

A STUDY ON FINANCIAL PERFORMANCE OF HEWLETT PACKARD ENTERPRISE

Submitted in partial fulfillment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

by

JUDITH SALOME I J
Register No.41410151



SCHOOL OF MANAGEMENT STUDIES

SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

**Accredited with Grade "A" by NAAC | 12B Status by UGC | Approved by AICTE
JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI - 600 119**

APRIL 2023



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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **JUDITH SALOME I J 41410151** who carried out the project entitled "**A Study on financial performance of Hewlett Packard Enterprise**" under my supervision from January 2023 to March 2023.

Dr. Seethal K
Internal guide

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Submitted for Viva voce Examination held on

06/05/2023

Internal Examiner

External Examiner



**Hewlett Packard
Enterprise**

21.04.2023

TO WHOMSOEVER IT MAY CONCERN

SUB: MBA project completion letter

We are writing this letter to inform you that **Judith Salome I J (41410151)**, an intern of our company, has successfully completed their final year project on **“A study on Financial Performance of Hewlett Packard Enterprise”** as a part of their MBA program from your esteemed university.

During the project, he has conducted extensive research, gathered relevant data, and presented their findings in a well-structured and organized manner. Their project has been well-received by our company's management, and we have found their recommendations and insights to be highly valuable. We hope that the project report and presentation would be useful for future reference and research purposes.

FOR Company

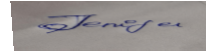
Sailesh A J Menezes
Senior Director – Human Resources

DECLARATION

I **JUDITH SALOME I J (41410151)** hereby declare that the Project Report entitled “**A Study on financial performance of Hewlett Packard Enterprise**” done by me under the guidance of **DR.SEETHAL K** is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE: 05/05/2023

PLACE: Chennai

A rectangular box containing a handwritten signature in blue ink, which appears to read 'Judith Salome I J'.

JUDITH SALOME I J

ACKNOWLEDGEMENT

I am pleased to acknowledge my sincere thanks to Board of Management of **SATHYABAMA** for their kind encouragement in doing this project and for completing it successfully. I am grateful to them.

I convey my sincere thanks to **Dr. G. Bhuvaneswari, Dean - School of Management Studies** and **Dr. A. Palani, Head - School of Management Studies** for providing me necessary support and details at the right time during the progressive reviews.

I would like to express my sincere and deep sense of gratitude to my Project Guide **DR.Seethal K** for her valuable guidance, suggestions and constant encouragement paved way for the successful completion of my project work.

I wish to express my thanks to all Teaching and Non-teaching staff members of the **School of Management Studies** who were helpful in many ways for the completion of the project.

JUDITH SALOME I J

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ABSTRACT

"A Study on Financial Performance of Hewlett Packard Enterprise" aims to evaluate the financial performance of Hewlett Packard Enterprise (HPE) over the period of 2017-2022. The study utilizes financial ratios, such as liquidity, solvency, profitability, and efficiency ratios, to assess the company's financial health and performance. The research methodology employed for this study is based on a descriptive research design and a quantitative approach. Data for the study is collected from HPE's annual reports and financial statements, which are analyzed using statistical tools such as Cash flow analysis, comparative balance sheet analysis and trend analysis.

The findings of the study indicate that HPE has maintained a sChart financial position during the study period, with an overall positive trend in profitability and efficiency ratios. The liquidity and solvency ratios also indicate that the company has a strong financial position and is capable of meeting its short-term and long-term obligations. Based on the findings, the study concludes that HPE is a financially sound company that has managed to maintain a sChart financial position and improve its performance over the years. The study also recommends that HPE continue to focus on improving its profitability and efficiency ratios, while maintaining its strong liquidity and solvency position.

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LIST OF ABBREVIATION

S.NO	ABRREVATION	EXPANSION
1.	HPE	Hewlett Packard Enterprise
2.	ROA	Return on Asset
3.	PPE	Plant Power Machinery
4.	ARR	Average rate of return
5.	GAAP	General Accepted Accounting Principle

CHAPTER 1

1.1 INTRODUCTION

Financial statements provide business owners with the basic tools for determining how well their operations perform at all times. Many entrepreneurs or small business owners do not realize that financial statements have a value that goes beyond their use as supporting documents to loan applications and tax returns. These statements are concise reports designed to summarize financial activities for specific periods. Owners and managers can use financial statement analysis to evaluate the past and current financial condition of their business, diagnose any existing financial problems, and forecast future trends in the firm's financial position. Evaluation pinpoints, in financial terms, where the firm has been and where it is today. Diagnosis determines the causes of the financial problems that statement analysis uncovers and suggests solutions for them.

Forecasts are valuable in statement analysis for two reasons:

You can prepare forecasts that assume that the basic financial facts about a company will remain the same for a specified period in the future. These forecasts will illustrate where you're likely to stand if the status quo is maintained. Or you can gain insights into the impact of certain business decisions by calculating the answers to "what if" questions. When you test the consequences of changes you're contemplating, or that may occur because of changing market conditions or customer tastes, for example, you achieve a greater understanding about the financial interrelationships at work in a business. The two key reports for all sizes and categories of business are the Balance Sheet and the Income Statement. The Balance Sheet is an itemized statement that lists the total assets and the total liabilities of a business and gives its net worth on a certain date (such as the end of a month, quarter, or year). The Income Statement records revenue versus expenses for a given period.

Regular preparation and analysis of financial statement information helps business managers and owners detect the problems that experts continue to see as the chief causes of small business failure -- such as high, operating expenses,

sluggish sales, poor cash management, excessive fixed assets, and inventory mismanagement. By comparing statements from different periods, you can more easily spot trends and make necessary management decisions and budget revisions before small problems become large ones.

This Resource Guide is intended to provide you with a basic understanding of the components and purposes of financial statements. The Balance Sheet and Income Statement formats are designed as general models and are not complete for every business operation. Computation of income for financial accounting purposes is done according to the rules of Generally Accepted Accounting Principles (known as GAAP). Be aware that income and losses computed using GAAP rules will not necessarily be the same as those calculated to comply with the Internal Revenue Code.

The process of critical evaluation of the financial information contained in the financial statements to understand and make decisions regarding the operations of the firm is called 'Financial Statement Analysis'. It is basically a study of relationship among various financial facts and figures as given in a set of financial statements, and the interpretation thereof to gain an insight into the profitability and operational efficiency of the firm to assess its financial health and future prospects. The term 'financial analysis' includes both 'analysis and interpretation'. The term analysis means simplification of financial data by methodical classification given in the financial statements. Interpretation means explaining the meaning and significance of the data. These two are complimentary to each other. Analysis is useless without interpretation, and interpretation without analysis is difficult or even impossible.

Significance of Analysis of Financial Statements:

Financial analysis is the process of identifying the financial performance of the firm by properly establishing relationships between the various items of the balance sheet and the statement of profit and loss. Financial analysis can be undertaken by management of the firm, or by parties outside the firm, viz., owners, trade creditors, lenders, investors, labour unions, analysts and others. The nature of analysis will differ depending on the purpose of the analyst. A technique frequently used by an analyst need not necessarily serve the purpose of other analysts because of the

difference in the interests of the analysts. Financial analysis is useful and significant to different users in the following ways:

- (a) **Finance manager:** Financial analysis focusses on the facts and relationships related to managerial performance, corporate efficiency, financial performance and creditworthiness of the company. A finance manager must be well-equipped with the different tools of analysis to make rational decisions for the firm. The tools for analysis help in studying accounting data so as to determine the continuity of the operating policies, investment value of the business, credit ratings and testing the efficiency of operations. The techniques are equally important in the area of financial control, enabling the finance manager to make constant reviews of the actual financial operations of the firm to analyse the causes of major deviations, which may help in corrective action wherever indicated.
- (b) **Top management:** The importance of financial analysis is not limited to the finance manager alone. It has a broad scope which includes top management in general and other functional managers. Management of the firm would be interested in every aspect of the financial analysis. It is their overall responsibility to see that the resources of the firm are used most efficiently, and that the firm's financial condition is sound. Financial analysis helps the management in measuring the success of the company's operations, appraising the individual's performance and evaluating the system of internal control.
- (c) **Trade payables:** Trade payables, through an analysis of financial statements, appraise not only the ability of the company to meet its short-term obligations, but also judge the probability of its continued ability to meet all its financial obligations in future. Trade payables are particularly interested in the firm's ability to meet their claims over a very short period of time. Their analysis will, therefore, evaluate the firm's liquidity position.
- (d) **Lenders:** Suppliers of long-term debt are concerned with the firm's long term solvency and survival. They analyse the firm's profitability over a period of

time, its ability to generate cash, to be able to pay interest and repay the principal and the relationship between various sources of funds (capital structure relationships). Long- term lenders analyse the historical financial statements to assess its future solvency and profitability.

- (e) **Investors:** who have invested their money in the firm's shares, are interested about the firm's earnings. As such, they concentrate on the analysis of the firm's present and future profitability. They are also interested in the firm's capital structure to ascertain its influences on firm's earning and risk. They also evaluate the efficiency of the management and determine whether a change is needed or not. However, in some large companies, the shareholders' interest is limited to decide whether to buy, sell or hold the shares.
- (f) **Labour unions:** Labour unions analyse the financial statements to assess whether it can presently afford a wage increase and whether it can absorb a wage increase through increased productivity or by raising the prices.
- (g) **Others: The economists, researchers, etc.,** analyse the financial statements to study the present business and economic conditions. The government agencies need it for price regulations, taxation and other similar purposes.

Objectives of Analysis of Financial Statements

Analysis of financial statements reveals important facts concerning managerial performance and the efficiency of the firm. Broadly speaking, the objectives of the analysis are to apprehend the information contained in financial statements with a view to know the weaknesses and strengths of the firm and to make a forecast about the prospects of the firm thereby, enabling the analysts to take decisions regarding the operation of, and further investment in the firm. To be more specific, the analysis is undertaken to serve the following purposes (objectives):

- To assess the current profitability and operational efficiency of the firm as a whole as well as its different departments so as to judge the financial health of the firm.
- To ascertain the relative importance of different components of the financial position of the firm.
- To identify the reasons for change in the profitability/financial position of the firm.
- To judge the ability of the firm to repay its debt and assessing the short- term as well as the long-term liquidity position of the firm.

1.2 INDUSTRY PROFILE

Hewlett Packard Enterprise Company (also known as HP Enterprise and HPE) is an American multinational company that specializes in business IT (information technology). HPE supports five business divisions:

- Enterprise Group provides infrastructure products to support the IT systems of customers.
- Enterprise Services offers consultation and support services for all the company's offerings.
- Software includes products to automate and simplify IT operations for business processes; also includes business analytics (BA) products.
- Financial Services provides investment solutions, IT consumption models and financial architectures.
- Corporate Investments includes forward-looking ventures such as HP Labs and various business incubators.

Hewlett Packard Enterprise Co (HPE) is a provider of intelligent solutions and cloud-based services. The company's product portfolio comprises servers, storage devices, networking products, converged systems, software, customized financial solutions and cloud service-based products. It also provides information technology (IT) consulting, IT support, education and training services. HPE serves financial institutes, commercial and large enterprise groups, including business and public sector enterprises, small and medium-sized businesses, service and telecommunications industries. HPE markets products through resellers, distribution partners, original equipment manufacturers, independent software vendors, system integrators and direct sales teams. The company has business operations across the Americas, Europe, the Middle East, Africa and Asia-Pacific. HPE is headquartered in Texas, the US.

HPE is the global edge-to-cloud company built to transform people's business. By helping to connect, protect, analyze, and act on all your data and applications wherever they live, from edge to cloud, so people can turn insights into outcomes at the speed required to thrive in today's complex world.

Hewlett Packard Enterprise Company provides solutions that allow customers to capture, analyze, and act upon data seamlessly in the Americas, Europe, the Middle East, Africa, the Asia Pacific, and Japan. It operates in six segments: Compute, HPC & AI, Storage, Intelligent Edge, Financial Services, and Corporate Investments and Other. The company offers general purpose servers for multi-workload computing and workload-optimized servers; HPE ProLiant rack and tower servers; HPE Synergy; and solutions for secondary workloads and traditional tape, storage networking, and disk products, such as HPE Modular Storage Arrays and HPE XP. It also offers HPE Cray, HPE Apollo, and converged edge systems; and HPE Superdome Flex, HPE Nonstop, and HPE Integrity products. In addition, the company provides HPE Aruba product portfolio that includes hardware products, such as Wi-Fi access points, switches, and gateways; HPE Aruba software and services comprising cloud-based management, network management, network access control, analytics and assurance, and location; and professional and support services, as well as as-a-service and consumption models for the intelligent edge portfolio of products. Further, it offers various leasing, financing, IT consumption, and utility programs and asset management services for customers to facilitate technology deployment models and the acquisition of complete IT solutions, including hardware, software, and services from Hewlett Packard Enterprise and others. Additionally, the company provides consultative-led services; HPE Ezmeral Container Platform; HPE Ezmeral Data Fabric; and Hewlett Packard Labs. It serves commercial and large enterprise groups, such as business and public sector enterprises; and through various partners comprising resellers, distribution partners, original equipment manufacturers, independent software vendors, systems integrators, and advisory firms. The company was founded in 1939 and is headquartered in Spring, Texas.

1.3 COMPANY PROFILE

HISTORY:

The **Hewlett Packard Enterprise Company (HPE)** is an American multinational information technology company based in Spring, Texas, United States. HPE was founded on November 1, 2015, in Palo Alto, California, as part of the splitting of the Hewlett-Packard company. It is a business-focused organization which works in servers, storage, networking, containerization software and consulting and support.

The split was structured so that the former Hewlett-Packard Company would change its name to HP Inc. and spin off Hewlett Packard Enterprise as a newly created company. HP Inc. retained the old HP's personal computer and printing business, as well as its stock-price history and original NYSE ticker symbol for Hewlett-Packard; Enterprise trades under its own ticker symbol: HPE. At the time of the spin-off, HPE's revenue was slightly less than that of HP Inc.

In 2017, HPE spun off its Enterprise Services business and merged it with Computer Sciences Corporation to become DXC Technology. Also in 2017, it spun off its software business segment and merged it with Micro Focus.

HPE was ranked No. 107 in the 2018 Fortune 500 list of the largest United States corporations by total revenue.

In May 2016, the company announced it would sell its enterprise services division to one of its competitors, Computer Sciences Corporation in a deal valued at US\$8.5 billion. The merger of HPE Enterprise Services with CSC, to form a new company DXC Technology, was completed on March 10, 2017. Approximately 100,000 current HPE employees were affected. More than 30,000 services employees from other areas of the HPE business remained at HPE including technology services support and consulting as well as software professional services.

In August 2016, the company announced plans to acquire Silicon Graphics International (SGI), known for their capabilities in high performance computing.¹ On November 1, 2016, HPE announced it completed the acquisition, for US\$7.75 per

share in cash, a transaction valued at approximately US\$275 million, net of cash and debt.

On September 7, 2016, HPE announced a "spin-merge" with Micro Focus, who would acquire HPE's "non-core" software (which included the HP Autonomy unit), and HPE shareholders would own 50.1 percent of the merged company, which would retain its current name. The merger concluded on September 1, 2017.

For HPE (Hewlett-Packard Enterprise), its vision statement is all about designing groundbreaking technologies with a lasting impact on society. On the other hand, its mission statement highlights the role that its quality products and service play in creating a loyal client base. The core values of HP also contribute to the reputation of this firm in that they are responsible for its coveted and winning culture.

MISSION STATEMENT:

HPE mission statement is **"we earn customer respect and loyalty by consistently providing the highest quality and value. We achieve sufficient profit to finance growth, create value for our shareholders and achieve our corporate objectives."** These are the main components of this mission statement:

1. **Distinguished products and services.** In its mission statement, HPE considers the quality of its products as its major strength. In fact, this is what it exploits to expand throughout the world and conquer new markets. The competition that its laptops, desktops, printers and other products offer is overwhelming. Its services and business solutions also add to the reputation that HPE brand enjoys to date.
2. **Improving societies.** All the products offered by HPE are maximized and tailored to the contemporary needs of companies and individuals. As a result, it has become a dependable company through these products, showing how it influences developments in diverse segments.

VISION STATEMENT:

HPE vision statement is “**to create technology that makes life better for everyone, everywhere — every person, every organization, and every community around the globe.**” It has the following components:

1. **Promote innovation**
2. **Global reach**

The focus of HPE (Hewlett-Packard Enterprise) is to bring the best products to its clients. That is why it prioritizes innovation. The company also ensures that there is no geographical limitation by expanding into global markets.

CORE VALUES:

HPE core values include “**customer loyalty, market leadership, growth, and commitment to employees.**” Today, HPE as a brand has gained global recognition due to the quality and value that the company offers. This has been promoted by the practices within the organization as influenced by the core values.

PRODUCTS:

➤ **Data storage:**

- HPE ALLETRA: Enjoy the cloud ownership experience wherever apps and data live. Instead of owning and maintaining infrastructure, utilize it on demand and as a service.
- HPE NIMBLE: Innovate with customer-ready solutions built on HPE GreenLake and a robust ecosystem of partners, resellers, and service providers.
- HPE NIMBLE STORAGE dHCI : Disaggregated hyperconverged infrastructure (dHCI) provides the flexibility to scale storage and compute independently, making it ideal for mission-critical data bases and data warehouses.

➤ **COMPUTE:**

- HPE APOLLO: Purpose-built, density optimized compute for demanding High Performance Computing and Artificial Intelligence applications.
- HPE CRAY: HPE Cray supercomputers enable you to tackle infrastructure challenges that require the fusion of modelling and simulation workloads with analytics, AI.
- HPE PROLIANT: The intelligent compute foundation for hybrid cloud that delivers unmatched workload optimization, security, and automation, all available as a service.

➤ **NETWORKING:**

- HPE ARUBA: From HPE's new high-end storage platform to driving the next wave of the ... Simplify network operations and management with cloud-based Aruba.

➤ **SOFTWARE:**

- HPE EZMERAL: HPE Ezmeral is an enterprise-grade container platform to deploy Kubernetes at scale for a wide range of use cases on bare metal or VMs.

➤ **SERVICES:**

- HPE GREENLAKE: GreenLake is an as-a-service offering that brings cloud-like flexibility to data centers and other locations, such as satellite and remote offices.
- HPE POINTNEXT SERVICES: HPE Pointnext Services are IT experts that advise on hybrid cloud, AI, the edge and, helps businesses consume IT as a service.

1.4 OBJECTIVES OF THE STUDY:

PRIMARY OBJECTIVES:

- To evaluate the financial health of the company by scrutinizing past and current financial statements.
- To measure the operating results of the enterprises.

SECONDARY OBJECTIVES:

- To predict a company's future performance based on past performance.
- To facilitate control over the operation as well as resources of the business.

1.5 NEED FOR THE STUDY:

- Financial analysis helps in evaluating the financial performance of the company over time in comparison with its past performance.
- Financial performance analysis provides valuable information to investors, creditors, and management to make informed decisions about investing, lending, or managing the company.
- Financial analysis can detect early warning signals of potential financial problems, such as declining liquidity or solvency.
- Financial ratios enable a trend analysis of a company's financial performance, allowing users to identify trends in key financial indicators and make informed decisions accordingly.

1.6 SCOPE OF THE STUDY:

The study will be carried out at Hewlett Packard Enterprise to analyze the financial performance over the past 5 years. The study aims to analyze the profitability, liquidity, solvency position and the efficiency with which it covers the resources into sale. The study will also find out the trend of the financial performance of the company during the period.

CHAPTER 2

2.1 REVIEW OF LITERATURE

Christopher D Ittner, David F Larcker (1998): this paper examines three questions on the value relevance of customer satisfaction measures: Are customer satisfaction measures leading indicators of accounting performance, is the economic value of customer satisfaction reflected in contemporaneous accounting book value, does the release of customer satisfaction measures provide new or incremental information to the stock market. According to these authors nonfinancial indicators of investment in “intangible assets” may be better predictors of future financial performance.

Juha Uotila, Markku Maula, et.al (2009): the literature suggests that established firms need to balance their exploration and exploitation activities in order to achieve superior performance, previous empirical research has modelled this balance, we show that there is a trade-off between exploration and exploitation and that the optimal balance. Using a novel methodology to measure the relative exploration versus exploitation orientation, we find an inverted U-shaped relationship between the relative share of explorative orientation and financial performance

Noel Capon, John U Farley, Scott Hoening (1990): a meta-analysis of results from 320 published studies relates environmental, strategic and organizational factors to financial performance, have been studied factors widely studied factors have few consistent effects. We suggest implications for research and management practice.

Dan R Dalton, Catherine M Daily, et.al (1999): although a host of theory-driven rationales suggest a relationship between board of directors size and firm performance, the literature provides no consensus about the direction of that relationship. A meta-analysis of 131 samples provided systematic evidence of nonzero, positive, true population estimate of board size-performance relationship.

Peter Pille, Joseph C Parade (2002): models are developed to detect weaknesses in credit unions in Ontario, Canada, so that potential financial failures can be predicted. four data envelopment analysis (DEA) models are equity to asset ratio, and with the government regulators extensively modified “z-score” model. Hence,

for each credit union, comparison is made with a peer group of efficient entities that the inefficient institutions management can emulate to improve their performance.

Ahmed Arif Almazari (2012): this study attempts basically to measure the financial performance of the Jordanian Arab commercial bank for the period 2000-2009 by using the Dupont system of financial analysis which is based on analysis of return on equity model. This model disaggregates performance into three components net profit margin, total asset turnover and equity multiplier. The bank witnessed a continuation of challenges brought on by global financial crisis. It was found that the financial performance of Arab bank is relatively steady and reflects minimal volatility in the return on equity.

Lee E Preston, Douglas P O'bannon (1997): this research note analyses the relationship between indicators of corporate social and financial performance within a comprehensive theoretical framework. The results, based on data for 67 large U.S. corporations for 1982-1992, reveal no significant negative social-financial performance relationship and strong positive correlations in both contemporaneous and lead-lag formulations.

Vijayakumar A. (1996): has studied about 'Assessment of Corporate Liquidity - a discriminate analysis approach' in this research he has revealed that the growth rate of sales, leverage, current ratio, operating expenses to sales and vertical integration were the important variables which determine the profitability of companies in the sugar industry. Also he has studied the short-term liquidity position in twenty-eight selected sugar factories in co-operative and private sectors. In research a discriminate analysis has been used by the researcher, to undertake to distinguish the good risk companies from poor risk companies based on current and liquidity ratios. In this study discriminating 'Z' scores have been calculated with the help of discriminate function and according to the 'Z' scores the companies are ranked in the order of liquidity.

Raghunathan & Das (1999): have discussed in their paper regarding corporate performance of post-Liberalization. They analysed the performance of Indian Manufacturing sector in the last 8 years since liberalization on the parameters of profitability, liquidity, leverage and solvency. They also observed that the solvency

and profitability ratios were encouraging till 1996 they have been gradually diminishing after that and this problem gets more pronounced when the EVA was calculated which showed that the Indian Manufacturing sector has destroyed wealth, while the MNCs have generated wealth for their shareholders. They have pointed out after the analysis; the poor corporate performance has led to an economic slowdown and not the other way round and corporate raised funds during the blacken days of equity markets and ended up investing these funds at below their cost of capital. In short, the outcome has been a prolonged economic slowdown.

Rajeswari (2000): studied about the Liquidity Management of Tamil Nadu Cement Corporation Ltd. Alangulam-A Case Study. She concluded from the analysis; the liquidity position of TANCEM was not stable. After the comparative analysis regarding liquidity ratios, she has found there was too much of liquidity in the first two years of the study period and also a very high degree of liquidity was also bad as idle assets earn nothing and affects profitability. In short, she concluded that the liquidity management of TANCEM is poor and is not satisfactory.

Marc Orlitzky, Frank L Schmidt, Sara L Rynes (2003): most theorizing on the relationship between corporate social/environment performance (CSP) and corporate financial performance (CFP) assumes that the current evidence is too fractured or too variable to draw any generalizable conclusion. With this integrative, quantitative study, we intend to show that the mainstream claim that we have little generalizable knowledge about CSP and CFP is built on shaky grounds. This meta-analysis establishes a greater degree of certainty with respect to the CSP-CFP relationship.

Weill (2004): discussed in his paper about comparison of leverage and corporate performance-a frontier efficiency analysis provides new empirical evidence on a major corporate governance issue and also the relationship between leverage and corporate performance. To analyse the leverage and corporate performance, he has applied frontier efficiency techniques to obtain performance measures for companies from several countries (France, Germany and Italy). This study proceeds to regressions of corporate performance on a various set of variables

including leverage. He has found mixed evidence depending on the country; while significantly negative in Italy, the relationship between leverage and corporate performance was significantly positive in France and Germany.

Dawar varun (2012): Study to analyse the effect of various fundamental corporate policy variables like dividend, debt, capital expenditure on stock prices of automobile company of India. The study tends that dividend & investment policy are relevant and capital structure irrelevant to stock prices .

Daniel A Moses Joshunar (2013): the study has been conducted to identify the financial strength and weakness of the Tata motors Ltd. Used to comment of financial status of company. Financial performance of company is satisfactory and also suggested to increase the loan levels of company for the better performance.

Becker Dieter (2015): the report shows about the current state and future prospects of the worldwide automobile industry. This survey report the manufacturer, executive and consumer views about four aspects, mobility culture, technological fit, business model readiness and market share.

Rapheal Nisha (2013): the author tries to evaluate the financial performance of Indian tyre industry. The study was conducted for periods 2003-2004 to 2011-2012 to analyze the performance with financial indicators, sales trend, export trend, production trend etc. the result suggests the key to success in industry is to improve the labour productivity and flexibility and capital efficiency.

Eberhart (1994): reported the uses of neural network in identification of distressed business by the Italian central bank. Using over 1000 sampled firm with 10 financial ratio as independent variables, the found that the classification of neutral network is not a clearly dominant mathematical technique compared to traditional statistical techniques.

Roозbeh kangari , foad fand, Hesham M Elgharib (1992): business failure in construction industry is an important research issue for forecasting the financial status of a company. The construction industry in the united states has several unique characteristics that sharply distinguish it firm other sectors of the economy.

These characteristics contribute in many ways to the high rate of business failure in the industry. The financial ratios used to develop the model: current ratio, total liability, net worth, total assets to revenues, revenue to net working capital, return on total assets, and return on net worth. The model also considers characteristics of various trades in the construction industry and the impact of the company size.

Julian Yeo (2004): Financial analysis is all about gaining the knowledge of how financial metrics are mapped into stock prices. The stock market can be an intimidating venture for most people. The determination of stock prices often seems a black-box mystery. Understanding how accounting numbers are tied to the stock price and knowing what to look for in determining how much you think the stock is worth (i.e., intrinsic or fundamental value) are real advantages to investors.

Martin Fridson, Fernando Alvarez (2012): leading investment authority Martin Fridson returns with Fernando Alvarez to provide the analytical framework you need to scrutinize financial statements, whether you're evaluating a company's stock price or determining valuations for a merger or acquisition. Rather than taking financial statements at face value, you'll learn practical and straightforward analytical techniques for uncovering the reality behind the numbers. This fully revised and up-to-date 5th Edition offers fresh information that will help you to evaluate financial statements in today's volatile markets and uncertain economy. The declining connection between GAAP earnings and stock prices has introduced a need to discriminate between instructive and misleading non-GAAP alternatives. This book integrates the alternatives and provides guidance on understanding the extent to which non-GAAP reports, particularly from US companies, may be biased.

RK Kakni (2016): A large number of such assumptions might be violated even while making comparisons of a single firm over many years. Hence, care must be taken in terms of making any significant conclusions. One should carefully read the notes of accounts for any significant comments such as changes on accounting policy or any significant provisions or contingent liabilities that may arise. Importance ought to be given to qualitative factors, such as differing economic and cultural

environments, while doing financial analysis for firms across industries, geographies, and time periods.

William H. Beaver(2011) Financial statement analysis has been used to assess a company's likelihood of financial distress — the probability that it will not be able to repay its debts. Financial statement analysis was used by credit suppliers to assess the credit worthiness of its borrowers. Today, financial statement analysis is ubiquitous and involves a wide variety of ratios and a wide variety of users, including trade suppliers, banks, creditrating agencies, investors and management, among others. Financial distress refers to the inability of a company to pay its financial obligations as they mature. Empirically, academic research in accounting and finance has focused on either bond default or bankruptcy. The basic issue is whether the probability of distress varies in a significant manner conditional upon the magnitude of the financial statement ratios. This monograph discusses the evolution of three main streams within the financial distress prediction literature: The set of dependent and explanatory variables used, the statistical methods of estimation, and the modeling of financial distress.

Andrew B. Jackson(2021): The literature on financial statement analysis attempts to improve fundamental analysis and to identify market inefficiencies with respect to financial statement information. In this paper, the author reviews the extant research on financial statement analysis. The author then provides some preliminary evidence using Chinese data and offer suggestions for future research, with a focus on utilising unique features of the Chinese business environment as motivation. The author notes that there has been no work that the author could locate specifically on Chinese FSA research. The unique business environment in China, relative to the US where the vast majority of this work has been conducted, should motivate any studies, especially given the author documents the robust finding in terms of the mean reversion in profitability.

Jane A. Ou, Stephen H. Penman (2008): This paper performs a financial statement analysis that combines a large set of financial statement items into one summary measure which indicates the direction of one-year-ahead earnings changes. Positions are taken in stocks on the basis of this measure during the

period 1973–1983, which involve canceling long and short positions with zero net investment. The two-year holding-period return to the long and short positions is in the order of 12.5%. After adjustment for ‘size effects’ the return is about 7.0%. These returns cannot be explained by nominated firm risk characteristics.

Jacek Welc (2022): A primary approach to evaluating and comparing financial performance of enterprises is a **ratio analysis**, which deals with a set of metrics that are typically computed on the basis of inputs extracted from primary financial statements and notes to them. As will be demonstrated in the following sections, most of those accounting ratios are calculated in a very simple way, as a quotient of just two numbers.

E H Feroz, S Kim & R L Raab (2003): Ratio analysis is a commonly used analytical tool for verifying the performance of a firm. While ratios are easy to compute, which in part explains their wide appeal, their interpretation is problematic, especially when two or more ratios provide conflicting signals. Indeed, ratio analysis is often criticized on the grounds of subjectivity, that is the analyst must pick and choose ratios in order to assess the overall performance of a firm. In this paper we demonstrate that Data Envelopment Analysis (DEA) can augment the traditional ratio analysis. DEA can provide a consistent and reliable measure of managerial or operational efficiency of a firm. We test the null hypothesis that there is no relationship between DEA and traditional accounting ratios as measures of performance of a firm. Our results reject the null hypothesis indicating that DEA can provide information to analysts that is additional to that provided by traditional ratio analysis. We also apply DEA to the oil and gas industry to demonstrate how financial analysts can employ DEA as a complement to ratio analysis.

Washington (2018): The course project is designed to analyze the financial statements and situation of major corporations and use the material covered in the course. The goal behind the course project is to develop, enhance, and utilize the student’s ability to analyze a corporation’s financial situation.

Đinh Văn Toàn(2007): Financial Statement Analysis book that is written with the premise that students learn financial statement analysis most effectively by

performing the analysis on actual companies. Students learn to integrate the concepts from economics, finance, business strategy, accounting, and other business disciplines through the integration of a unique six-step process.

Hawariah Dalnial(2014): Fraudulent financial reporting is a major concern for two primary regulators of Malaysia's capital market - the Securities Commission (SC) and Bursa Malaysia. Both authorities continue to refine the parameters that will ensure rigorous surveillance over public listed firms. The objective of current study is to examine the association between financial statement analysis and fraudulent financial reporting. Many researchers found indication of financial ratios to detect fraudulent financial reporting but others also have concluded otherwise. Most of these studies were conducted outside of Malaysia. The sample comprises of the Malaysian Public Listed firms and data used ranged between year 2000 to 2011. The result indicated that several financial ratios such as total debt to total asset, and receivables to revenue were found to be significant predictors to detect fraudulent financial reporting. This reflects that, financial ratios maybe helpful in the detection of fraudulent financial reporting. These findings add to the extant literature on the ability of financial ratios to detecting fraud.

Bhadrappa Haralayya (2021): We all know that banks offer basic loans, deposits and financial advice, but they also facilitate transactions on sophisticated financial instruments such as private equity, bonds and mutual funds. Most top performing candidates typically view careers in banking as the pinnacle of achievement, and sectors such as treasury, equity trading, investment banking and private banking are viewed as the most lucrative jobs for new graduates. In addition to traditional bank, other financial institutions such as credit unions, trust companies, mortgage loan companies, insurance companies, brokerage firms and asset management firms also offer a host of financial advice. Hence, when viewing the opportunities in the sector, one must also carefully consider these other specialised financial institutions.

Richard P. Brief and Raef A. Lawson(1992): The accounting rate of return (ARR) is "not only a central feature of any basic text on financial statement analysis but also figures commonly in the evaluation by investment analysts of the financial performance of firms" (Whittington 1988, 261). Notwithstanding the prominence given to this financial

ratio (Foster 1986, 77-79), many writers have warned that the ARR lacks economic significance and can be a very misleading measure of profitability. Fisher and McGowan (1983, 90), for example, conclude that "there is no way in which one can look at accounting rates of return and infer anything about relative economic profitability." However, instead of basing DCF valuations on cash flows which are derived from accounting data, a more direct method of analysis is to base the DCF valuations directly on accounting data. Understanding how accounting data can be used in DCF analysis leads to a greater appreciation of the general nature of accounting and provides a compelling reason to give the ARR a more prominent place in financial statement analysis.

Partha S. Mohanram(2005) This paper combines traditional fundamentals, such as earnings and cash flows, with measures tailored for growth firms, such as earnings stability, growth stability and intensity of R&D, capital expenditure and advertising, to create an index – GSCORE. A long–short strategy based on GSCORE earns significant excess returns, though most of the returns come from the short side. Results are robust in partitions of size, analyst following and liquidity and persist after controlling for momentum, book-to-market, accruals and size. High GSCORE firms have greater market reaction and analyst forecast surprises with respect to future earnings announcements. Further, the results are inconsistent with a risk-based explanation as returns are positive in most years, and firms with lower risk earn higher returns. Finally, a contextual approach towards fundamental analysis works best, with traditional analysis appropriate for high BM stocks and growth oriented fundamental analysis appropriate for low BM stocks.

Doron Nissim & Stephen H. Penman(2003): This paper presents a financial statement analysis that distinguishes leverage that arises in financing activities from leverage that arises in operations. The analysis yields two leveraging equations, one for borrowing to finance operations and one for borrowing in the course of operations. These leveraging equations describe how the two types of leverage affect book rates of return on equity. An empirical analysis shows that the financial statement analysis explains cross-sectional differences in current and future rates of return as well as price-to-book ratios, which are based on expected rates of return on equity. The paper therefore concludes that balance sheet line items for operating liabilities are priced differently than those dealing with financing liabilities.

Accordingly, financial statement analysis that distinguishes the two types of liabilities informs on future profitability and aids in the evaluation of appropriate price-to-book ratios.

Susan Perry Williams(2015) This study session covers investments in other entities (intercorporate investments), post-employment benefits, and foreign currency transactions. Intercorporate investments take the form of investments in 1) financial assets, 2) associates, 3) joint ventures, 4) business combinations, and 5) special purpose and variable interest entities. Current and new reporting standards for these investments are examined. The valuation and treatment of post-employment benefits follows, including share-based compensation (grants, options). Differences in valuation methods between defined-contribution and defined-benefit plans are described. The effect of foreign currency on a business's financials and methods to translate foreign currency from operations for consolidated financial statement reporting is examined. Analysis of financial institutions, including factors for consideration and an analysis approach (CAMELS), concludes the session.

Victor Chukwunweike(2014): The major indicators of the financial performance of corporate entities are liquidity and profitability. Liquidity ratio is used to judge the ability of a firm to meet its short term maturing obligations. The higher the ratio the greater the margin of safety for short-term creditors (current ratio). While profitability ratio is concern with relative profitability and efficiency of utilization of resources of a business. Thus, this study seeks to determine the following: (1)The correlation between current ratio and profitability; as measured by return on assets (ROA), (2) The correlation between Acid-test ratio and profitability; as measured by return on assets (ROA), (3) The correlation between return on capital employed and profitability; as measured by return on assets (ROA). The research design adopted for this study is the “quantitative research design”. The population consists of publicly quoted companies that make up the “industrial/Domestic products” industry.

Ferrer Serra, Félix (2022): The subject Financial Statement Analysis, located in the Degree of ADE for entrepreneurs, third year, second semester, intends that the student who has completed the first course in the subject Financial Accounting and

in which has learned, among other aspects, to prepare the Financial Statements of a company, complete the knowledge of the accounting cycle with five additional skills: First, preparing the student to be able to extract and communicate to users, both internal and external, the information contained in Financial Statements, so that they can make decisions of economic nature (invest or not to invest, expand the business or not, extend credit or not, finance through debt or through the contribution of funds by owners, whether the company is in financial balance; etc.). Secondly, training the student to apply the tools of analysis acquired to the Annual Statements or Financial Statements of a company, being able to judge the economic and financial situation and trying to give solutions to possible imbalance situations. Third, in the development of its activity, the company generates receivables in its favor, which later transform into money by charging thereof; but also, it incurs in debts and payment obligations to be met by the application of the previous money.

Xiao-Jun Zhang (2022): This paper yields a summary score that informs about the sustainability (or persistence) of earnings and about the trailing P/E ratio. The score is delivered from a model that identifies unsustainable earnings from the financial statements by exploiting accounting relations that require that unsustainable earnings leave a trail in the accounts. The paper also builds a P/E model that recognizes that investors buy future earnings, so should pay less for current earnings if those earnings cannot be sustained in the future. In out-of-sample prediction tests, the analysis reliably identifies unsustainable earnings, and also explains cross-sectional differences in P/E ratios. The paper also finds that stock returns are predictable when traded P/E ratios differ from those indicated by our P/E model.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION:

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done systematically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. It is necessary for the researcher to know not only the research methods/techniques but also the methodology. Researchers not only need to know how to develop certain indices or tests, how to calculate the mean, the mode, the median or the standard deviation or chi-square, how to apply research techniques, but they also need to know which of these methods or techniques, are relevant and which are not, and what would they mean and indicate and why. Why a research study has been undertaken, how the research problem has been defined, in what way and why the hypothesis has been formulated, what data have been collected and what particular method has been adopted, why particular technique of analyzing data has been used and a host of similar other questions are usually answered when we talk of research methodology concerning a research problem study.

TOOLS USED FOR ANALYSIS:

STATISTICAL METHODS USED:

RATIO ANALYSIS:

Ratio analysis is a powerful tool used in financial analysis to evaluate a company's financial health by analyzing the relationship between different financial metrics. It involves calculating various financial ratios that provide insights into a company's performance and financial position. These ratios are then compared to industry benchmarks, historical trends, and other companies to identify strengths, weaknesses, opportunities, and threats.

Ratio analysis can help identify trends and potential areas of concern in a company's financial statements. Some of the key ratios that analysts use in financial analysis include:

- I. **Liquidity Ratios:** These ratios measure a company's ability to meet its short-term obligations. Examples of liquidity ratios include the current ratio and quick ratio.
- II. **Solvency Ratios:** These ratios measure a company's ability to meet its long-term obligations. Examples of solvency ratios include the debt-to-equity ratio and the interest coverage ratio.
- III. **Profitability Ratios:** These ratios measure a company's ability to generate profits from its operations. Examples of profitability ratios include the return on assets and return on equity.
- IV. **Efficiency Ratios:** These ratios measure a company's ability to manage its assets and liabilities efficiently. Examples of efficiency ratios include inventory turnover and accounts receivable turnover.

By using ratio analysis, financial analysts can gain a better understanding of a company's financial health, make informed investment decisions, and identify potential areas for improvement. However, it's important to note that ratio analysis should not be used in isolation and should always be considered alongside other factors such as industry trends, macroeconomic conditions, and management quality.

Ratios used in the study for analysis:

1. Current Ratio:

The current ratio is a liquidity ratio that measures a company's ability to pay off its short-term obligations using its current assets. It is calculated by dividing a company's current assets by its current liabilities.

The formula for calculating the current ratio is:

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

A current ratio of 1 or above is considered good, as it indicates that a company has enough current assets to cover its current liabilities. A current ratio of less than 1 suggests that a company may have difficulty paying off its short-term obligations.

2. Quick Ratio:

The Quick Ratio, also known as the Acid-Test Ratio, is a liquidity ratio that measures a company's ability to pay off its short-term obligations using its most liquid assets. It is a more conservative measure of liquidity compared to the Current Ratio, as it excludes inventory and other less liquid assets from the calculation.

The formula for calculating the Quick Ratio is:

$$\text{Quick Ratio} = (\text{Current Assets} - \text{Inventory} - \text{Prepaid Expenses}) / \text{Current Liabilities}$$

A Quick Ratio of 1 or above is considered good, as it indicates that a company has enough liquid assets to cover its current liabilities. A Quick Ratio of less than 1 suggests that a company may have difficulty paying off its short-term obligations.

3. Absolute liquidity ratio:

The Absolute Liquidity Ratio is a liquidity ratio that measures a company's ability to pay off its current liabilities using its most liquid assets. It is a more stringent measure of liquidity than the current ratio or the quick ratio, as it only considers cash and cash equivalents as the numerator and current liabilities as the denominator.

The formula for calculating the Absolute Liquidity Ratio is:

$$\text{Absolute Liquidity Ratio} = \text{Cash and Cash Equivalents} / \text{Current Liabilities}$$

A high Absolute Liquidity Ratio is considered good, as it indicates that a company has enough cash and cash equivalents to cover its current liabilities. However, a very high ratio may suggest that the company is holding too much cash, which could be invested elsewhere to generate higher returns.

4. Debt-to-equity ratio:

The debt-to-equity ratio is a financial metric used to measure a company's leverage or the extent to which it is using debt to finance its operations. It is calculated by dividing a company's total liabilities by its shareholders' equity.

The formula for the debt-to-equity ratio is:

$$\text{Debt to Equity Ratio} = \text{Total Debt} / \text{Shareholders' Equity}$$

Both the total debt and shareholders' equity figures can be found on a company's balance sheet. The higher the debt-to-equity ratio, the more leveraged the company is and the higher the risk for investors. A lower ratio indicates that the company has a larger portion of equity financing compared to debt financing, which may be seen as less risky by investors.

5. Gross Profit Ratio:

The Gross Profit Ratio, also known as the Gross Margin Ratio, is a profitability ratio that measures the percentage of sales that exceeds the cost of goods sold. It indicates how efficiently a company is utilizing its resources to produce goods and services.

The formula for calculating the Gross Profit Ratio is:

$$\text{Gross Profit Ratio} = (\text{Gross Profit} / \text{Net Sales}) \times 100$$

Where Gross Profit is calculated as the difference between net sales and the cost of goods sold. A high Gross Profit Ratio is considered good, as it indicates that a company is generating sufficient revenue to cover its production costs and operating expenses. However, a very high ratio may suggest that the company is not investing enough in marketing and advertising, which could limit its growth potential.

6. Debt-to-asset ratio:

The debt to assets ratio is a financial ratio that measures the proportion of a company's total assets that are financed by debt.

The formula for calculating the debt-to-assets ratio is:

$$\text{Debt-to-assets ratio} = \text{Total debt} / \text{Total assets}$$

where "Total debt" refers to all the outstanding debt obligations of a company and "Total assets" refers to all the assets owned by the company, including both current and non-current assets. The debt-to-assets ratio shows the degree of leverage or risk of default a company has taken on. A higher ratio indicates that a greater portion of the company's assets are financed by debt, which can indicate higher financial risk. Conversely, a lower ratio indicates that a smaller portion of the company's assets are financed by debt, which can indicate a lower financial risk.

7. Net Profit Ratio:

The Net Profit Ratio, also known as the Net Profit Margin, is a profitability ratio that measures the percentage of sales that remain as net profit after deducting all expenses, including cost of goods sold, operating expenses, interest, taxes, and other charges. It indicates how efficiently a company is generating profit from its sales.

The formula for calculating the Net Profit Ratio is:

$$\text{Net Profit Ratio} = (\text{Net Profit} / \text{Net Sales}) \times 100$$

Where Net Profit is calculated as the difference between net sales and all expenses. A high Net Profit Ratio is considered good, as it indicates that a company is generating sufficient profit from its sales to cover all its expenses and provide a return to its owners. However, a very high ratio may suggest that the company is not investing enough in research and development or capital expenditures, which could limit its growth potential.

8. Operating Profit Ratio:

The Operating Profit Ratio, also known as the Operating Margin Ratio, is a profitability ratio that measures the percentage of sales that remain as operating profit after deducting operating expenses but before deducting interest and taxes. It indicates how efficiently a company is generating profit from its core operations.

The formula for calculating the Operating Profit Ratio is:

$$\text{Operating Profit Ratio} = (\text{Operating Profit} / \text{Net Sales}) \times 100$$

Where Operating Profit is calculated as the difference between net sales and operating expenses. A high Operating Profit Ratio is considered good, as it indicates that a company is generating sufficient profit from its core operations to cover all its operating expenses and provide a return to its owners. However, a very high ratio may suggest that the company is not investing enough in research and development or capital expenditures, which could limit its growth potential.

9. Return on asset:

Return on Assets (ROA) is a profitability ratio that measures the efficiency with which a company is using its assets to generate profit. It measures the percentage of profit a company generates from its total assets.

The formula for calculating the Return on Assets ratio is:

$$\text{Return on Assets} = \text{Net Income} / \text{Total Assets}$$

Where Net Income is the profit after all expenses, taxes, and interest have been deducted, and Total Assets is the sum of all assets of the company. A high Return on Assets ratio is generally considered a positive sign as it indicates that the company is efficiently using its assets to generate profits. A low Return on Assets ratio may suggest that the company is not effectively using its assets to generate profits.

10. Fixed Asset turnover ratio:

The Fixed Asset Turnover Ratio is an efficiency ratio that measures how efficiently a company uses its fixed assets, such as property, plant, and equipment (PP&E), to generate sales revenue.

The formula for calculating the Fixed Asset Turnover Ratio is:

$$\text{Fixed Asset Turnover Ratio} = \text{Net Sales} / \text{Average Fixed Assets}$$

Where Net Sales is the total sales revenue generated by the company during a given period, and Average Fixed Assets is the average value of the company's fixed assets during the same period.

Cash Flow Analysis

Cash flow analysis is a financial analysis technique that evaluates a company's ability to generate cash from its operations, investments, and financing activities. It involves examining a company's cash inflows and outflows to determine its liquidity, financial health, and ability to pay its bills and invest in growth opportunities.

Cash flow analysis is important because it provides a more accurate picture of a company's financial health than traditional accounting measures such as net income, which can be influenced by non-cash items such as depreciation.

There are three types of cash flows that are analyzed in cash flow analysis:

- 1) **Operating Cash Flow:** This refers to the cash generated or used in a company's core business operations, such as sales and purchases of inventory. Positive operating cash flow indicates that a company is generating cash from its core business activities, which is a good sign for its financial health.
- 2) **Investing Cash Flow:** This refers to the cash generated or used in a company's investment activities, such as purchasing property, plant, and equipment or selling long-term assets. Positive investing cash flow indicates that a company is investing in growth opportunities and acquiring assets, which can be a good sign for its long-term prospects.
- 3) **Financing Cash Flow:** This refers to the cash generated or used in a company's financing activities, such as issuing or repurchasing stock, paying dividends, or borrowing money. Positive financing cash flow indicates that a company is generating cash from financing activities, which can be a good sign for its financial flexibility.

By analyzing a company's cash flows, investors and analysts can gain insights into its liquidity, financial health, and ability to meet its financial obligations. A company with positive cash flows from its core business operations, prudent investments in growth opportunities, and solid financing activities is generally considered to be financially healthy and capable of sustaining long-term growth.

Comparative Balance sheet:

Comparative balance sheet analysis is a technique used to analyze the changes in a company's balance sheet accounts over two or more periods. This analysis helps in understanding the company's financial position, trends, and changes over time.

To perform a comparative balance sheet analysis, the financial statements for two or more periods are compared side-by-side, with the dollar and percentage change calculated for each account. The changes can be evaluated to identify any significant trends, opportunities, or risks.

Some of the key points to look for in a comparative balance sheet analysis are:

- 1) Changes in assets: Look for any significant changes in the company's assets, such as an increase or decrease in cash, accounts receivable, inventory, or property, plant, and equipment.
- 2) Changes in liabilities: Look for any significant changes in the company's liabilities, such as an increase or decrease in accounts payable, long-term debt, or accrued expenses.
- 3) Changes in equity: Look for any significant changes in the company's equity, such as an increase or decrease in retained earnings, common stock, or treasury stock.
- 4) Financial ratios: Calculate key financial ratios based on the balance sheet information, such as the current ratio, debt-to-equity ratio, and return on equity. Compare the ratios across different periods to identify any trends or changes.

Overall, a comparative balance sheet analysis provides valuable insights into a company's financial position, trends, and changes over time. By understanding the company's financial performance and position, investors and analysts can make more informed investment decisions.

Trend analysis:

Trend analysis is a financial analysis technique that involves examining a company's financial data over time to identify any patterns or trends that can provide insights into its financial performance. The analysis is done by comparing financial data for different periods, such as years, quarters, or months, and identifying any changes, growth, or declines in the data.

Trend analysis is an important tool in financial statement analysis as it helps in identifying the direction and speed of change in a company's financial performance. It enables analysts to track the company's progress over time and to identify any areas of concern or opportunities for growth.

Some of the key steps involved in trend analysis are:

- 1) Identify the financial data to be analyzed: Determine which financial statements and accounts will be analyzed, such as income statement, balance sheet, and cash flow statement.
- 2) Collect the data: Gather the financial data for the selected periods, ensuring that the data is accurate, reliable, and consistent.
- 3) Calculate the percentage change: Calculate the percentage change in each account by dividing the difference between the values for two periods by the value of the earlier period, then multiplying by 100.
- 4) Analyze the trends: Analyze the trends in the financial data by examining the percentage changes over time. Look for any patterns, trends, or anomalies in the data and identify any areas of concern or opportunities for growth.

Trend analysis can be useful in identifying financial risks, such as declining revenues, increasing costs, or decreasing profitability, and in identifying opportunities for growth, such as increasing sales, expanding into new markets, or improving efficiency. It can also be useful in forecasting future financial performance based on historical trends and in making informed investment decisions.

3.2 RESEARCH DESIGN:

Research design is a conceptual structure within which the research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. There are many types of research design that a researcher may use for his/her study. The following are the key features of a research design:

- I. It is the plan that indicates the sources and types of information relevant to the research problem.
- II. It is a strategy specifying which approach will be used for collecting and analyzing the data.
- III. It also contains the time and cost budgets as most studies are done under these two impediments.

In short, research design must, at least, contain:

- a) A clear statement of the research problem.
- b) Procedures and techniques to be used for data collection.
- c) The population to be studied; and
- d) Methods to be used in processing and analyzing data.

Research design has a great bearing on the reliability of the results arrived at and constitutes the firm foundation of the entire edifice of the research work.

The types of research design used in the study are:

- a) Descriptive design: This type of research design is used to describe the financial performance of a company. It involves summarizing and presenting the financial information in a meaningful way, such as through ratios and trends analysis.
- b) Comparative design: This research design is used to compare the financial performance of different companies or industries. It involves benchmarking a company's financial ratios and performance against those of its peers or industry standards.

- c) Case study design: This research design involves the in-depth analysis of a particular company's financial statements and performance, typically to understand the causes and implications of specific financial events or decisions.
- d) Longitudinal design: This type of research design involves the analysis of a company's financial performance over time, often to identify trends or patterns in its financial performance. It may involve the comparison of financial statements from multiple years or quarters.

3.3 SOURCES OF DATA:

The task of data collection begins after a research problem has been defined and research design plan chalked out. While deciding about the method of data collection to be used for the study, the researcher should keep in mind two types of data viz., primary data and secondary data.

SECONDARY DATA:

Secondary data refers to the data that was collected by someone other than the user. Common sources of secondary data includes census, information collected by government departments, organizational records and data that was originally collected for other research purposes. Secondary data analysis can save time that would otherwise be spent collecting data and particularly in the case of quantitative data, can provide larger and higher-quality database that would be unfeasible for any individual researcher to collect on their own. In addition, analysts of social and economic change consider secondary data essential since it is impossible to conduct a new survey that can adequately capture past change and/or developments.

SECONDARY DATA COLLECTION:

The secondary data are those which have already been collected by someone else and which have already been passed through the statistical process. Secondary data were obtained from: -

- Balance Sheet
- Annual Report
- Company Website

3.4 PERIOD OF STUDY:

The study was done based on the financial data of Hewlett Packard Enterprise's 5 years Balance sheet and The Annual Reports of the company (2017-2022)

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

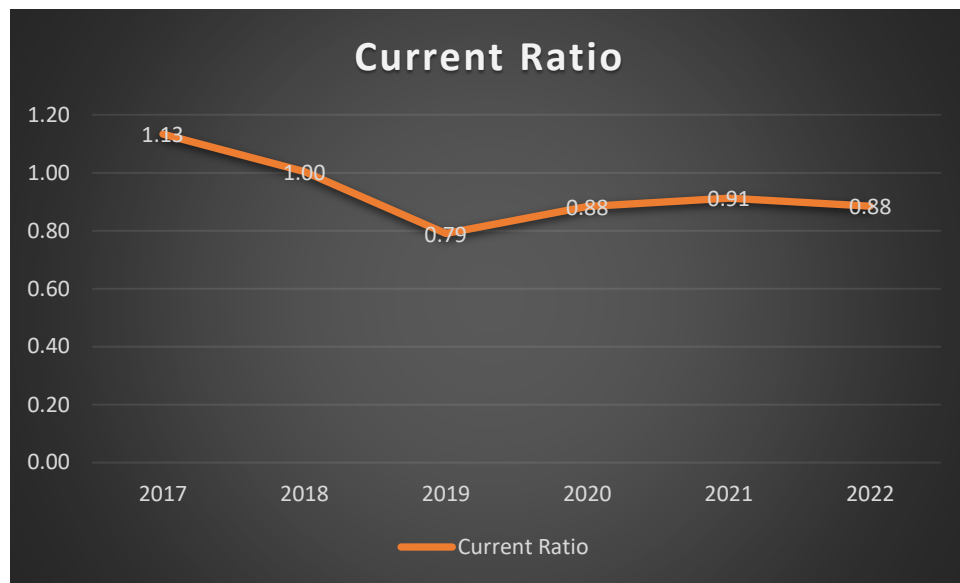
4.1 RATIO ANALYSIS

1. CURRENT RATIO:

4.1.1 TABLE INDICATING CURRENT RATIO

Particulars	2017	2018	2019	2020	2021	2022
ASSETS (In Million \$)						
Current Assets :						
Cash and cash equivalents	9,579	4,880	3,753	4,233	3,996	4,163
Accounts receivable, net of allowances	3,073	3,263	2,957	3,386	3,979	4,101
Financing receivables, net of allowances	3,378	3,396	3,572	3,794	3,932	3,522
Inventory	2,315	2,447	2,387	2,674	4,511	5,161
Assets held for sale	14	6	46	0	0	0
Other current assets	3,085	3,280	2,428	2,469	2,460	3,559
Total current assets	21,444	17,272	15,143	16,556	18,878	20,506
LIABILITIES (In Million \$)						
Current liabilities:						
Notes payable and short-term borrowings	3,850	2,005	4,425	3,755	3552	4612
Accounts payable	6,072	6,092	5,595	5,383	7004	8717
Employee compensation and benefits	1,156	1,412	1,522	1,391	1778	1401
Taxes on earnings	429	378	186	148	169	176
Deferred revenue	3,128	3,177	3,234	3,430	3408	3541
Accrued restructuring	445	294	195	366	290	192
Other accrued liabilities	3,844	3,840	4,002	4,265	4486	4625
Total current liabilities	18,924	17,198	19,159	18,738	20687	23174
Current Ratio	1.13	1.00	0.79	0.88	0.91	0.88

4.1.1 CHART REPRESENTING CURRENT RATIO



INTERPRETATION:

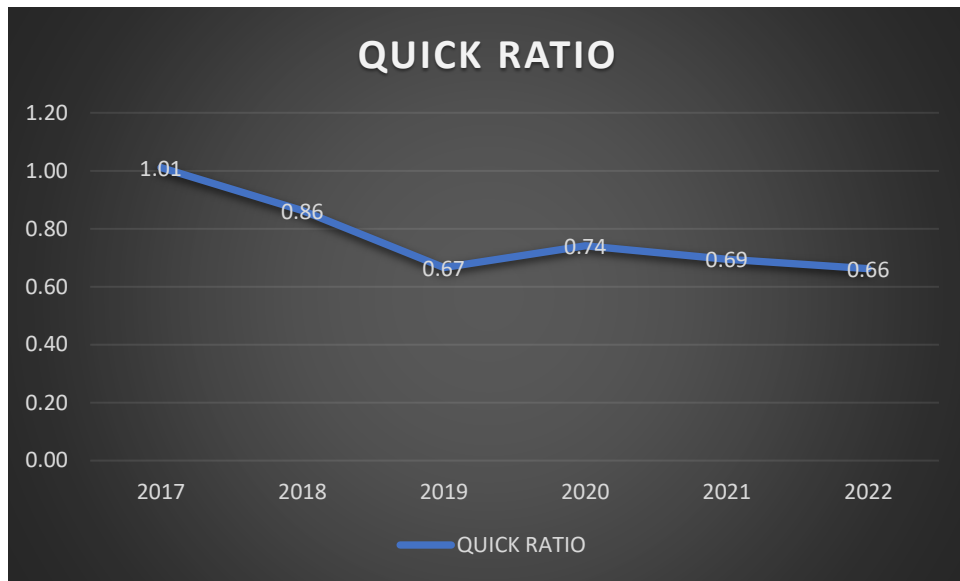
The Current ratio for the year 2017 is 1.13, 2018 is 1, 2019 is 0.79, 2020 is 0.88, 2021 is 0.91 and 2022 is 0.88.

2. QUICK RATIO:

4.1.2 TABLE INDICATING QUICK RATIO

Particulars	2017	2018	2019	2020	2021	2022
ASSETS						
Current Assets :		Million \$				
Cash and cash equivalents	9,579	4,880	3,753	4,233	3,996	4,163
Accounts receivable, net of allowances	3,073	3,263	2,957	3,386	3,979	4,101
Financing receivables, net of allowances	3,378	3,396	3,572	3,794	3,932	3,522
Inventory	2,315	2,447	2,387	2,674	4,511	5,161
Assets held for sale	14	6	46	0	0	0
Other current assets	3,085	3,280	2,428	2,469	2,460	3,559
Total current assets	21,444	17,272	15,143	16,556	18,878	20,506
Less: INVENTORY	19,129	14,825	12,756	13,882	14,367	15,345
LIABILITIES						
Current liabilities						
Notes payable and short-term borrowings	3,850	2,005	4,425	3,755	3552	4612
Accounts payable	6,072	6,092	5,595	5,383	7004	8717
Employee compensation and benefits	1,156	1,412	1,522	1,391	1778	1401
Taxes on earnings	429	378	186	148	169	176
Deferred revenue	3,128	3,177	3,234	3,430	3408	3541
Accrued restructuring	445	294	195	366	290	192
Other accrued liabilities	3,844	3,840	4,002	4,265	4486	4625
Total current liabilities	18,924	17,198	19,159	18,738	20687	23174
QUICK RATIO	1.01	0.86	0.67	0.74	0.69	0.66

4.1.2 CHART REPRESENTING QUICK RATIO



INTERPRETATION:

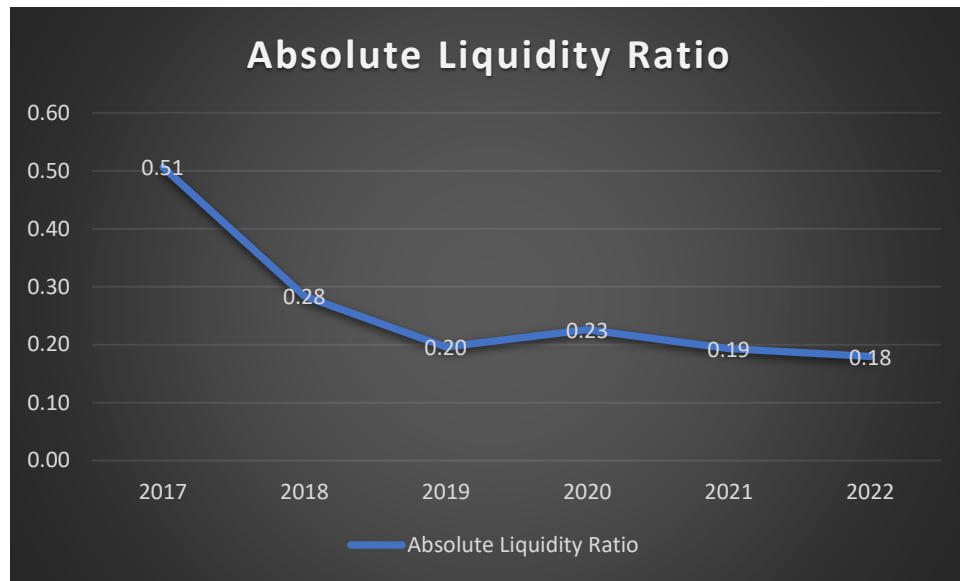
The Quick ratio for the year 2017 is 1.01, 2018 is 0.86, 2019 is 0.67, 2020 is 0.74, 2021 is 0.69 and 2022 is 0.66.

3. ABSOLUTE QUICK RATIO:

4.1.3 TABLE INDICATING ABSOLUTE QUICK RATIO

Particulars	2017	2018	2019	2020	2021	2022
ASSETS (Million \$)						
Cash and cash equivalents	9,579	4,880	3,753	4,233	3,996	4,163
TOTAL cash and cash equivalents	9,579	4,880	3,753	4,233	3,996	4,163
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Notes payable and short-term borrowings	3,850	2,005	4,425	3,755	3552	4612
Accounts payable	6,072	6,092	5,595	5,383	7004	8717
Employee compensation and benefits	1,156	1,412	1,522	1,391	1778	1401
Taxes on earnings	429	378	186	148	169	176
Deferred revenue	3,128	3,177	3,234	3,430	3408	3541
Accrued restructuring	445	294	195	366	290	192
Other accrued liabilities	3,844	3,840	4,002	4,265	4486	4625
Total current liabilities	18,924	17,198	19,159	18,738	20687	23174
Absolute Liquidity Ratio	0.51	0.28	0.20	0.23	0.19	0.18

4.1.3 CHART REPRESENTING ABSOLUTE LIQUIDITY RATIO



INTERPRETATION:

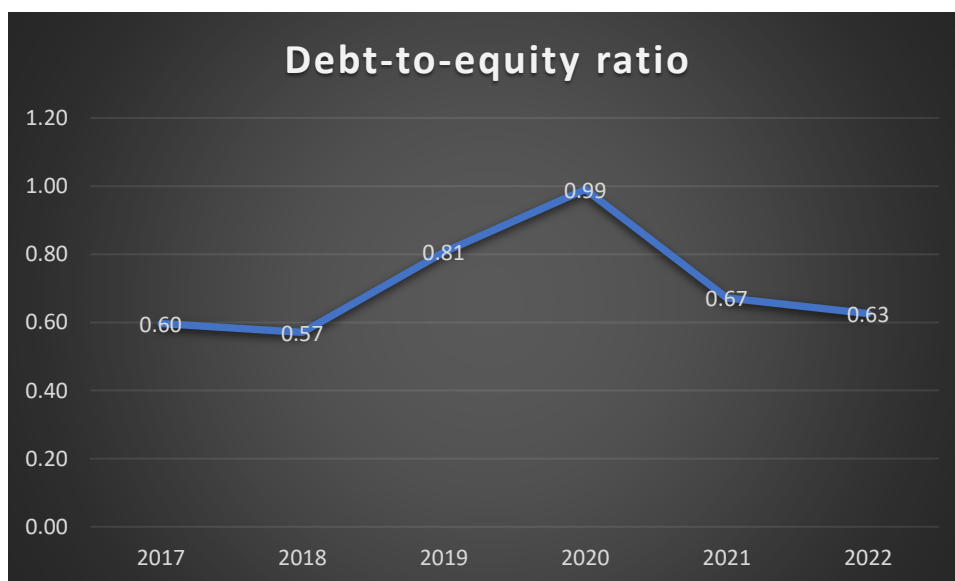
The Absolute liquidity ratio for the year 2017 is 0.51, 2018 is 0.28, 2019 is 0.20, 2020 is 0.23, 2021 is 0.19 and 2022 is 0.18.

4. DEBT-TO-EQUITY RATIO:

4.1.4 TABLE INDICATING DEBT-TO-EQUITY RATIO

Particular (Million \$)	2017	2018	2019	2020	2021	2022
Notes payable and short-term borrowings	3,850	2,005	4,425	3,755	3552	4612
Long-term debt	10,182	10,136	9,395	12,186	9896	7853
Total Debt	14,032	12,141	13,820	15,941	13,448	12,465
Total HPE stockholders' equity	23,466	21,239	17,098	16,049	19971	19864
Non-controlling interests	39	35	51	47	46	45
Total Equity	23,505	21,274	17,149	16,096	20,017	19,909
Debt-to-equity ratio	0.60	0.57	0.81	0.99	0.67	0.63

4.1.4 CHART REPRESENTING DEBT-TO-EQUITY RATIO



INTERPRETATIONS:

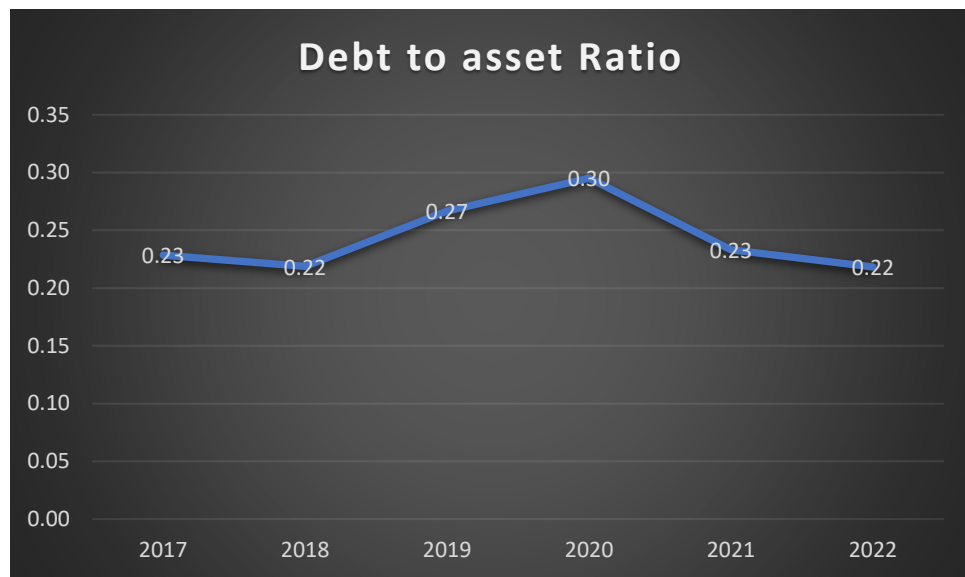
The Debt-to-equity ratio for the year 2017 is 0.60, 2018 is 0.57, 2019 is 0.81, 2020 is 0.99, 2021 is 0.67 and 2022 is 0.63.

5. DEBT-TO-ASSET RATIO:

4.1.5 TABLE INDICATING DEBT-TO-ASSET RATIO

Particulars (Million \$)	2017	2018	2019	2020	2021	2022
Notes payable and short-term borrowings	3,850	2,005	4,425	3,755	3552	4612
Long-term debt	10,182	10,136	9,395	12,186	9896	7853
Total Debt	14,032	12,141	13,820	15,941	13,448	12,465
Current Assets:						
Cash and cash equivalents	9,579	4,880	3,753	4,233	3,996	4,163
Accounts receivable, net of allowances	3,073	3,263	2,957	3,386	3,979	4,101
Financing receivables, net of allowances	3,378	3,396	3,572	3,794	3,932	3,522
Inventory	2,315	2,447	2,387	2,674	4,511	5,161
Assets held for sale	14	6	46	0	0	0
Other current assets	3,085	3,280	2,428	2,469	2,460	3,559
Total current assets	21,444	17,272	15,143	16,556	18,878	20,506
Property, plant and equipment	6,269	6,138	6,054	5,625	5,613	5,784
Long-term financing receivables and other assets	12,600	11,359	8,918	10,544	11,670	10,537
Investments in equity interests .	2,535	2,398	2,254	2,170	2,210	2,160
Goodwill	17,516	17,537	18,306	18,017	18,306	17,403
Intangible assets	1,042	789	1,128	1,103	1,022	733
Total assets	61,406	55,493	51,803	54,015	57,699	57,123
Debt to asset Ratio	0.23	0.22	0.27	0.30	0.23	0.22

4.1.5 CHART REPRESENTING DEBT-TO-ASSET RATIO



INTERPRETATION:

The Debit-to-asset ratio for the year 2017 is 0.23, 2018 is 0.22, 2019 is 0.27, 2020 is 0.30, 2021 is 0.23 and 2022 is 0.22.

6. GROSS PROFIT RATIO:

4.1.6 TABLE INDICATING GROSS PROFIT RATIO

Particulars (Million \$)	2017	2018	2019	2020	2021	2022
Net revenue	28,871	30,852	29,135	26,982	27,784	28,496
Cost of sales	20,202	21,621	19,642	18,513	18,408	18,990
Gross profit	8,669	9,231	9,493	8,469	9,376	9,506
Gross profit Ratio	0.43	0.43	0.48	0.46	0.51	0.50

4.1.6 CHART REPRESENTING GROSS PROFIT RATIO



INTERPRETATION:

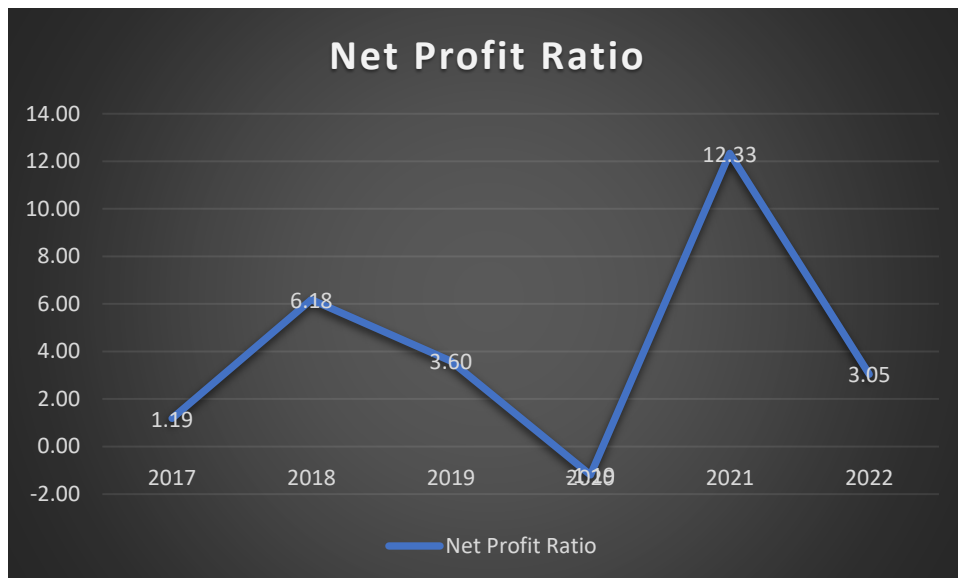
The gross profit ratio for the 2017 is 0.43, 2018 is 0.43, 2019 is 0.48, 2020 is 0.46, 2021 is 0.51 and 2022 is 0.50.

7. NET PROFIT RATIO:

4.1.7 TABLE INDICATING NET PROFIT RATIO

Particulars (Million \$)	2017	2018	2019	2020	2021	2022
Net revenue	28,871	30,852	29,135	26,982	27,784	28,496
Net Earnings	344	1,908	1,049	-322	3,427	868
Net Profit Ratio	1.19	6.18	3.60	-1.19	12.33	3.05

4.1.7 CHART REPRESENTING NET PROFIT



INTERPRETATION:

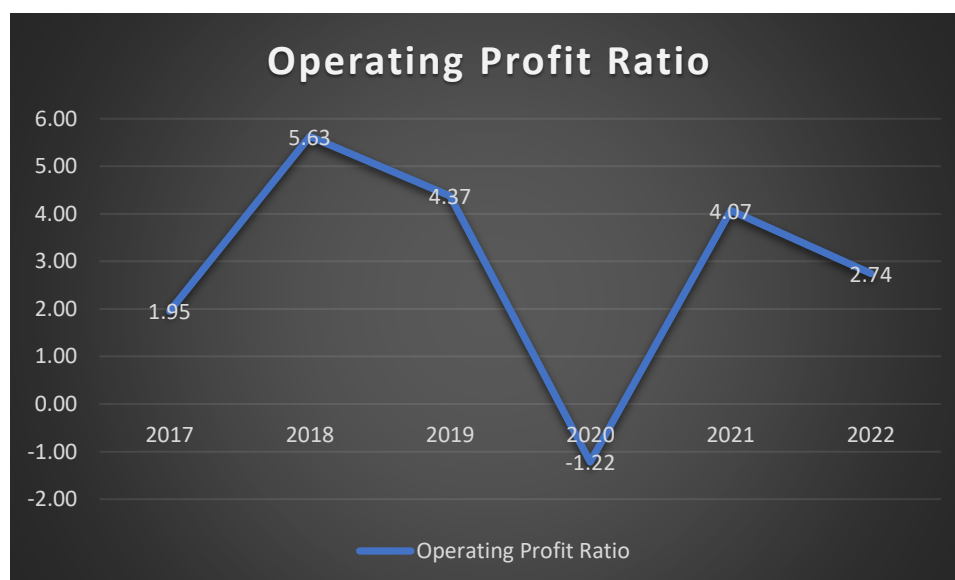
The Net profit ratio for the year 2017 is 1.19, 2018 is 6.18, 2019 is 3.60, 2020 is -1.19, 2021 is 12.33 and 2022 is 3.05.

8. OPERATING PROFIT RATIO:

4.1.8 TABLE INDICATING OPERATING PROFIT RATIO

Particulars (Million \$)	2017	2018	2019	2020	2021	2022
Net revenue	28,871	30,852	29,135	26,982	27,784	28,496
Earnings from operations	564	1,737	1,274	-329	1,132	782
Operating Profit Ratio	1.95	5.63	4.37	-1.22	4.07	2.74

4.1.8 CHART REPRESENTING OPERATING PROFIT RATIO



INTERPRETATION:

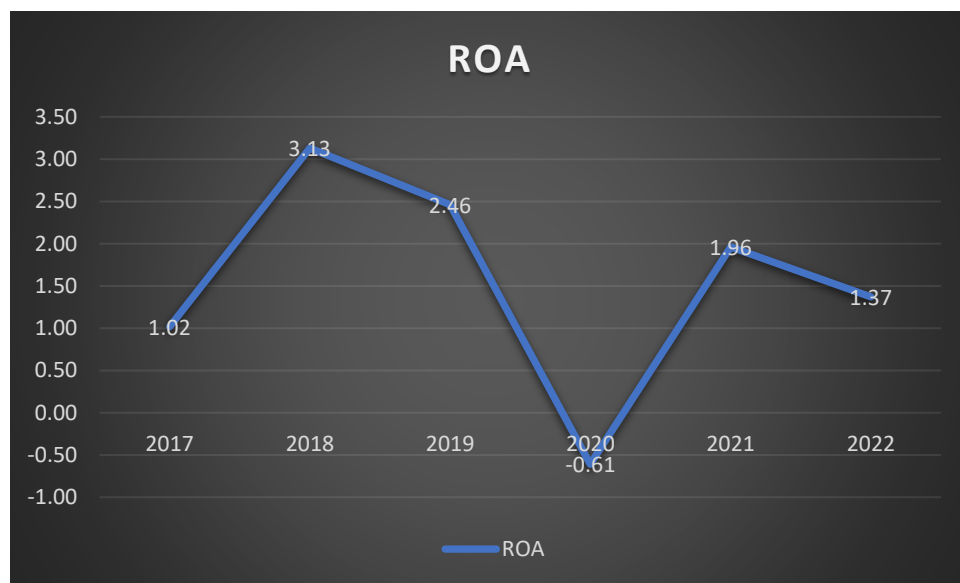
The operating profit ratio for the year 2017 is 1.95, 2018 is 5.63, 2019 is 4.37, 2020 is -1.22, 2021 is 4.07 and 2022 is 2.74.

9. RETURN ON ASSETS:

4.1.9 TABLE REPRESENTING RETURN ON ASSETS

Particulars (Million \$)	2017	2018	2019	2020	2021	2022
Total Revenue	28,871	30,852	29,135	26,982	27,784	28,496
Total Expenses	28,246	29,115	27,861	27,311	26,652	27,714
Net Income	625	1,737	1,274	-329	1,132	782
Total Investments	61,406	55,493	51,803	54,015	57,699	57,123
ROA	1.02	3.13	2.46	-0.61	1.96	1.37

4.1.9 CHART REPRESENTING RETURN ON ASSET



INTERPRETATION:

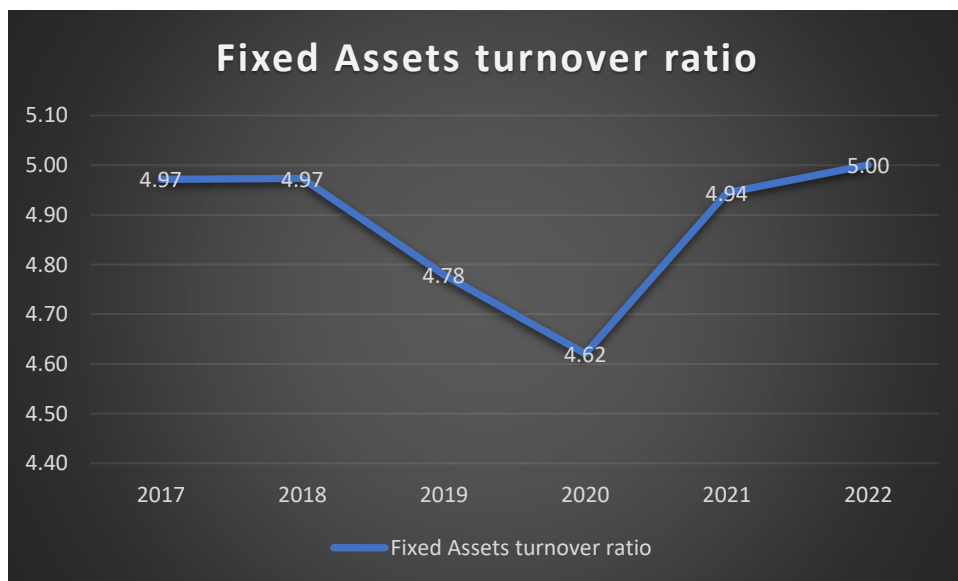
The Return on asset for the year 2017 is 1.02, 2018 is 3.13, 2019 is 2.46, 2020 in - 0.61, 2021 is 1.96 and 2022 is 1.37.

10. FIXED ASSET TURNOVER RATIO:

4.1.10 TABLE INDICATING FIXED ASSET TURNOVER RATIO

Particulars (Million \$)	2017	2018	2019	2020	2021	2022
Fixed assets at the beginning of the year	5,345	6,269	6,138	6,054	5,625	5,613
Fixed assets at the end of the year	6,269	6,138	6,054	5,625	5,613	5,784
Average of fixed assets	5807	6203.5	6096	5839.5	5619	5698.5
Net Revenue	28,871	30,852	29,135	26,982	27,784	28,496
Fixed Assets turnover ratio	4.97	4.97	4.78	4.62	4.94	5.00

4.1.10 FIXED ASSETS TURNOVER RATIO



Interpretation:

The Fixed asset turnover ratio for the year 2017 is 4.97, 2018 is 4.97, 2019 is 4.78, 2020 is 4.62, 2021 is 4.94 and 2022 is 5.00

4.2 CASH FLOW ANALYSIS

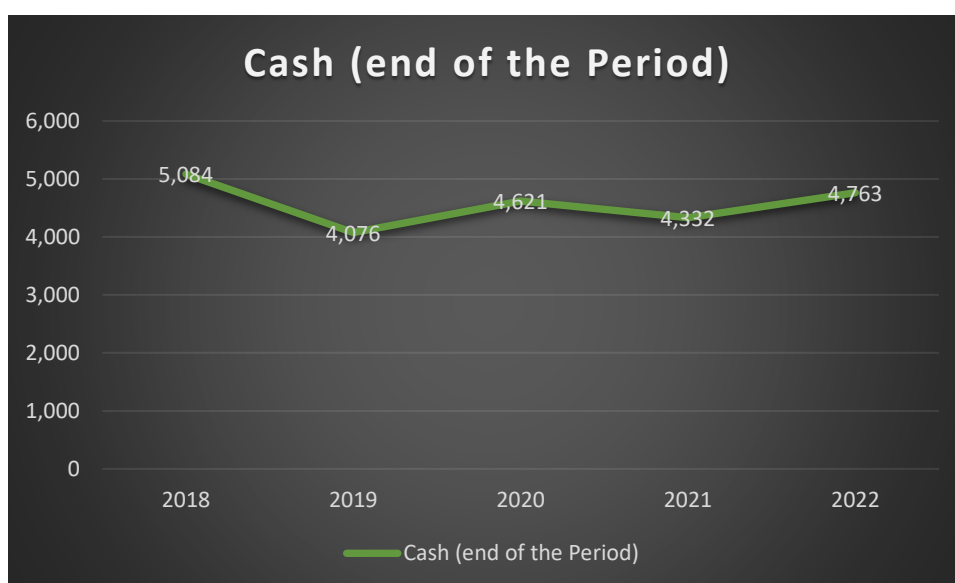
4.2.1 TABLE REPRESENTING CASH FLOW ANALYSIS

Particulars (Million \$)	2018	2019	2020	2021	2022
Cash flows from operating activities:					
Net earnings (loss)	1,908	1,049	-322	3,427	868
Adjustments to reconcile net earnings (loss) to net cash provided by					
operating activities:					
Depreciation and amortization	2,576	2,535	2,625	2,597	2,480
Impairment of goodwill	88	0	865	0	905
Stock-based compensation expense	286	268	274	382	391
Provision for inventory and doubtful accounts	198	240	308	176	262
Restructuring charges	550	221	769	620	214
Deferred taxes on earnings	2,229	1,079	-294	-167	-249
Earnings from equity interests	-38	-20	-67	-180	-215
Dividends received from equity investees	164	156	165	184	197
Other, net	-158	204	163	202	310
Changes in operating assets and liabilities, net of acquisitions:					
Accounts receivable	-220	374	-461	-591	-186
Financing receivables	-366	-410	-487	-165	694
Inventory	-260	46	-527	-1,959	-713
Accounts payable	-27	-525	-225	1,608	1,707
Taxes on earnings	-4,516	-1,093	-122	-73	150
Restructuring	-647	-331	-478	-527	-334
Other assets and liabilities	1,197	204	54	337	-1,888
Net cash provided by operating activities	2,964	3,997	2,240	5,871	4,593
Cash flows from investing activities:					

Investment in property, plant and equipment	-2,956	-2,856	-2,383	-2,502	-3,122
Proceeds from sale of property, plant and equipment	1,094	597	703	354	602
Purchases of investments	-33	-39	-101	-60	-55
Proceeds from maturities and sales of investments	98	26	48	15	262
Financial collateral posted	-1,625	-403	-644	-903	-148
Financial collateral received	1,736	744	665	805	374
Payments made in connection with business acquisitions, net of cash acquired	-207	-1,526	-866	-505	0
Proceeds from business divestitures, net	13				
Net cash used in investing activities	-1,880	-3,457	-2,578	-2,796	-2,087
Cash flows from financing activities:					
Short-term borrowings with original maturities less than 90 days, net	5	-53	-9	-36	100
Proceeds from debt, net of issuance costs	2,457	3,517	7,007	3,022	3,296
Payment of debt	-4,138	-2,203	-5,099	-5,465	-3,992
Settlement of cash flow hedge		0	0	0	-8
Net payments related to stock-based award activities	116	48	-36	-29	-53
Repurchase of common stock	-3,568	-2,249	-355	-213	-512
Net transfer of cash and cash equivalents to Everett	-41	0	0	0	0
Net transfer of cash and cash equivalents from Seattle	156	0	0	0	0
Cash dividends paid to non-controlling interests, net of contributions	-9	0	-7	-18	-6
Cash dividends paid to shareholders	-570	-608	-618	-625	-621

Net cash (used in) provided by financing activities	-5,592	-1,548	883	-3,364	-1,796
Effect of exchange rate changes on cash, cash equivalents, and restricted cash		0	0	0	-279
Increase (decrease) in cash, cash equivalents and restricted cash	-4,508	-1,008	545	-289	431
Cash, cash equivalents and restricted cash at beginning of period	9,592	5,084	4,076	4,621	4,332
Cash, cash equivalents and restricted cash at end of period	5,084	4,076	4,621	4,332	4,763

4.2.1 CHART REPRESENTING CASH FLOW



INTERPRETATION:

1. Cash flows from operating activities:

HPE has a positive cash flow from operating activities in all five years. The net cash provided by operating activities has increased from \$2,964 million in 2018 to \$4,593 million in 2022. This is a positive sign for the company, as it indicates that the company is generating cash from its core business operations.

2. Cash flows from investing activities:

HPE has a negative cash flow from investing activities in all five years. The net cash used in investing activities has decreased from -\$1,880 million in 2018 to -\$2,087 million in 2022. This is also a positive sign for the company, as it indicates that the company is investing less cash in its non-core business activities.

3. Cash flows from financing activities:

HPE has a negative cash flow from financing activities in all five years. The net cash used in financing activities has decreased from -\$5,592 million in 2018 to -\$1,796 million in 2022. This is a mixed sign for the company, as it indicates that the company is reducing its debt levels but also repurchasing its common stock.

4.3 COMPARATIVE BALANCE SHEET:

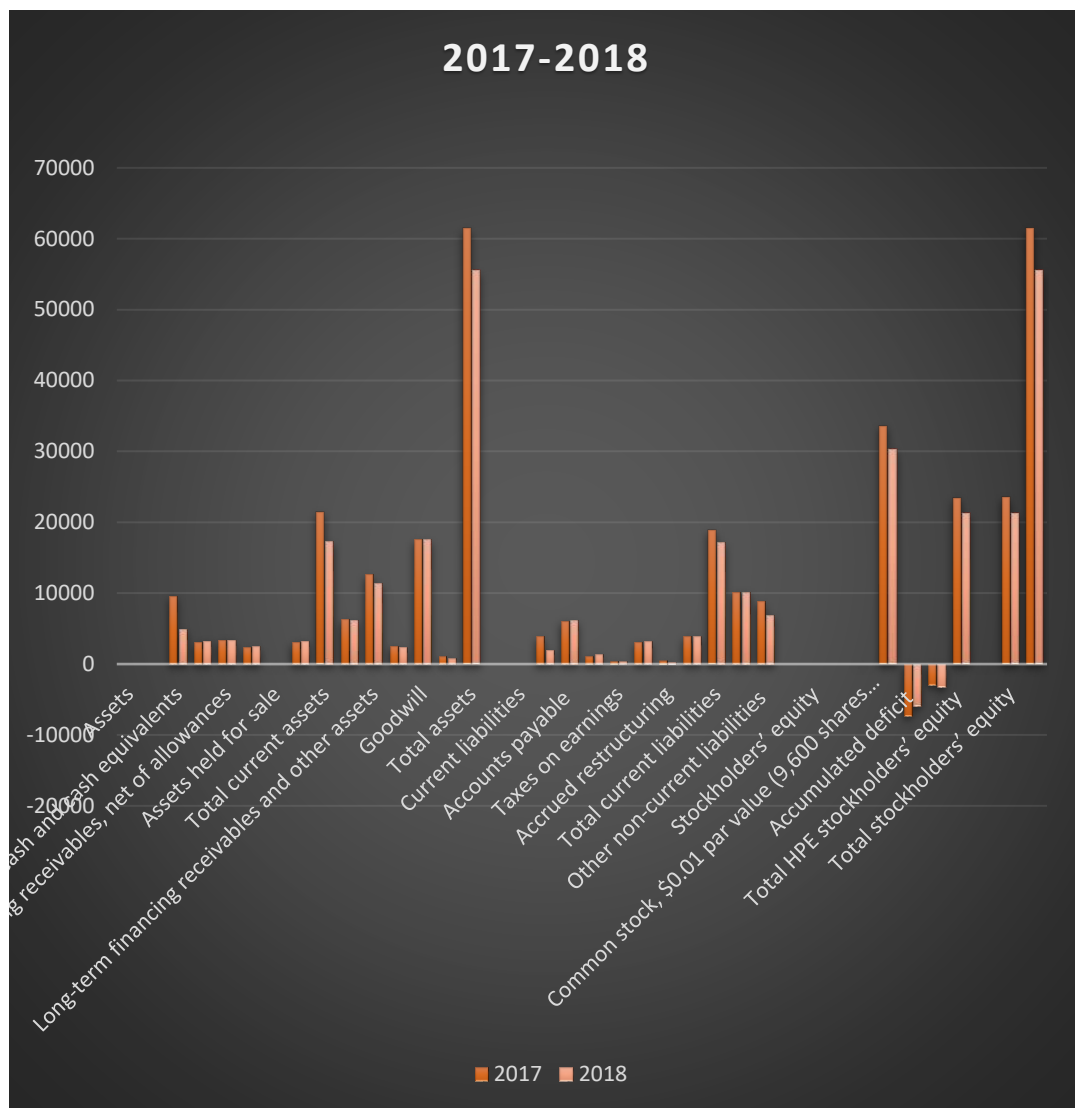
1. 2017-2018:

4.3.1 TABLE INDICATING COMPARATIVE BALANCE SHEET 2017-2018

Particulars (Million \$)	2017	2018	INCREASE/ DECREASE	Percentage
Assets				
Current Assets :				
Cash and cash equivalents	9,579	4,880	-4,699	49%
Accounts receivable, net of allowances	3,073	3,263	190	6%
Financing receivables, net of allowances	3,378	3,396	18	1%
Inventory	2,315	2,447	132	6%
Assets held for sale	14	6	-8	57%
Other current assets	3,085	3,280	195	6%
Total current assets	21,444	17,272	-4,172	19%
Property, plant and equipment	6,269	6,138	-131	2%
Long-term financing receivables and other assets	12,600	11,359	-1,241	10%
Investments in equity interests	2,535	2,398	-137	5%
Goodwill	17,516	17,537	21	0%
Intangible assets	1,042	789	-253	24%
Total assets	61,406	55,493	-5,913	10%
LIABILITIES				
Current liabilities				
Notes payable and short-term borrowings	3,850	2,005	-1,845	48%
Accounts payable	6,072	6,092	20	0%

Employee compensation and benefits	1,156	1,412	256	22%
Taxes on earnings	429	378	-51	12%
Deferred revenue	3,128	3,177	49	2%
Accrued restructuring	445	294	-151	34%
Other accrued liabilities	3,844	3,840	-4	0%
Total current liabilities	18,924	17,198	-1,726	9%
Long-term debt	10,182	10,136	-46	0%
Other non-current liabilities	8,795	6,885	-1,910	22%
Commitments and contingencies				
Stockholders' equity				
HPE stockholders' equity:				
Common stock, \$0.01 par value (9,600 shares authorized; 1,281 and 1,295 issued and outstanding at October 31, 2022 and October 31, 2021, respectively)	16	14	-2	13%
Additional paid-in capital	33,583	30,342	-3,241	10%
Accumulated deficit	-7,238	-5,899	1,339	18%
Accumulated other comprehensive loss	-2,895	-3,218	-323	11%
Total HPE stockholders' equity	23,466	21,239	-2,227	9%
Non-controlling interests	39	35	-4	10%
Total stockholders' equity	23,505	21,274	-2,231	9%
Total liabilities and stockholders' equity	61,406	55,493	-5,913	10%

4.3.1 CHART REPRESENTING COMPARATIVE BALANCE SHEET 2017-2018



INTERPRETATION:

Total assets decreased by 10% from 2017 to 2018, from \$61,406 million to \$55,493 million. Current assets decreased by 19% from 2017 to 2018, from \$21,444 million to \$17,272 million. Cash and cash equivalents decreased by 49% from 2017 to 2018, from \$9,579 million to \$4,880 million. Accounts receivable, net of allowances, increased by 6% from 2017 to 2018, from \$3,073 million to \$3,263 million. Long-term financing receivables and other assets decreased by 10% from 2017 to 2018, from \$12,600 million to \$11,359 million. Goodwill remained almost unchanged, increasing by only 0.1% from 2017 to 2018, from \$17,516 million to \$17,537 million. Total current liabilities decreased by 9% from 2017 to 2018, from \$18,924

million to \$17,198 million. Notes payable and short-term borrowings decreased by 48% from 2017 to 2018, from \$3,850 million to \$2,005 million. Employee compensation and benefits increased by 22% from 2017 to 2018, from \$1,156 million to \$1,412 million. Stockholders' equity decreased by 9% from 2017 to 2018, from \$23,505 million to \$21,274 million.

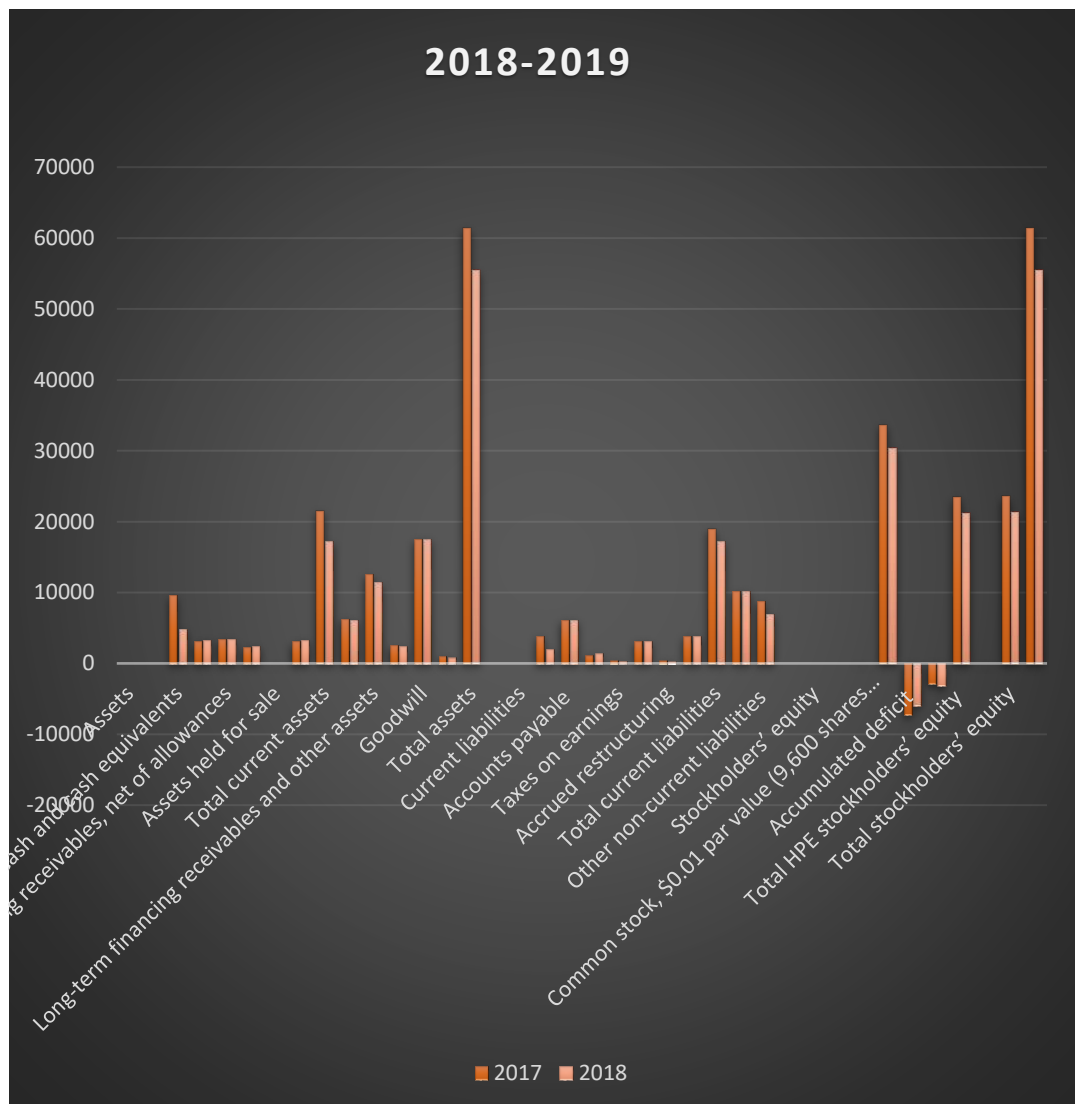
2. 2018-2019:

4.3.2 TABLE INDICATING COMPARATIVE BALANCE SHEET 2018-2019

Particulars (Million \$)	2018	2019	INCREASE/ DECREASE	Percentage
Assets				
Current Assets :				
Cash and cash equivalents	4,880	3,753	-1,127	23%
Accounts receivable, net of allowances	3,263	2,957	-306	9%
Financing receivables, net of allowances	3,396	3,572	176	5%
Inventory	2,447	2,387	-60	2%
Assets held for sale	6	46	40	667%
Other current assets	3,280	2,428	-852	26%
Total current assets	17,272	15,143	-2,129	12%
Property, plant and equipment	6,138	6,054	-84	1%
Long-term financing receivables and other assets	11,359	8,918	-2,441	21%
Investments in equity interests .	2,398	2,254	-144	6%
Goodwill	17,537	18,306	769	4%
Intangible assets	789	1,128	339	43%
Total assets	55,493	51,803	-3,690	7%
LIABILITIES				
Current liabilities				
Notes payable and short-term borrowings	2,005	4,425	2,420	121%
Accounts payable	6,092	5,595	-497	8%
Employee compensation and benefits	1,412	1,522	110	8%
Taxes on earnings	378	186	-192	51%

Deferred revenue	3,177	3,234	57	2%
Accrued restructuring	294	195	-99	34%
Other accrued liabilities	3,840	4,002	162	4%
Total current liabilities	17,198	19,159	1,961	11%
Long-term debt	10,136	9,395	-741	7%
Other non-current liabilities	6,885	6,100	-785	11%
Commitments and contingencies				
Stockholders' equity				
HPE stockholders' equity:				
Common stock, \$0.01 par value (9,600 shares authorized; 1,281 and 1,295 issued and outstanding at October 31, 2022 and October 31, 2021, respectively)	14	13	-1	7%
Additional paid-in capital	30,342	28,444	-1,898	6%
Accumulated deficit	-5,899	-7,632	-1,733	29%
Accumulated other comprehensive loss	-3,218	-3,727	-509	16%
Total HPE stockholders' equity	21,239	17,098	-4,141	19%
Non-controlling interests	35	51	16	46%
Total stockholders' equity	21,274	17,149	-4,125	19%
Total liabilities and stockholders' equity	55,493	51,803	-3,690	7%

4.3.2 CHART REPRESENTING COMPARATIVE BALANCE SHEET 2018-2019



INTERPRETATION:

Total assets decreased by 7% from \$55,493 million to \$51,803 million. Current assets decreased by 12% from \$17,272 million to \$15,143 million. Cash and cash equivalents decreased by 23% from \$4,880 million to \$3,753 million. Accounts receivable decreased by 9% from \$3,263 million to \$2,957 million. Long-term financing receivables and other assets decreased by 21% from \$11,359 million to \$8,918 million. Goodwill increased by 4% from \$17,537 million to \$18,306 million. Intangible assets increased by 43% from \$789 million to \$1,128 million. On the other hand, the company's liabilities and stockholders' equity also changed: Total liabilities and stockholders' equity decreased by 7% from \$55,493 million to \$51,803

million. Current liabilities increased by 11% from \$17,198 million to \$19,159 million. Notes payable and short-term borrowings increased significantly by 121% from \$2,005 million to \$4,425 million. Long-term debt decreased by 7% from \$10,136 million to \$9,395 million. HPE stockholders' equity decreased by 19% from \$21,274 million to \$17,098 million. Accumulated deficit increased by 29% from -\$5,899 million to -\$7,632 million.

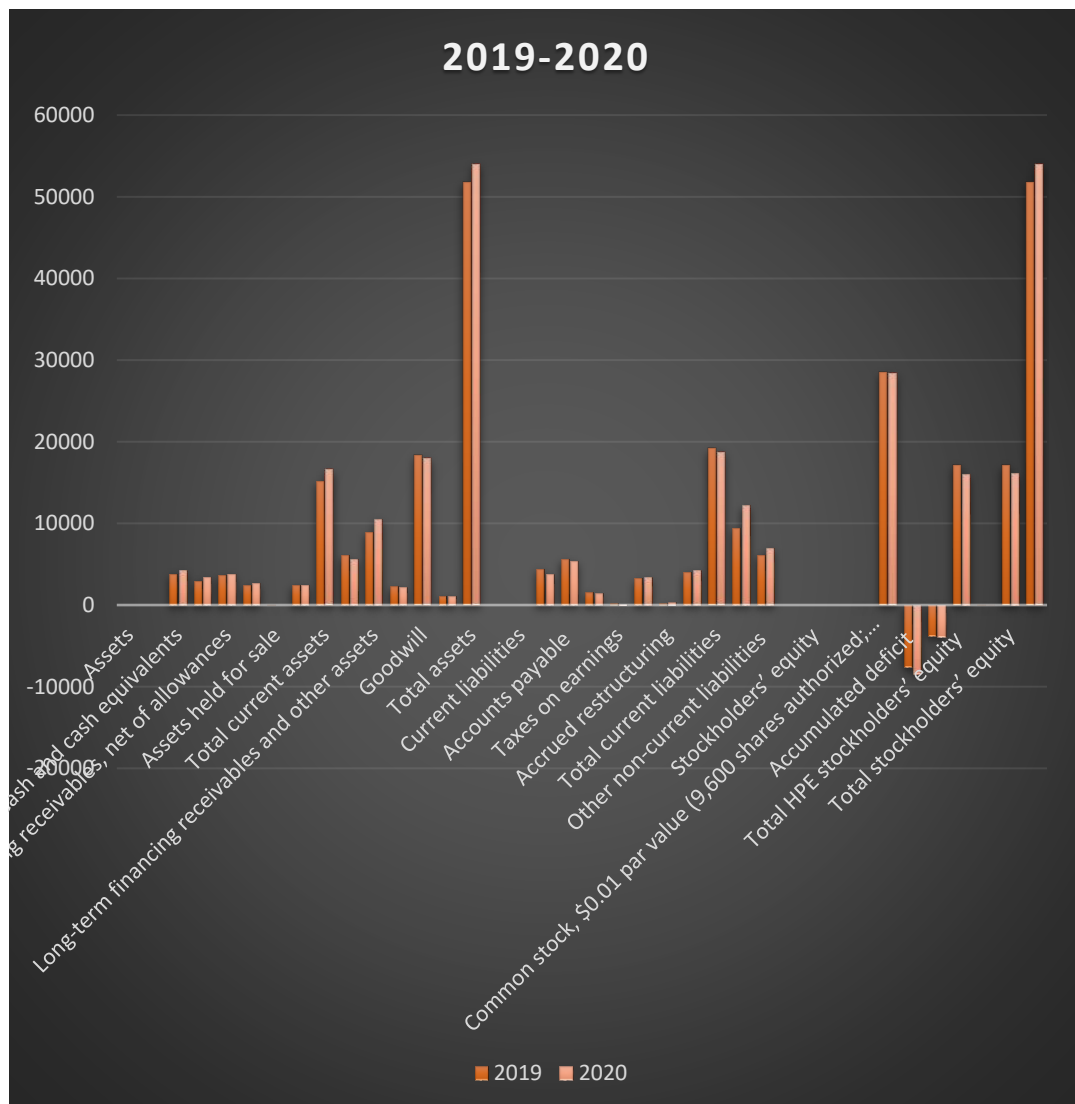
3. 2019-2020:

4.3.3 TABLE INDICATING COMPARATIVE BALANCE SHEET 2019-2020

Particulars (Million \$)	2019	2020	INCREASE/ DECREASE	Percentage
Assets				
Current Assets :				
Cash and cash equivalents	3,753	4,233	480	13%
Accounts receivable, net of allowances	2,957	3,386	429	15%
Financing receivables, net of allowances	3,572	3,794	222	6%
Inventory	2,387	2,674	287	12%
Assets held for sale	46	0	-46	100%
Other current assets	2,428	2,469	41	2%
Total current assets	15,143	16,556	1,413	9%
Property, plant and equipment	6,054	5,625	-429	7%
Long-term financing receivables and other assets	8,918	10,544	1,626	18%
Investments in equity interests .	2,254	2,170	-84	4%
Goodwill	18,306	18,017	-289	2%
Intangible assets	1,128	1,103	-25	2%
Total assets	51,803	54,015	2,212	4%
LIABILITIES				
Current liabilities				
Notes payable and short-term borrowings	4,425	3,755	-670	15%
Accounts payable	5,595	5,383	-212	4%
Employee compensation and benefits	1,522	1,391	-131	9%
Taxes on earnings	186	148	-38	20%

Deferred revenue	3,234	3,430	196	6%
Accrued restructuring	195	366	171	88%
Other accrued liabilities	4,002	4,265	263	7%
Total current liabilities	19,159	18,738	-421	2%
Long-term debt	9,395	12,186	2,791	30%
Other non-current liabilities	6,100	6,995	895	15%
Commitments and contingencies				
Stockholders' equity				
HPE stockholders' equity:				
Common stock, \$0.01 par value (9,600 shares authorized; 1,281 and 1,295 issued and outstanding at October 31, 2022 and October 31, 2021, respectively)	13	13	0	0%
Additional paid-in capital	28,444	28,350	-94	0%
Accumulated deficit	-7,632	-8,375	-743	10%
Accumulated other comprehensive loss	-3,727	-3,939	-212	6%
Total HPE stockholders' equity	17,098	16,049	-1,049	6%
Non-controlling interests	51	47	-4	8%
Total stockholders' equity	17,149	16,096	-1,053	6%
Total liabilities and stockholders' equity	51,803	54,015	2,212	4%

4.3.3 CHART REPRESENTING COMPARATIVE BALANCE SHEET 2019-2020



INTERPRETATION:

Total assets increased from \$51,803 million in 2019 to \$54,015 million in 2020, which is an increase of \$2,212 million or 4%. Current assets increased from \$15,143 million in 2019 to \$16,556 million in 2020, which is an increase of \$1,413 million or 9%. Long-term financing receivables and other assets increased from \$8,918 million in 2019 to \$10,544 million in 2020, which is an increase of \$1,626 million or 18%. Goodwill decreased from \$18,306 million in 2019 to \$18,017 million in 2020, which is a decrease of \$289 million or 2%. Current liabilities decreased from \$19,159 million in 2019 to \$18,738 million in 2020, which is a decrease of \$421 million or 2%. Long-term debt increased from \$9,395 million in 2019 to \$12,186

million in 2020, which is an increase of \$2,791 million or 30%. HPE stockholders' equity decreased from \$17,098 million in 2019 to \$16,049 million in 2020, which is a decrease of \$1,049 million or 6%.

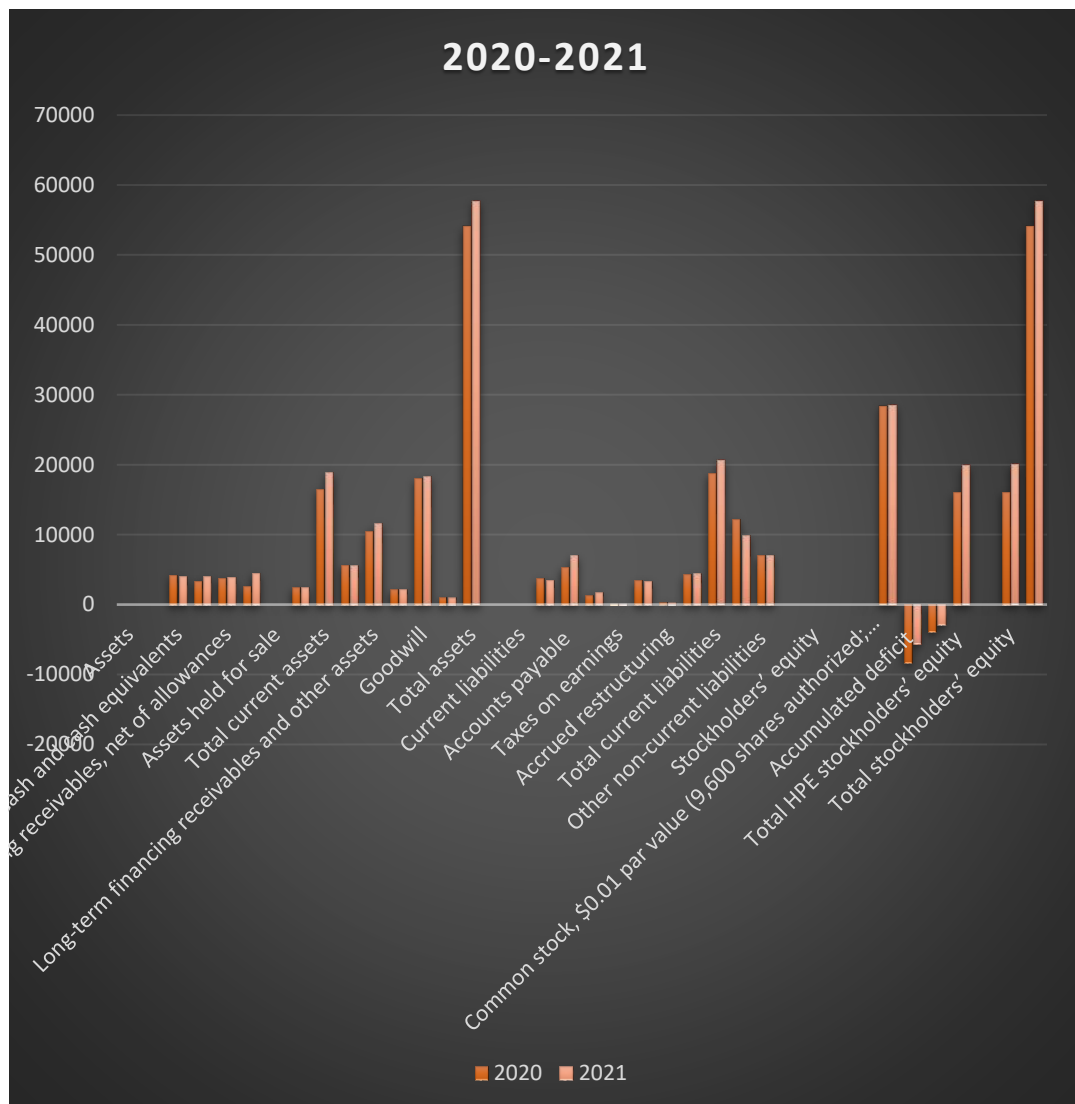
4. 2020-2021:

4.3.4 TABLE REPRESENTING COMPARATIVE BALANCE SHEET 2020-2021

Particulars (Million \$)	2020	2021	INCREASE/ DECREASE	Percentage
Assets				
Current Assets :				
Cash and cash equivalents	4,233	3,996	-237	6%
Accounts receivable, net of allowances	3,386	3,979	593	18%
Financing receivables, net of allowances	3,794	3,932	138	4%
Inventory	2,674	4,511	1,837	69%
Assets held for sale	0	0	0	0%
Other current assets	2,469	2,460	-9	0%
Total current assets	16,556	18,878	2,322	14%
Property, plant and equipment	5,625	5,613	-12	0%
Long-term financing receivables and other assets	10,544	11,670	1,126	11%
Investments in equity interests	2,170	2,210	40	2%
Goodwill	18,017	18,306	289	2%
Intangible assets	1,103	1,022	-81	7%
Total assets	54,015	57,699	3,684	7%
LIABILITIES				
Current liabilities				
Notes payable and short-term borrowings	3,755	3552	-203	5%
Accounts payable	5,383	7004	1,621	30%
Employee compensation and benefits	1,391	1778	387	28%

Taxes on earnings	148	169	21	14%
Deferred revenue	3,430	3408	-22	1%
Accrued restructuring	366	290	-76	21%
Other accrued liabilities	4,265	4486	221	5%
Total current liabilities	18,738	20687	1,949	10%
Long-term debt	12,186	9896	-2,290	19%
Other non-current liabilities	6,995	7099	104	1%
Commitments and contingencies				
Stockholders' equity				
HPE stockholders' equity:				
Common stock, \$0.01 par value (9,600 shares authorized; 1,281 and 1,295 issued and outstanding at October 31, 2022 and October 31, 2021, respectively)	13	13	0	0%
Additional paid-in capital	28,350	28470	120	0%
Accumulated deficit	-8,375	-5597	2,778	33%
Accumulated other comprehensive loss	-3,939	-2915	1,024	26%
Total HPE stockholders' equity	16,049	19971	3,922	24%
Non-controlling interests	47	46	-1	2%
Total stockholders' equity	16,096	20017	3,921	24%
Total liabilities and stockholders' equity	54,015	57699	3,684	7%

4.3.4 CHART REPRESENTING COMPARATIVE BALANCE SHEET 2020-2021



INTERPRETATION:

Total assets increased by 7%, or \$3,684 million, from \$54,015 million in 2020 to \$57,699 million in 2021. The increase was mainly driven by higher current assets, particularly inventory and accounts receivable, which increased by 69% and 18%, respectively. Current liabilities increased by 10%, or \$1,949 million, from \$18,738 million in 2020 to \$20,687 million in 2021. This increase was primarily due to higher accounts payable and employee compensation and benefits, which increased by 30% and 28%, respectively. Long-term debt decreased by 19%, or \$2,290 million, from \$12,186 million in 2020 to \$9,896 million in 2021. This decrease was due to the repayment of debt during the period. HPE stockholders' equity increased by

24%, or \$3,922 million, from \$16,049 million in 2020 to \$19,971 million in 2021. The increase was driven by higher accumulated other comprehensive income and accumulated deficit, which increased by 26% and 33%, respectively.

5. 2021-2022:

4.3.5 TABLE REPRESENTING COMPARATIVE BALANCE SHEET

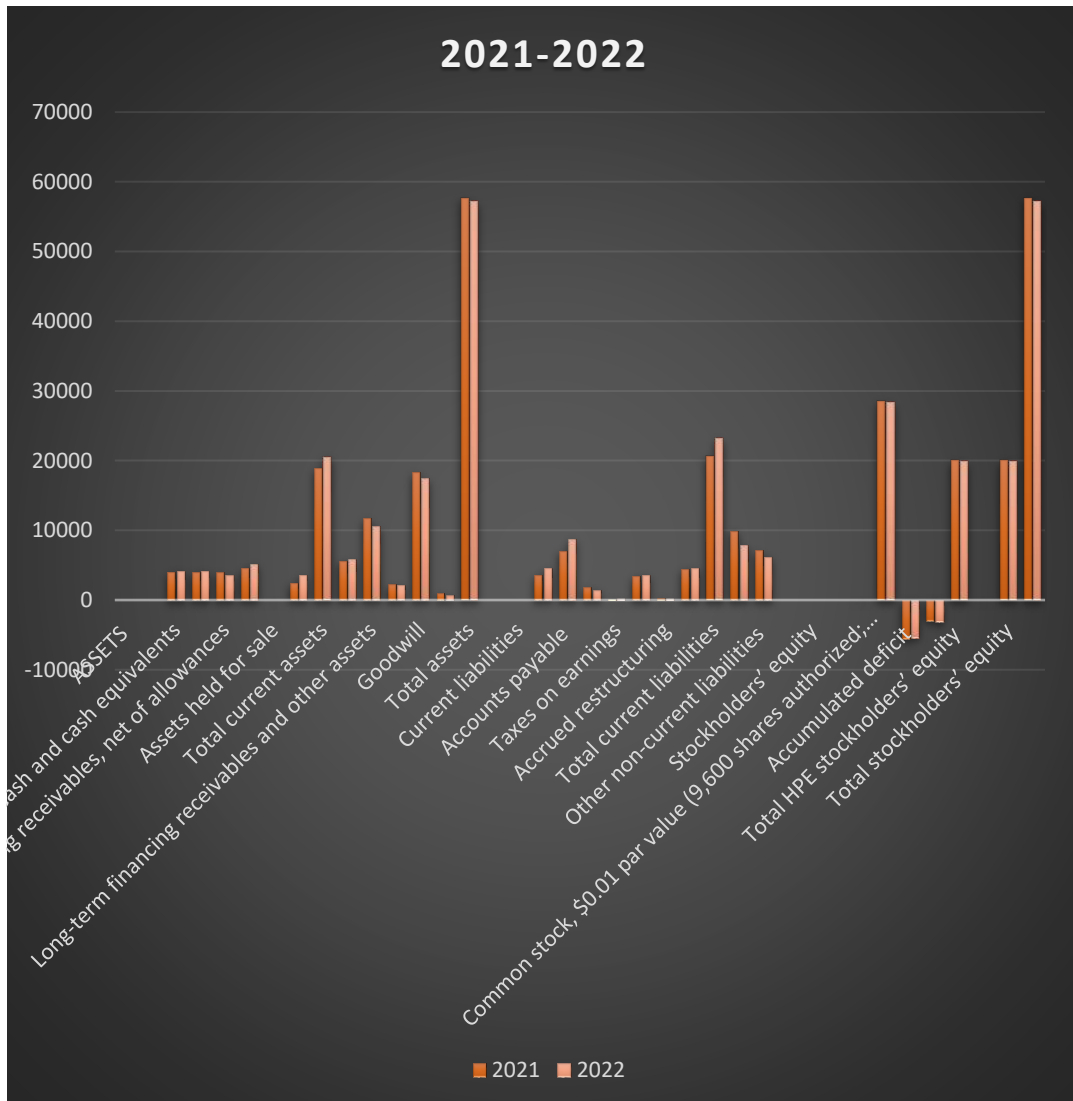
2021-2022

Particulars (Million \$)	2021	2022	INCREASE/ DECREASE	Percentage
ASSETS				
Current Assets :				
Cash and cash equivalents	3,996	4,163	167	4%
Accounts receivable, net of allowances	3,979	4,101	122	3%
Financing receivables, net of allowances	3,932	3,522	-410	10%
Inventory	4,511	5,161	650	14%
Assets held for sale	0	0	0	0%
Other current assets	2,460	3,559	1,099	45%
Total current assets	18,878	20,506	1,628	9%
Property, plant and equipment	5,613	5,784	171	3%
Long-term financing receivables and other assets	11,670	10,537	-1,133	10%
Investments in equity interests .	2,210	2,160	-50	2%
Goodwill	18,306	17,403	-903	5%
Intangible assets	1,022	733	-289	28%
Total assets	57,699	57,123	-576	1%
LIABILITIES				
Current liabilities				
Notes payable and short-term borrowings	3552	4612	1,060	30%
Accounts payable	7004	8717	1,713	24%
Employee compensation and benefits	1778	1401	-377	21%
Taxes on earnings	169	176	7	4%

Deferred revenue	3408	3541	133	4%
Accrued restructuring	290	192	-98	34%
Other accrued liabilities	4486	4625	139	3%
Total current liabilities	20687	23174	2,487	12%
Long-term debt	9896	7853	-2,043	21%
Other non-current liabilities	7099	6187	-912	13%
Commitments and contingencies				
Stockholders' equity				
HPE stockholders' equity:				
Common stock, \$0.01 par value (9,600 shares authorized; 1,281 and 1,295 issued and outstanding at October 31, 2022 and October 31, 2021, respectively)	13	13	0	0%
Additional paid-in capital	28470	28299	-171	1%
Accumulated deficit	-5597	-5350	247	4%
Accumulated other comprehensive loss	-2915	-3098	-183	6%
Total HPE stockholders' equity	19971	19864	-107	1%
Non-controlling interests	46	45	-1	2%
Total stockholders' equity	20017	19909	-108	1%
Total liabilities and stockholders' equity	57699	57123	-576	1%

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4.3.5 CHART REPRESENTING COMPARATIVE BALANCE SHEET 2021-2022



INTERPRETATION:

Current assets increased by 9%: The total current assets of HPE increased from \$18,878 million in 2021 to \$20,506 million in 2022, indicating a growth of \$1,628 million. Inventory increased by 14%: HPE's inventory increased by \$650 million, from \$4,511 million in 2021 to \$5,161 million in 2022, reflecting an increase of 14%. Other current assets increased by 45%: Other current assets of HPE, which includes prepaid expenses, increased by \$1,099 million, from \$2,460 million in 2021 to \$3,559 million in 2022, reflecting an increase of 45%. Long-term financing receivables and other assets decreased by 10%: Long-term financing receivables and other assets of HPE decreased by \$1,133 million, from \$11,670 million in 2021

to \$10,537 million in 2022, reflecting a decrease of 10%. Goodwill decreased by 5%: HPE's goodwill decreased by \$903 million, from \$18,306 million in 2021 to \$17,403 million in 2022, reflecting a decrease of 5%. Intangible assets decreased by 28%: HPE's intangible assets decreased by \$289 million, from \$1,022 million in 2021 to \$733 million in 2022, reflecting a decrease of 28%. Current liabilities increased by 12%: HPE's current liabilities increased by \$2,487 million, from \$20,687 million in 2021 to \$23,174 million in 2022, reflecting an increase of 12%. Long-term debt decreased by 21%: HPE's long-term debt decreased by \$2,043 million, from \$9,896 million in 2021 to \$7,853 million in 2022, reflecting a decrease of 21%. HPE stockholders' equity decreased by 1%: HPE's stockholders' equity decreased by \$107 million, from \$20,017 million in 2021 to \$19,909 million in 2022, reflecting a decrease of 1%.

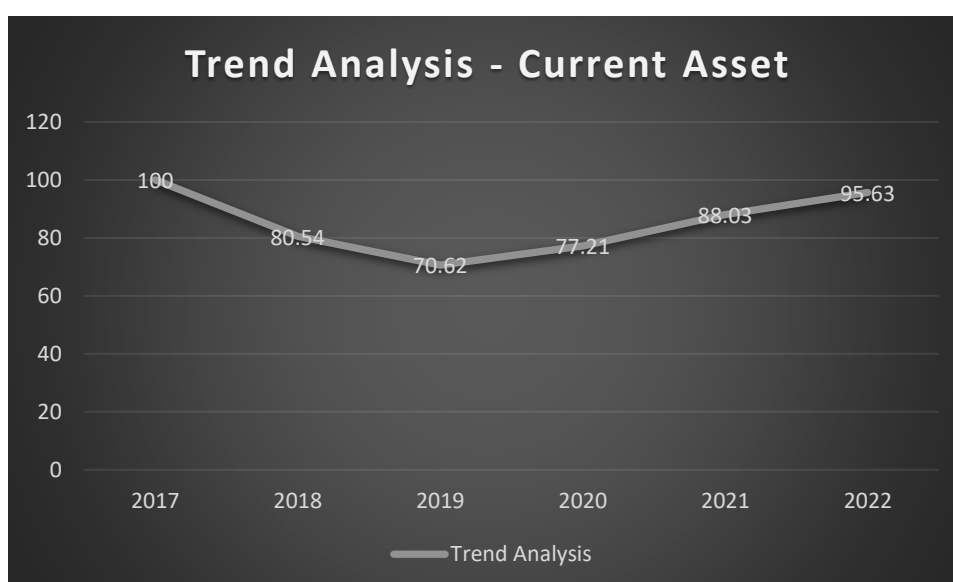
4.4 TREND ANALYSIS:

1. Current Assets

4.4.1 TABLE INDICATING TREND ANALYSIS FOR CURRENT ASSETS

Year (Million \$)	2017	2018	2019	2020	2021	2022
Current Assets	21,444	17,272	15,143	16,556	18,878	20,506
Trend Analysis	100	80.54	70.62	77.21	88.03	95.63

4.4.1 CHART REPRESENTING TREND ANALYSIS FOR CURRENT ASSETS



INTERPRETATION:

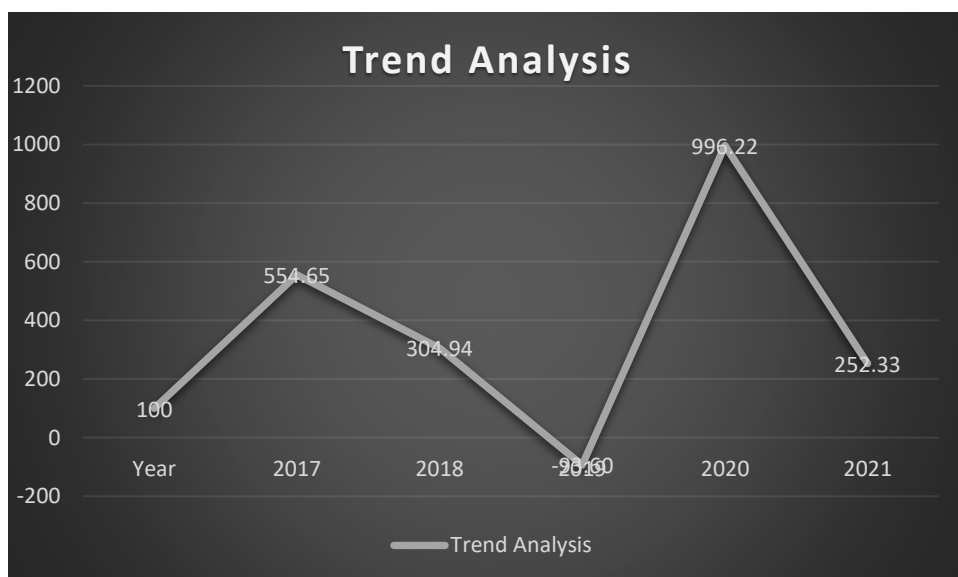
From 2017 to 2018, current assets decreased from \$21,444 million to \$17,272 million, which is a decrease of 19.47%. From 2018 to 2019, current assets decreased again from \$17,272 million to \$15,143 million, which is a decrease of 12.35%. However, from 2019 to 2020, HPE's current assets increased from \$15,143 million to \$16,556 million, which is an increase of 9.33%. From 2020 to 2021, current assets increased again from \$16,556 million to \$18,878 million, which is an increase of 13.99%. In 2022, HPE's current assets continued to increase to \$20,506 million, which is an increase of 8.63% from the previous year.

2. NET PROFIT

4.4.2 TABLE REPRESENTING TREND ANALYSIS FOR NET PROFIT

Year (Million \$)	2017	2018	2019	2020	2021	2022
Profit and Loss	344	1,908	1,049	-322	3,427	868
Trend Analysis	100	554.65	304.94	-93.60	996.22	252.33

4.4.2 CHART REPRESENTING TREND ANALYSIS FOR NET PROFIT



INTERPRETATION:

In 2017, HPE had a net profit of 344, which was used as the base year for the trend analysis. In 2018, HPE's net profit increased significantly to 1,908, representing a trend ratio of 554.65% compared to the base year. In 2019, HPE's net profit decreased to 1,049, but still showed a positive trend ratio of 304.94% compared to the base year. In 2020, HPE's net profit turned negative with a loss of -322, resulting in a negative trend ratio of -93.60% compared to the base year. In 2021, HPE's net profit increased significantly to 3,427, representing a strong positive trend ratio of 996.22% compared to the base year. In 2022, HPE's net profit decreased to 868, resulting in a lower trend ratio of 252.33% compared to the base year.

CHAPTER 5

5.1 FINDINGS

FINDINGS THROUGH THE ANALYSIS

1. Ratio Analysis:

- The current ratio has remained relatively stable over the years, with a slight increase from 1.55 in 2017 to 1.75 in 2022. The current ratio is above the generally accepted minimum of 1.0, indicating that HPE has enough current assets to cover its current liabilities.
- The trend of declining Quick Ratio over the years implies that HPE may be facing difficulties in meeting its short-term financial obligations. It could also indicate that the company has been relying more on inventory sales to generate cash, which could potentially lead to inventory management challenges.
- The trend in HPE's absolute liquidity ratio suggests that the company's liquidity position has weakened over the past few years, which could be a concern for investors and creditors.
- The trend in HPE's debt to asset ratio shows some fluctuation but is generally stable, indicating that the company has a reasonable level of debt relative to its assets.
- A high debt to asset ratio indicates that a company is relying heavily on debt to finance its assets. This can be risky as it increases the company's interest expense and debt obligations, which may become difficult to fulfil in case of financial difficulty. On the other hand, a low debt to asset ratio indicates that the company is using less debt to finance its assets and is relying more on equity. This can provide a more stable financial structure and lower financial risk for the company.
- It appears that HPE's gross profit ratio has been relatively stable over the past few years, with some fluctuations due to changes in revenue and/or costs. However, the increase in gross profit ratio in 2021 indicates that the company has been able to improve its profitability, which is a positive sign for investors.
- The net profit ratio for HPE has been volatile over the past few years, with significant fluctuations in profitability. The negative net profit ratio in 2020

could be a cause for concern for investors, but the significant increase in profitability in 2021 is a positive sign. It remains to be seen whether the company will be able to maintain its profitability going forward.

- The operating profit ratio for HPE has been volatile over the past few years, with significant fluctuations in profitability. The negative operating profit ratio in 2020 could be a cause for concern for investors, but the significant improvement in profitability in 2021 is a positive sign. It remains to be seen whether the company will be able to maintain its profitability from its core operations going forward.
- ROA measures a company's profitability by showing how much profit it generates in relation to its total assets. A higher ROA indicates that a company is more efficient in generating profits from its assets. HPE's ROA fluctuates over the years, with a particularly low negative value in 2020.
- The ratio has remained relatively consistent over the years, ranging from 4.62 to 5.00, which indicates that the company has been able to generate revenue efficiently using its fixed assets.

2. Comparative balance sheet:

- A decrease in stockholders' equity could be a red flag for investors, as it indicates that the company may be experiencing financial difficulties. However, it's important to note that stockholders' equity is just one metric, and investors should consider other financial and operational metrics to get a complete picture of the company's health and prospects.
- HPE experienced a decrease in assets and stockholders' equity, with notable increases in liabilities, particularly in short-term borrowings, and accumulated deficit. However, the increase in goodwill and intangible assets may suggest a focus on long-term growth and investment in the company's future.
- HPE's financial position has improved in 2020 with an increase in total assets and current assets, despite a decrease in HPE stockholders' equity. However, the increase in long-term debt is a concern as it could lead to increased interest payments and potentially impact their financial performance in the future.

- HPE's financial position has improved in 2021 compared to 2020, as evidenced by the increase in total assets and stockholders' equity. However, the increase in current liabilities is a cause for concern, as it may indicate a potential strain on HPE's liquidity.
- HPE's financial position has remained relatively stable between 2021 and 2022, with some notable changes in current assets, inventory, other current assets, and current liabilities.

3. Cash Flow analysis:

- HPE's cash flow statement shows that the company is generating positive cash flows from its core business operations, and is investing less cash in its non-core business activities. However, the company is still reducing its debt levels and repurchasing its common stock, which may affect its future growth potential.

4. Trend analysis:

- The trend analysis shows that HPE's current assets have been fluctuating, but overall, there has been an increasing trend from 2017 to 2022. HPE's current assets have grown by 95.63% from 2017 to 2022.
- HPE's net profit has shown a volatile trend over the analyzed period, with significant increases and decreases. However, the trend ratio of 252.33% in 2022 indicates that the company's net profit is still significantly higher than the base year.

5.2 SUGGESTIONS AND RECOMMENDATIONS

- To maintain a stable current ratio, the company should focus on managing its current assets and liabilities effectively.
- The company should explore ways to improve its Quick Ratio to ensure that it can meet its short-term obligations without relying too much on inventory sales.
- HPE should address its weakening liquidity position by looking for ways to improve its cash flow and reduce its debt levels.
- While the company has a reasonable level of debt, it should be mindful of its debt obligations and aim to maintain a stable debt to asset ratio.
- HPE should continue to focus on improving its profitability, especially from its core operations, to maintain investor confidence.
- The company should explore ways to increase its ROA by improving its efficiency in generating profits from its assets.
- HPE should closely monitor its stockholders' equity and liabilities to ensure that it can maintain a healthy financial position.
- HPE should continue to invest in its future growth by focusing on long-term initiatives and reducing non-core business activities.
- The company should aim to maintain a stable fixed asset turnover ratio to ensure that it can generate revenue efficiently using its fixed assets.
- The company should monitor its current assets and liabilities closely to ensure that it can maintain its financial stability and liquidity.
- HPE should investigate the factors behind the decrease in stockholders' equity and take steps to improve its financial position.
- HPE should continue to invest in its long-term growth and focus on managing its liabilities.
- The should monitor its long-term debt levels to avoid potential impacts on its financial performance.
- HPE should work on reducing its current liabilities to ease potential strains on its liquidity.
- The company should continue to monitor and manage its current assets, inventory, other current assets, and current liabilities to maintain its financial stability.

- The company should balance its debt reduction and common stock repurchasing activities with its growth potential.
- The company should continue to grow its current assets to improve its financial stability.
- HPE should aim to stabilize its net profit and maintain a consistent level of profitability going forward.

5.3 LIMITATIONS OF THE STUDY

- Data collection mainly depends on secondary sources.
- Performance analysis of a company is done only for past 5 years due to time constraints.
- This study is based on historical cost so it cannot be the index for future estimation.
- Ratio analysis is used to analyze data, so it has all the limitations of ratio analysis.

5.4 CONCLUSION

Hewlett Packard Enterprise should prioritize effective management of its current assets and liabilities to maintain a stable current ratio and explore ways to improve its Quick Ratio. It is essential for the company to address its weakening liquidity position by improving its cash flow and reducing its debt levels while maintaining a stable debt-to-asset ratio. HPE should focus on improving profitability and ROA by efficiently generating profits from its assets while monitoring its stockholders' equity and liabilities to maintain a healthy financial position. The company should continue investing in its future growth while reducing non-core business activities and balancing debt reduction and common stock repurchasing activities with its growth potential. It is important for the company to maintain a stable fixed asset turnover ratio and monitor its long-term debt levels to avoid potential impacts on its financial performance. HPE should focus its efforts to maintain its financial stability, liquidity, and long-term growth potential. By monitoring its current assets and liabilities, investigating the factors behind the decrease in stockholders' equity, and managing its liabilities, it can improve its financial position. It is also important for HPE to monitor its long-term debt levels, reduce its current liabilities, and balance its debt reduction and common stock repurchasing activities with its growth potential. The company should continue to invest in its long-term growth by growing its current assets, managing its inventory and other current assets, and maintaining a consistent level of profitability going forward. Overall, these suggestions can help HPE maintain its financial stability and achieve sustainable long-term growth.

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ANNEXURE 1

ANNEXURE

Source: Hewlett Packard Enterprise annual report

Balance Sheet

Particulars	2017	2018	2019	2020	2021	2022
ASSETS						
Current Assets :		Million \$				
Cash and cash equivalents	9,579	4,880	3,753	4,233	3,996	4,163
Accounts receivable, net of allowances	3,073	3,263	2,957	3,386	3,979	4,101
Financing receivables, net of allowances	3,378	3,396	3,572	3,794	3,932	3,522
Inventory	2,315	2,447	2,387	2,674	4,511	5,161
Assets held for sale	14	6	46	0	0	0
Other current assets	3,085	3,280	2,428	2,469	2,460	3,559
Total current assets	21,444	17,272	15,143	16,556	18,878	20,506
Property, plant and equipment	6,269	6,138	6,054	5,625	5,613	5,784
Long-term financing receivables and other assets	12,600	11,359	8,918	10,544	11,670	10,537
Investments in equity interests .	2,535	2,398	2,254	2,170	2,210	2,160
Goodwill	17,516	17,537	18,306	18,017	18,306	17,403
Intangible assets	1,042	789	1,128	1,103	1,022	733
Total assets	61,406	55,493	51,803	54,015	57,699	57,123
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Notes payable and short-term borrowings	3,850	2,005	4,425	3,755	3552	4612
Accounts payable	6,072	6,092	5,595	5,383	7004	8717
Employee compensation and benefits	1,156	1,412	1,522	1,391	1778	1401
Taxes on earnings	429	378	186	148	169	176
Deferred revenue	3,128	3,177	3,234	3,430	3408	3541

Accrued restructuring	445	294	195	366	290	192
Other accrued liabilities	3,844	3,840	4,002	4,265	4486	4625
Total current liabilities	18,924	17,198	19,159	18,738	20687	23174
Long-term debt	10,182	10,136	9,395	12,186	9896	7853
Other non-current liabilities	8,795	6,885	6,100	6,995	7099	6187
Commitments and contingencies						
Stockholders' equity						
HPE stockholders' equity:						
Common stock, \$0.01 par value	16	14	13	13	13	13
Additional paid-in capital	33,583	30,342	28,444	28,350	28470	28299
Accumulated deficit	-7,238	-5,899	-7,632	-8,375	-5597	-5350
Accumulated other comprehensive loss	-2,895	-3,218	-3,727	-3,939	-2915	-3098
Total HPE stockholders' equity	23,466	21,239	17,098	16,049	19971	19864
Non-controlling interests	39	35	51	47	46	45
Total stockholders' equity	23,505	21,274	17,149	16,096	20017	19909
Total liabilities and stockholders' equity	61,406	55,493	51,803	54,015	57699	57123

Profit and Loss account

Particulars	2017	2018	2019	2020	2021	2022
Net revenue:						
Products	17,597	19,504	18,170	16,264	17,011	17,794
Services	10,878	10,901	10,507	10,249	10,279	10,219
Financing income	396	447	458	469	494	483
Total net revenue	28,871	30,852	29,135	26,982	27,784	28,496
Costs and expenses:						
Cost of products	12,715	14,090	12,533	11,698	11,892	12,463
Cost of services	7,197	7,253	6,812	6,544	6,304	6,217
Financing interest	265	278	297	271	212	310
Research and development	1,486	1,667	1,842	1,874	1,979	2,045
Selling, general and administrative	5,006	4,921	1,842	4,624	4,929	4,941

Amortization of intangible assets	321	294	267	379	354	293
Impairment of goodwill	0	88	0	865	0	905
Restructuring charges	417	19	0	0	0	0
Transformation costs	359	414	453	950	930	473
Disaster charges (recoveries)	93	0	-7	26	16	48
Acquisition, disposition and other related charges	203	82	757	80	36	19
Separation costs	248	12	0	0	0	0
Defined benefit plan settlement charges and remeasurement (benefit)	-64	0	0	0	0	0
Total costs and expenses	28,246	29,115	27,861	27,311	26,652	27,714
Earnings (loss) from continuing operations	625	1,737	1,274	-329	1,132	782
Interest and other, net	-327	-274	-177	-215	-211	-188
Tax indemnification adjustments	-3	-1,354	377	-101	65	-67
Non-service net periodic benefit credit	0	121	59	136	70	134
Litigation judgment	0	0	0	0	2,351	0
Earnings from equity interests	-23	38	20	67	180	215
Earnings (loss) from continuing operations before taxes	272	268	1,553	-442	3,587	876
(Provision) benefit for taxes	164	1,744	-504	120	-160	-8
Net earnings (loss) from continuing operations	436	2,012	1,049	-322	3,427	868
Net loss from discontinued operations	-92	-104	0	0	0	0
Net earnings (loss)	344	1,908	1,049	-322	3,427	868

ANNEXURE 2