

Class preparation questions Delta and Pan Am (For class on 2 October 2003)

- 1) Given the following information, compare return on equity at Delta and Pan Am (It is not necessary to use average Shareholders' Equity in the denominator.)

	Delta	Pan Am
Revenue	6,915,377	3,569,041
NI	306,826	(72,728)
T. Assets	5,748,355	2,149,350
S.E.	2,208,823	(305,810)
Cur. A.	1,651,238	850,846
Cur. L.	1,337,233	1,265,208

- a) Decompose Return on Equity into Asset Turnover, Return on Sales, and Assets/S.E. What does this decomposition say about the source of the difference between Delta's and Pan Am's return performance?
- b) Compare the current ratios of these companies. What does Pan Am's current ratio imply?
- 2) Do questions 1, 2, and 3 at the end of the case. Question 4 involves leases, a topic we will cover later in the semester.