

Session 3

Class Preparation Questions

Intel 2002 Annual Report

1. Compute Intel's Profit Margin (Net Income / Sales) for 2000-2002. What is the trend?
2. Compute Intel's Return on Equity for 2002. How does it compare to other firms in Intel's industry?
3. Compute Intel's Asset Turnover for 2002. How does it compare to other firms in Intel's industry?
4. Compute the ratio of Intel's stock price to its owner's equity-per-share outstanding. This is the "market-to-book" ratio. Why are "market" and "book" different? How would this ratio compare to market-to-book ratio of the average firm in the steel industry?
5. Compute Intel's Current Ratio for year-end 2001 and 2002. What proportion of Intel's total assets is represented by cash and marketable securities? (Relevant B/S accounts: Cash and Cash Equivalents, Short-term Investments, Trading Assets, Long-term Investments)
6. Compute Intel's Gross Margin Ratio $[(\text{Sales} - \text{Cost of Sales}) / \text{Sales}]$ for the years 2000-2002. Comment on the trend. What economic and strategic factors might contribute to changes in this ratio over time? What types of companies would tend to have a high gross margin ratio?
7. Has Intel paid dividends over the past three years? How much? Why would Intel hold so much cash rather than, say, paying out higher dividends to its shareholders?
8. Compute Intel's Long-Term-Debt-to-Equity Ratio for 2001-2002. What benchmarks might you use to judge whether a firm's D/E ratio is high or low?
9. How much cash has Intel spent each of the last 3 years for Property, Plant, and Equipment? How quickly does Intel depreciate PP&E? (See the 'Accounting Policies note.) How does depreciating PP&E affect Intel's Income Statement, Balance Sheet, and Statement of Cash Flows?
10. Calculate the average age of outstanding accounts receivable for the past two years.