
Understanding the Financial Statements

Lecture No.2

Chapter 2

Contemporary Engineering Economics

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Understanding Financial Statements

- Accounting: **The Basis of Decision-Making**
- Financial Statements: **Financial Status for Businesses**
- Financial Ratios: **Using Ratios to Make Business Decisions**



Chapter Opening Story – Dell Computer Corporation

- 1983 – Michael Dell starts business of preformatting IBM PC HDs on weekends
- 1985 - \$6 million sales, upgrading IBM compatibles for local businesses
- 1986 - \$70 million sales; focus on assembling own line of PCs
- 1990 - \$500 million sales with an extensive line of products
- 1996 – Dell goes online; \$1 million per day in online sales; \$5.3B in annual sales
- 1997 – Dell online sales at \$3 million per day; 50% growth rate for third consecutive year, 7.8B in total annual sales
- 2005 - \$49.2 B in sales

How would you evaluate the financial performance of Dell Corporation?