liabilities

As I mention before the company financial statements so first I will use this ratio to determine the company ability to meet its short – term obligations for the selected years .

2012

6,143,071

2,896,062

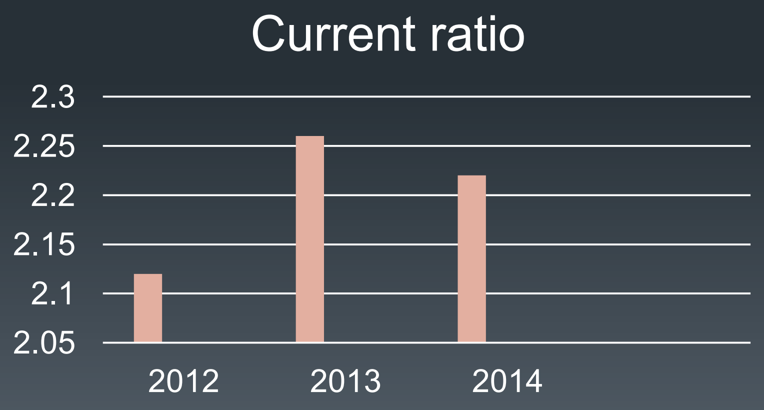
= 2.12

2013

6,357,742

2,810,078

=2.26



- 2014

6,851,207

3,076,602

= 2.22

- As we can see, the current assets in the average covers the its short – term obligations for the company 2 times which is a good indicator and its is decreased in 2014 due to increasing in liabilities .

- Quick ratio = Total current assets – inventory

  Total current liabilities

2012:

6,143,071 - 3,738,679

2,896,062

= 0.83

- 2013

6,357,742 - 3,275,375

2,810,078

= 1.09

- 2014

6,851,207- 3,963,730

3,076,602

= 0.94

The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash so the company Ability to satisfy current liabilities using the most liquid of current assets during the selected years has a good indicator in my opinion to meet its short-term obligations .

Activity Ratios

- Inventory Turnover = cost of goods sold

  Average inventory

In this ratio I will measure How many times inventory is created and sold during these periods .

*note : beginning inventory 2012 = 3,157,383

2012

7,749,569

3,738,679+3,157,383 / 2

= 2.24 times

2013

9,691,172

3,275,375+3,738,679 /2

= 2.76 times

- 2014

9,697,341

3,963,730 + 3,275, 375 / 2

= 2.67 times

- Inventory turnover increased rapidly from the year of 2012 to 2013 so it's a good indicator that indicates more sales are being generated throwing this years then in the 2014 it decreased a bit, this because of increasing the average inventory in the 2014 .

- Average Age of inventory = $\frac{365}{\text{inventory turnover}}$

2012

365

1.12

= 325 days

2013

365

1.38

= 264 days

- 2014

365

1.34

= 272 days

As I asked the company about their inventory , they feed me back that they manufacture its products based on the order once they receive it .

- Average collection period = $\frac{\text{A/R}}{\text{Net sales/365}}$

2012

2,350,327

9,071,255/365

= 94.5 days

2013

2,705,576

11,139,817/365

= 88.6 days

- 2014

 2,567,495

11,220,078/365

= 83. 5 days

In this ratio I measure the average time the accounts receivable are created and collected during the period so it’s a good indicator for the company throw the selected years that it’s decreased from 94 day to 83 day to collect the receivables .

Average payment period = A/P
annual purchases / 365

In this ratio I will measure the Average time it takes to pay the company suppliers.

2012

1,111,576

1,648,430 / 365

= 246 days

2013

1,452,083

2,935,049 / 365

= 180 days

- 2014

994,167

2,820,672/ 365

= 128 days

It’s a good indicator for the company that average payment period for the company suppliers decreased from 246 days in 2012 to 128 days in 2014 .

Total assets turnover = Net sales

average Total assets

This ratio will be used to measure how the total assets create revenues during the period.

2012

9,071,255

10,004,670 + 8,808,838 / 2

= 0.96

- 2013

11,139,817

10,563,620+10,004,670/2

= 1.08

2014

11,220,078

11,065,462+10,563,620/2

= 1.03

= In my opinion it is a good performance for the company because it has a higher turnover ratio through the selected years because it is using its assets efficiently .

Financial leverage ratios

- Debt ratio = Total liabilities
  Total assets

this solvency ratio is to determine the company ability to pay off its liabilities with its assets .

2012

3,360,063

10,004,670

= 33.5%

2013

3,554,910

10,563,620

= 33.6 %

- 2014

3,672,675

11,065,462

= 33.1 %

As we can see the total assets through this years can cover more than 50% of total liabilities which is less risky and give us a good trend for the company .

Times interest earned (coverage ratio) = EBIT(earning before interest and tax)

Interest exp.

2012

= 486,361

59,985

= 8 times

- 2013

552,707

107,258

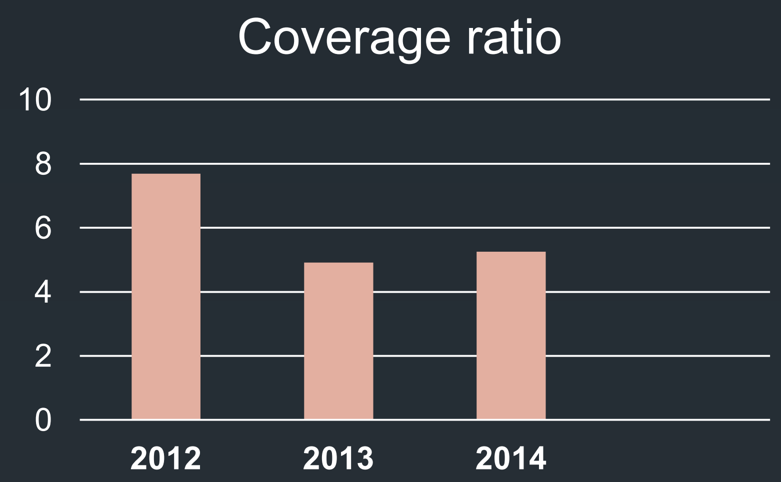
= 5.15 times

2014

617,482

117,440

= 5.25 times



- I measure in this ratio the Ability to satisfy the company interest obligations , so it gives as indication that in year 2012 that company income greater than it annual interest expense 8 times and 5.25 in 2014 which is a good performance indication for the company .

- - Fixed charge coverage ratio = $\dfrac{\text{EBIT + Lease payments}}{\text{Interest payments + Lease payments}}$
  - this ratio will measure the company Ability to satisfy its interest and lease obligations.
  - we will have the same results in the coverage ratio for the selected years because the company do not have any lease expenses so it will give us the same results .

Profitability ratios

- profitability ratios used to assess the company ability to generate earnings as compared to its expenses .
- Margins and return ratios provide information on the profitability of a company and the efficiency of the company.
- A **margin** is a portion of revenues that is a profit.
- A **return** is a comparison of a profit with the investment necessary to generate the profit .
- So first profitability ratio I will use is :

$$\text{Gross profit margin} = \frac{\text{Gross profit}}{\text{Net sales}}$$

2012

$$\frac{1,321,686}{9,071,255}$$

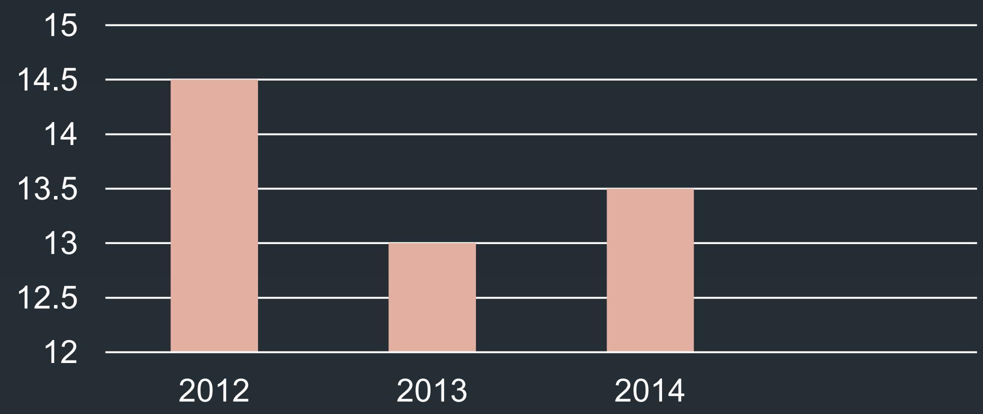
= 14.5 %

- 2013

1,448,645

11,139,817

= 13 %



2014

1,522,737

11,220,078

= 13.5 %

- From this ratio we can see that in year 2012 the gross profit margin that the company generate it from it sales equal 14.5 % and 13.5 % in 2014 that is because the sales increases as well the cost of sale increases which increase the gross profit which is in the end a good profit margin trend .

- Operating profit margin (margin ratio) = $\frac{\text{EBIT}}{\text{Net sales}}$

This ratio shows the company profitability after accounting for all costs and also known as operating income margin .

2012

$\frac{486,361}{9,071,255}$

= 5.3 %

2013

$\frac{552,707}{11,139,817}$

= 4.9 %

- 2014

617,482
11,220,078
= 5.5 %

as the sales increases throw the selected years , the operating income for Ekbal company increases and the operating income margin grow up from 5 % to 5.5 % .

Net profit margin = $\frac{\text{net profit}}{\text{net sales}}$

This profitability ratio show the percentage of revenue left after all expenses have been deducted from sales. The measurement reveals the amount of profit that a business can extract from its total sales.

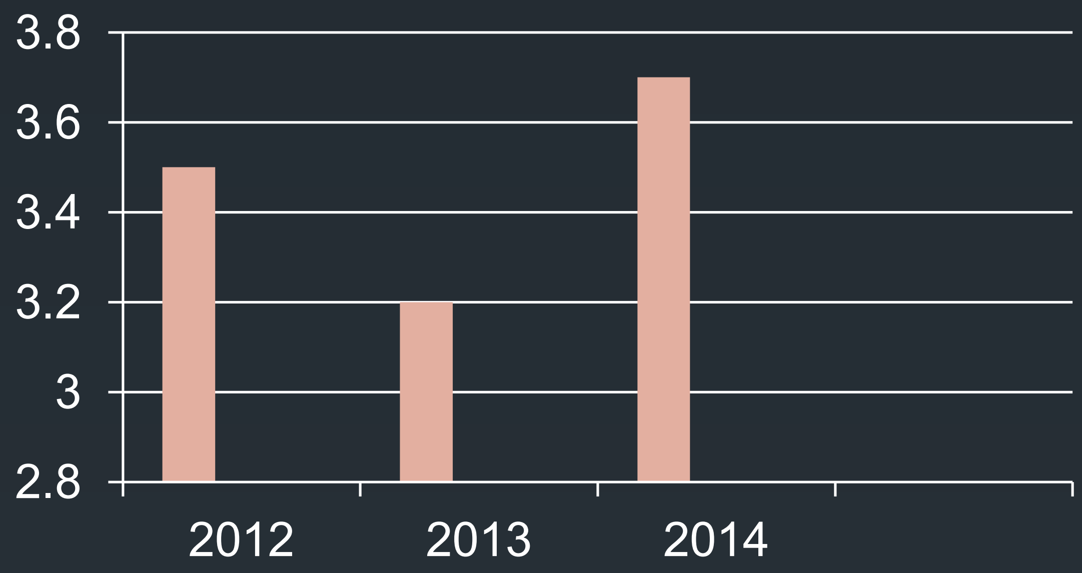
2012

320,496
9,071,255
= 3.5 %

- 2013

364,103
11,139,817
= 3.2 %

2014
417,507
11,220,078
= 3.7 %



the net profit percentage from sales has grown up from 3.5 % to 3.7 % and show us how much of each dollar earned by the company is translated into profits this helpful for company to provide set the pricing policies, cost structure and production efficiency .

- EPS = $\frac{\text{Net income}}{\text{weighted average common shares outstanding}}$

Earning per share ratio show us how profitable a company is on a shareholder basis

And it’s a measure of how many dollars of net income have been earned by each share of common stock.

No. of common stock outstanding (5000)million .

2012

$\frac{320,496}{5,000,000}$

= 6.4 JD

2013

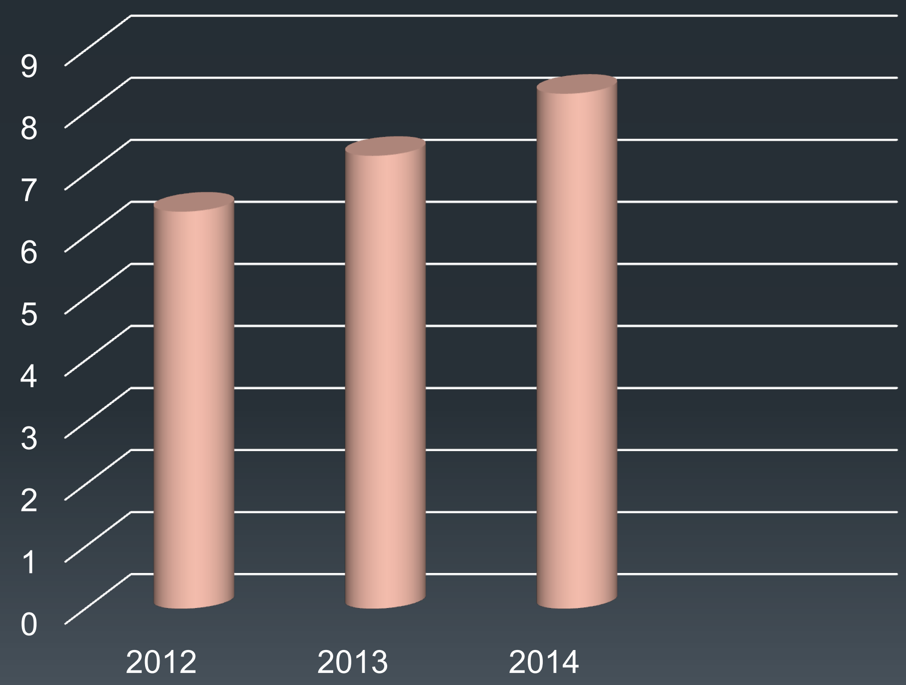
$\frac{364,103}{5,000,000}$

= 7.3 JD

2014

$\frac{417,507}{5,000,000}$

= 8.3 JD



- R.O.A (return on assets) = $\frac{\text{Net income}}{\text{Total assets}}$

This ratio measure the net income produced by the total assets during the period so its measure the effectiveness of the company of managing its assets to produce its profit.

2012

$\frac{320,496}{10,004,670}$

= 3.2 %

2013

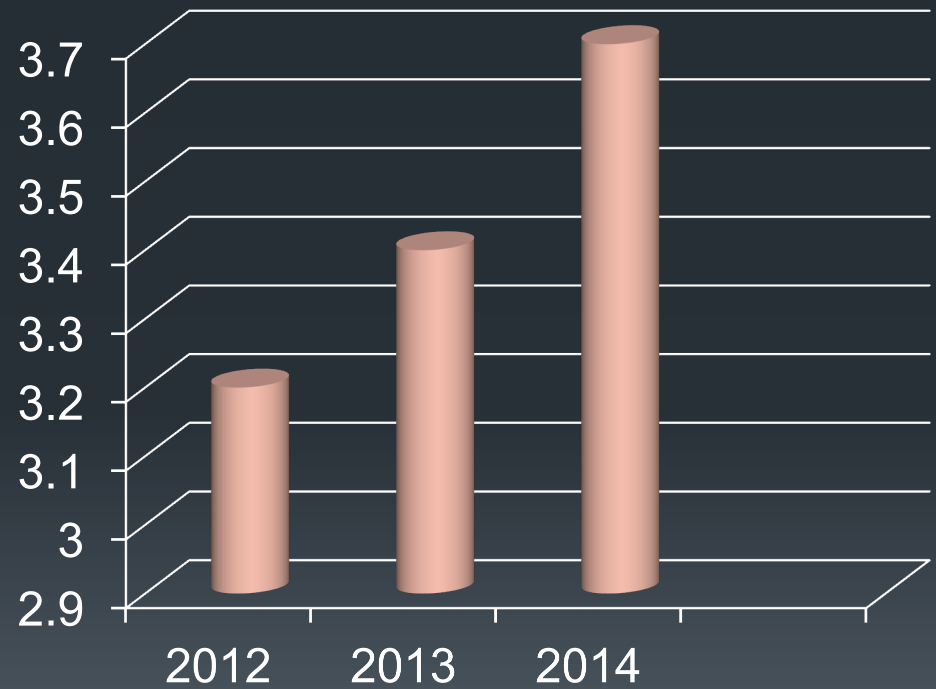
$\frac{364,103}{10,563,620}$

= 3.4 %

2014

$\frac{417,507}{11,065,462}$

= 3.7 %



- al ekbal company manage its assets in the positive way to generate its profit so its useful for both management and to the investors as well .

- R.O.E (return on equity) = $\frac{\text{Net income}}{\text{Total equity}}$

In this profitability ratio we will measure how the company can generate its profits from its shareholders investment .

2012

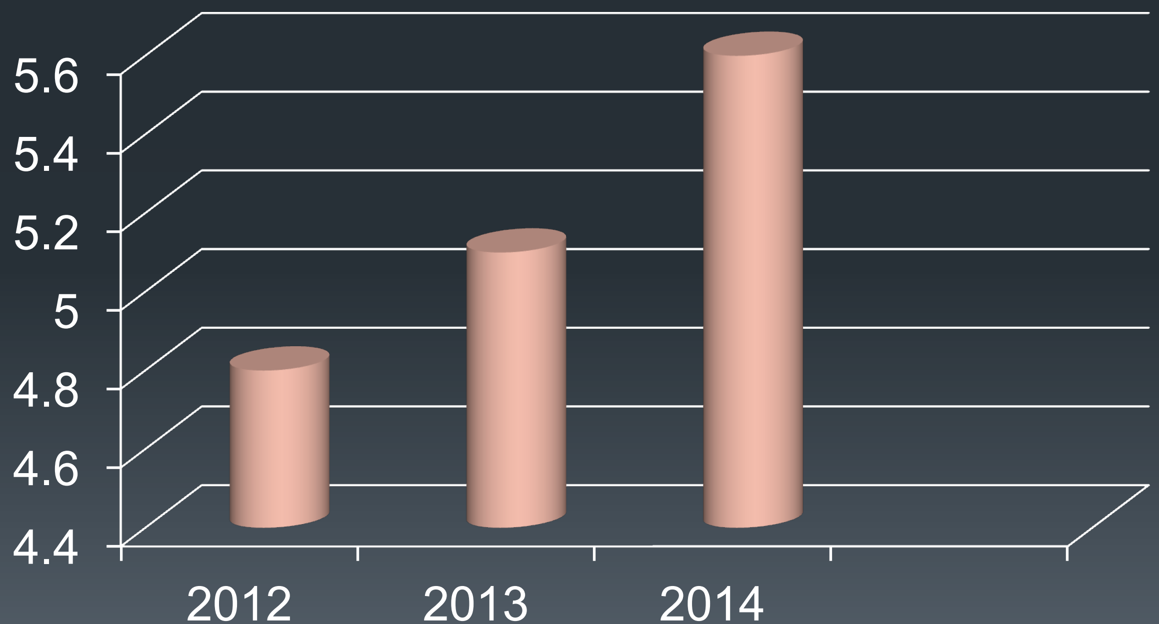
$\frac{320,496}{6,644,607}$ = 4.8 %

2013

$\frac{364,103}{7,008,710}$ = 5.1 %

2014

$\frac{417,507}{7,392,787}$ = 5.6 %



▪ Market Ratios :

- P/E (price to earning ratio) = market price per share of common stocks.

EPS

The P/E ratio is a valuation ratio of a company's current price per share compared to its earnings per share , It is also sometimes known as “earnings multiple” or “price multiple”

- *Company market price per share in 2012 equal 0.860 JD

2012

0.860

6.4

= 13.4

*Company market price per share in 2013 equal 1.01 JD

2013

1.01

7.3

= 13.8

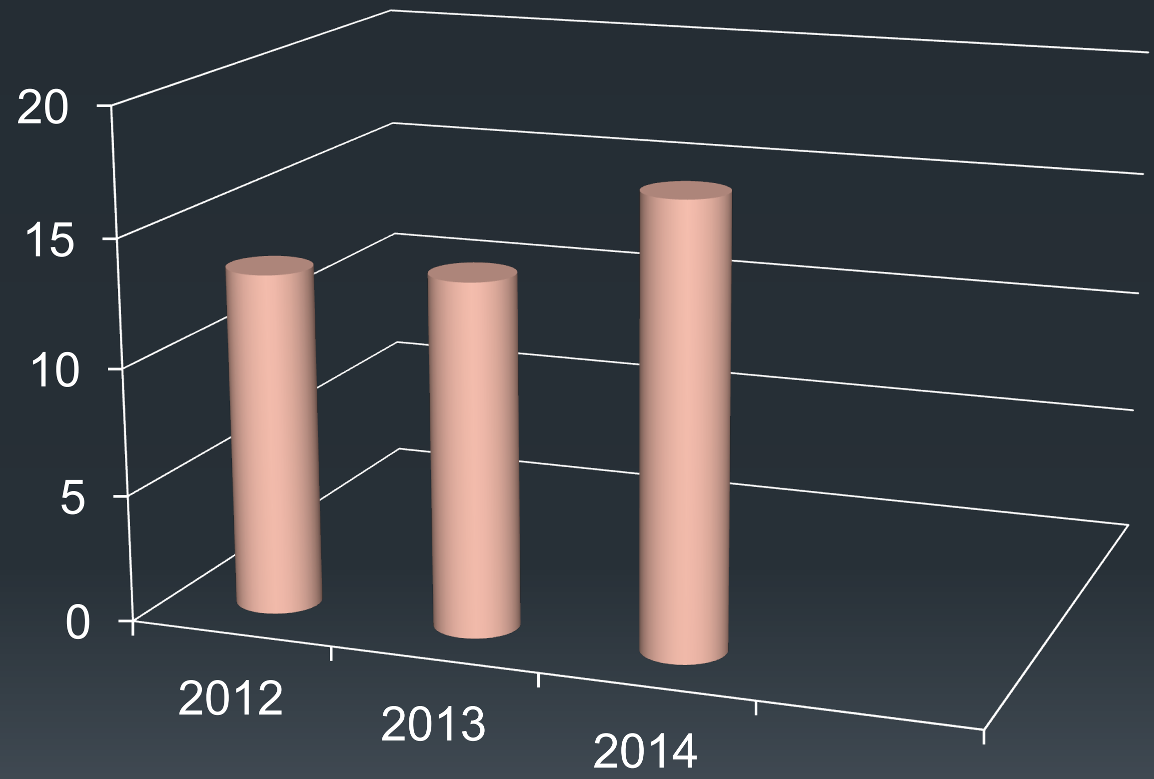
- <u>*Company market price per share in 2014 equal 1.46 JD</u>

2014

<u>1.46</u>

8.3

= 17.5



- Book value / share ratio = $\frac{\text{Common stockholders equity}}{\text{no. of common shares}}$

The book value per share ratio is used to calculate the per share value of a company based on its equity available to common shareholders .

2012

$\frac{6,644,607}{5,000,000}$

= 1.32 Jd

2013

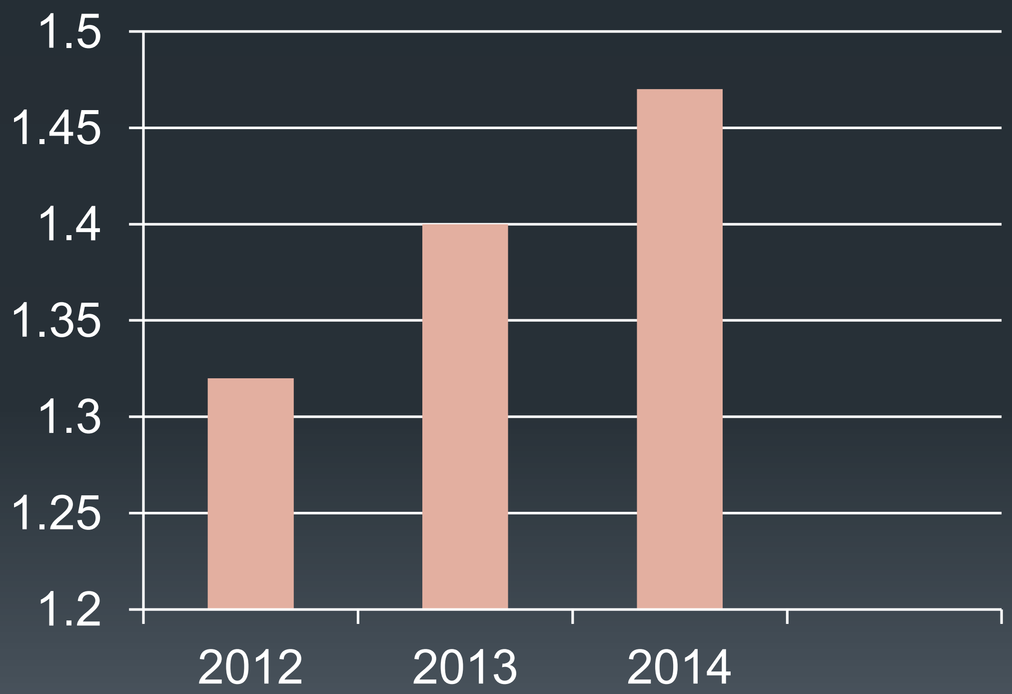
$\frac{7,008,710}{5,000,000}$

= 1.40 Jd

2014

$\frac{7,392,787}{5,000,000}$

= 1.47 Jd



Risk & Return

- *Risk defined is the chance of suffering a financial loss.*

- *Every company in our world must have a risk to get a return and the more risk on our investment we take it the more potential return we got it.*

- *the chance of company when it unable to cover it operating costs we classified this risk as a (business risk) .*

- *And when it unable to cover short-term obligations we classified as (financial risk).*

- *We have many types of risk such as market risk , interest rate*

Risk , event risk , tax risk , liquidity risk ….

- so when I make this project based on the financial statement of (al ekbal printing and packaging company) we realized that the company exposed to many risks that I will discuss it .

- *First Changes the local tax on tobacco and cigarettes can be reflected negatively on the rates of consumption and production of cigarettes so it's a (tax risk).*
- *and consequently on the sales of the company, The high proportion of the sales for the company achieved from export markets, Therefore, any change in the laws and systems of exchange of commodities and goods or change in customs within the League of Arab states could affect the amount of sales and profits so it's a (market risk).*
- *the fluctuations in the exchange rate of euro against Jordanian dinar have adversely affected the company until now so its (exchange rate risk) .*
- *And finally the security instability and political in the region were negative effects the demand for the products of the company so it's a (market risk) .*

- competition between the company sector is a (competition risk).

- Despite repercussions of the financial crisis, economic crisis and the events of the Arabic Spring in the Middle East, which has cast a shadow burdened on the national economy, which affected to appreciate the great cost for every thing , all of these factors are business risks that affect the performance results for companies .

- Generally risk can be reduced through the diversification in companies portfolios.
- Return defined as the total gain or loss on an investment plus any change in the market price
- To calculate the return we can use this formula :

$$r_t = \frac{C_t + P_t - P_{t-1}}{P_{t-1}}$$

r_t = actual, expected, or required rate of return[2] during period t

C_t = cash (flow) received from the asset investment in the time period $t-1$ to t

P_t = price (value) of asset at time t

P_{t-1} = price (value) of asset at time $t-1$

- For example if al eqbal printing and *Packaging company purchase a machine 2 year ago for 35000 jd and currently has a market value of 45000 jd and it generated 1000 jd during this year after tax we calculate the return as follow :*

$$R = \frac{1000 + 45000 - 35000}{35000}$$

R = 31.4 %

- The most common statistical indicator of an asset's risk is the **standard deviation**, σ_k, which measures the dispersion around the expected value.

Capital asset pricing model (CAPM)

- (CAPM) is a model that describes the relationship between risk and expected return and that is used in the pricing of risky securities.
- (CAPM) formula $r_a = r_{rf} + B_a (r_m - r_{rf})$

- r_{rf} = the rate of return for a risk-free security
- r_m = the broad markets expected rate of return
- B_a = beta of the asset

- r_{rf} , r_m and B_a are determined by the analyst and are open to interpretation.
- Beta (B_a) -- Most investors use a beta calculated by a third party, whether it's an analyst, broker …..

SWOT analysis

- SWOT Analysis is a useful technique for understanding our Strengths and Weaknesses, and for identifying both the Opportunities open to us and the Threats we face .

SWOT analysis

	Strengths		Weaknesses
1	Strong brand equity .	1	Marketing for the company and its products .
2	Company competitive position in the market.		
3	Good Financial results for the company in the last years .		
4	Company suppliers.		
	Opportunities		**Threats**
1	Searching for a new global markets .	1	Increasing number of competitors in the sector.
2	Producing a unique products with a competitive price .	2	Political and instability may affect the running position of al ekbal business.
		3	Tax rate risk , market risk , political risks .. all of these are threats that affect the company performance.

End of project

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- Best regards