

Calculation of Financial Ratios

Ratios	Calculation
Net Profit Margin = (Net Income / Net Revenue) x 100	= (1,675 million / 54,228 million) x 100 = 3.09 %
Acid-Test Ratio = (Current Assets - Inventories) / Current Liabilities	= (43,269 million – 11,127 million) / 28,053 million = 32,142 million / 28,053 million = 1.14
Net Gearing Ratio = (Debt - Cash and Cash Equivalents) / (Total Equity + Non-controlling Interests)	= (46,978 million – 7,079 million) / 114,340 million = 39,899 million / \$114,340 million = 0.35
Asset Turnover Ratio = Net Revenue / Average Total Assets	= 54,228 million / 186,837.5 million = 0.29

Critical Evaluation of Financial Ratios

Net Profit Margin

The net profit margin exemplifies the profitability of a company or business by expressing the net income as a percentage of net revenue (Alexandru, C.G., 2019). Regarding the company data, the net profit margin is 3.09%. It shows that the business is earning more from every unit of the product by keeping its operational costs in check. It proves its efficiency in managing expenditures. For Intel, the net profit margin of 3.09% shows that the company makes only a small profit concerning its absolute income. Hence, Intel's profit per sale may not be as impressive compared to the one of software or digital solution firms.

Acid-Test Ratio

The acid-test ratio is the technically named quick ratio, and this is a measurement of a company's capability to meet short-term obligations using its most liquid assets. It does not count inventories any more, as a result, it obtains a more conservative version of liquidity (Vásquez Villanueva, C.A., 2021). Having an acid-test ratio of 1.14, near enough looks fine with Intel's liquidity

indicators. In most cases, this is referred to as a current ratio of 1/1 or 1 time, which means that Intel satisfies its short-term obligations making use only of the money coming from the inventory. Even though this measure is important to take into account, entrepreneurs should keep an eye on trends over time and ratios with other businesses to maintain financial stability.

Net Gearing Ratio

The loan-to-value ratio gauges to what extent a company's business is managed by debt as opposed to the money of its owners, the equity. The figures below 10% indicate a lower risk of being overly dependent on debt financing while the figures beyond this range mean greater financial leverage (Mota, A., 2017). The net gearing ratio of 0.35 implies that Intel is in a position to pay its debt obligations in time with debt sources subordinating to equity financing. This shows less financial risk, also it is making the company stable by reducing the debt, which, when it is high, is the factor that multiplies the effect of recession or fluctuations in interest rates. Nevertheless, Intel should keep debt-to-equity financing in concordance to maximize its cost of capital before shareholders get their positive valuation.

Asset Turnover Ratio

The asset turnover ratio evaluates a company's capability of using its assets productively to bring more revenue. A higher ratio is indicative of a more impactful use of assets as well as a better performance on the production side (Patin, J.C., 2020). A proper look at Intel's asset turnover ratio (0.29) would signal the possible existence of problems that may make it unprofitable to convert its assets into revenue. Academic evidence demonstrates that a lower asset turnover ratio is generally observed amongst technology companies because the operations for such organizations are capital intensive, which heavily targets research and development together with facility manufacturing. Nonetheless, it is highly important for Intel to constantly watch its asset utilization for purposes of identifying areas which are better and looking to improve on efficiency to maintain its profitability and competitiveness.

Comparison with a Global Competitor

Ratios	Intel	AMD
Net Profit Margin = (Net Income / Net Revenue) x 100	$= (1,675 \text{ million} / 54,228 \text{ million}) \times 100$ $= 3.09 \%$	$= (854 \text{ million} / 22,680 \text{ million}) \times 100$ $= 3.76\%$
Acid-Test Ratio = (Current Assets - Inventories) / Current Liabilities	$= (43,269 \text{ million} - 11,127 \text{ million}) / 28,053 \text{ million}$ $= 32,142 \text{ million} / 28,053 \text{ million}$ $= 1.14$	$= (3.7 \text{ billion} - 1.4 \text{ billion}) / 1.477 \text{ billion}$ $= 2.3 \text{ billion} / 1.477 \text{ billion}$ $= 1.56$
Net Gearing Ratio = (Debt - Cash and Cash Equivalents) / (Total Equity + Non-controlling Interests)	$= (46,978 \text{ million} - 7,079 \text{ million}) / 114,340 \text{ million}$ $= 39,899 \text{ million} / \$114,340 \text{ million}$ $= 0.35$	$= (1.717 \text{ billion} - 3.933 \text{ billion}) / (55.892 \text{ billion} + 1.717 \text{ billion} - 3.933 \text{ billion})$ $= (-2.216 \text{ billion}) / 53.676 \text{ billion}$ $= -0.0413$
Asset Turnover Ratio = Net Revenue / Average Total Assets	$= 54,228 \text{ million} / 186,837.5 \text{ million}$ $= 0.29$	$= 22,680 \text{ million} / 67,732.5 \text{ million}$ $= 0.3349$

Net Profit Margin

- **Intel:** 3.09%
- **AMD:** 3.76%

Efficiency in Cost Management

A high net profit margin speaks of a proficient approach to cost management as well as efficiency in operations. AMD has a net profit margin of 3.76% compared to Intel which has a net profit margin of 3.09%. AMD, nonetheless, has shown a slightly greater ability in cost control and revenue generation than Intel. This implies that probably AMD has a competent plan of action to cut off costs or to streamline operations as well as on higher-margin product lines as Intel.

Competitive Positioning

AMD's higher net revenue mirrors its cutthroat situating in the semiconductor market. The organization's capacity to keep a higher edge is demonstrative of its progress in catching a piece of the pie, conveying creative items, or evaluating its contributions. Conversely, Intel's somewhat lower net revenue signals difficulties or tensions in its cutthroat scene, like expanded rivalry, valuing pressures, or higher creation costs.

Research and Development (R&D) Investments

Net income in like manner reflects the suitability of R&D interests in driving progression and product improvement. A higher edge recommends that AMD is productively changing its Research and development spending into beneficial items or administrations. Alternately, Intel's edge demonstrates the requirement for additional streamlining or prioritization of Research and development ventures to upgrade benefit and seriousness.

Market Dynamics and Business Model

Contrasts in strategies and market components add to assortments in net income among Intel and AMD. For instance, AMD's consideration regarding unambiguous market segments or product classes grants it to achieve higher edges that stood out from Intel's greater product portfolio. Furthermore, market interest, evaluating elements, and production network efficiencies can impact benefit levels contrastingly for each organization.

Future Growth Prospects

AMD's higher net revenue imparts financial investor trust in its development possibilities and potential for producing practical benefits. It shows a more grounded direction for revenue-driven improvement and financial investor returns stood out from Intel. In any case, it's key to think about various elements, for instance, income development, market share patterns, and industry progressions to study the long sensibility and serious arranging of the two associations.

Acid-Test Ratio

- **Intel:** 1.14
- **AMD:** 1.56

Liquidity Position

The acid-test ratio, otherwise called the quick ratio, gauges an organization's capacity to meet momentary commitments utilizing its most fluid resources. A higher proportion shows a more grounded liquidity position, as it recommends that an organization has more fluid resources accessible to cover its prompt liabilities without depending on stock deals.

Interpretation of Acid-Test Ratio

AMD's higher acid-test ratio of 1.56 contrasted with Intel's acid-test ratio of 1.14 infers that AMD has a superior capacity to cover its momentary liabilities utilizing its fluid resources. This exhibits that AMD could have an all the more impressive liquidity position, with a greater degree of outstandingly liquid assets contrasted and its continuous liabilities. Then again, Intel's insignificantly lower acid-test ratio recommends that while it has satisfactory liquid assets to cover its flitting responsibilities, its liquidity position may not be essentially just about as solid as AMD's.

Components of Quick Assets

Quick assets normally integrate cash, cash counterparts, marketable securities, and accounts receivable. These assets can be speedily converted into cash within a concise period, making them significant for meeting fast financial responsibilities. AMD's higher acid-test ratio might be credited to a higher extent of money reserves, marketable securities, or effective management of receivables contrasted with Intel.

Inventory Management

The basic acid-test ratio rejects inventories from quick assets, as inventories might take more time to change over into cash in case of a liquidity emergency. A higher acid-test ratio recommends that an organization depends less on stock liquidation to meet momentary liabilities. AMD's higher acid-test ratio compared with Intel might demonstrate more successful stock administration rehearses or a lower extent of stock compared with its ongoing liabilities.

Implications for Financial Stability

A higher acid-test ratio is for the most part seen well by financial investors and lenders, as it demonstrates a more grounded capacity to weather conditions and transient monetary difficulties without turning to outer supporting or resource sales. AMD's more grounded liquidity position as reflected in its higher acid-test ratio might upgrade financial investor certainty and add to the organization's in general monetary soundness and flexibility.

Net Gearing Ratio

- **Intel:** 0.35
- **AMD:** -0.0413 (negative value)

Interpretation of Net Gearing Ratio

The net gearing ratio estimates the extent of an organization's support that comes from obligation compared with value. A positive proportion demonstrates that an organization depends more on debt funding, while a negative proportion infers that equity financing surpasses debt and cash reserves.

Intel's Net Gearing Ratio

Intel's net gearing ratio of 0.35 proposes that the organization has a moderate degree of debt compared with its equity. This demonstrates a reasonable capital construction, with a piece of support obtained from debt to supplement equity.

AMD's Net Gearing Ratio

The negative net gearing ratio for AMD (- 0.0413) is probably the consequence of an error or distortion. A negative net gearing ratio recommends that an association's worth outperforms its obligation and cash reserves, which is marvellous and may show an error in the assessment.

Importance of Accuracy in Calculation

Precise financial ratios are major for critical examination. By AMD's net gearing ratio, an adverse response may not definitively reflect the association's capital structure or financial position. It's crucial to review the parts used in the assessment of the net gearing ratio for AMD to perceive any variations or bungles and assurance that the ratio is precisely interpreted.

Implications for Financial Management

It determines the amount of debt-to-equity multiplier that the entity deals with and thereby helps the capital structure to get better regarding the financial risk exposure. A reasonable outlay of capital as Intel proves manifested in its good ratio may enable certain funding of worthwhile learning activities even though it reduces risk. In the case of AMD, misinterpretation of its negative net gearing ratio may lead to the outsider's perspectives on the business's real debt levels which may ultimately affect both the corporate financial status. We should, by all means, correct any estimation faults, to estimate the firm's capital structure and the firm financial efficiency well.

Asset Turnover Ratio

- **Intel:** 0.29
- **AMD:** 0.3349

Interpretation of Asset Turnover Ratio

The asset turnover ratio measures how well an organization manages its resources to generate earnings. The last ratio shows that productivity is well used and the resource has no wastage.

AMD's Asset Turnover Ratio

With an asset turnover ratio of 0.3349, AMD exhibits higher proficiency in changing over its resources into income contrasted with Intel. This recommends that AMD is additionally viable in producing sales from its contributed resources, like property, plant, and equipment.

Intel's Asset Turnover Ratio

Intel's asset turnover ratio of 0.29 demonstrates generally lower resource usage productivity contrasted with AMD. While producing income from its resources, Intel might have space for development in advancing resource use to upgrade income generation.

Factors Affecting Asset Utilization

Contrasts in asset turnover ratios between Intel and AMD might be affected by different variables, including functional proficiency, production limit, stock administration practices, and sales volume. AMD's higher asset turnover ratio might be ascribed to its engaged product offerings, effective supply-chain management, or more popularity for its items contrasted with Intel.

Recommendations for Improvement

Cost Management and Profitability

Working on the financial administration of Intel requires a complete way to deal with cost administration and productivity. The organization ought to lead a careful investigation of its expense structures across all business portions to distinguish regions for streamlining. By carrying out cost-saving drives, for example, smoothing out tasks and further developing production network productivity, Intel can upgrade its benefit edges (Bloomberg, A.C.C., 2021). Furthermore, putting resources into innovative work (Research and development) to enhance and foster high-edge items will be pivotal for supporting the upper hand in the quickly advancing semiconductor market. Persistent observing and change of evaluating techniques will likewise be fundamental to guarantee productivity while keeping up with the competition in the market.

Liquidity and Working Capital Management

Productive liquidity and working capital management are fundamental for Intel's monetary well-being and strength. Reinforcing income anticipating and management practices will guarantee that the organization has satisfactory liquidity to meet momentary commitments and asset functional requirements (Hill, M., 2023). Advancing working capital administration by diminishing stock levels, further developing accounts receivable assortment processes, and broadening creditor liabilities instalment terms will upgrade liquidity. Laying out a money hold strategy will additionally moderate liquidity risks and give support against unforeseen monetary difficulties or market vulnerabilities.

Capital Structure and Financial Leverage

Intel ought to painstakingly assess its capital construction to improve supporting expenses and oversee financial risk. Adjusting debt and equity financing will be critical to improving the expense of capital while keeping up with financial adaptability. Assessing existing debt arrangements and recognizing amazing open doors for renegotiating or rebuilding will assist with diminishing interest expenses and work on financial adaptability. Finding some kind of balance between debt and value funding will empower Intel to help its development targets while overseeing financial risk successfully (Shapiro, A.C., 2019).

Asset Utilization and Efficiency

Upgrading asset utilization and functional proficiency is vital to driving income development and productivity for Intel. Key interests in innovation, framework, and functional capacities will uphold efficiency enhancements and income development (Hutton, S., 2019). Carrying out measures to further develop asset turnover ratios, for example, advancing production cycles and lessening idle capacity, will improve resource usage. Utilizing information examination and execution measurements to distinguish shortcomings and smooth out activities will additionally further develop productivity and benefit.

Risk Management and Contingency Planning

Fostering a vigorous risk management structure is fundamental for Intel to recognize, evaluate, and moderate financial risks. This incorporates distinguishing and overseeing market risk, credit risk, functional risk, and regulatory compliance risk. Laying out alternate courses of action and stress-testing situations will get ready Intel for expected disturbances or antagonistic occasions, guaranteeing versatility despite monetary slumps or production network interruptions (Fiksel, J., 2023). Reinforcing corporate administration practices will additionally improve straightforwardness, responsibility, and consistency with administrative necessities, limiting lawful and reputational risks.

Investor Relations and Communication

Keeping up with open and straightforward correspondence with financial investors, examiners, and partners is basic for Intel to construct trust and trust in its financial performance and strategic direction. Giving opportune and exact financial reporting and disclosures, including key performance indicators and financial forecasts, will empower informed decision-production by partners. Proactive commitment to investors to request criticism and address concerns will cultivate areas of strength between corporate procedures and investor interests, expanding long-term investor value (Gamache, D.L., 2020).