

2. earning power potential

depending on the horizontal analysis,
The Pawlony Company will be clear

	2011	2010
Sales 100%	60,000	52,500
CGS	% 57	% 60
GP	% 43	% 40
selling and administrative expense	% 38	% 33
other gain	% 0.87	% 0.023

* Profit margin $\frac{\text{net income}}{\text{Sales}} = \frac{3250}{60000} = 0.054$

$\frac{900}{52500} = 0.017$

* ROA $\frac{\text{net income}}{\text{Total assets}} = \frac{3250}{61250} = 0.053$

$\frac{900}{42500} = 0.0211$

$\frac{900}{22500} = 0.04$

ROE $\frac{\text{net income}}{\text{Total equity}} = \frac{3250}{23750} = 0.136$

In addition, the EPS is already calculate and that is a clear potential that the earnings will go up

But according to earning quality

it is poor because the gain which appeared on the net P&Ls not from

the operation so not sufficient actual operation he is sold the Land and he

reperchased another Land Jus to increased the INCOM to appere on the Balance sheet