

CHY ROE using du Pont

No.:

Date:

$$ROE = \frac{NI}{TE}$$

$$\Rightarrow \frac{NI}{TA} \times \frac{TA}{TE}$$

$$= ROA \times EM$$

$$\frac{NI}{TA}$$

$$\Rightarrow \frac{NI}{Sales} \times \frac{Sales}{TA}$$

$$NPM \times TATO$$

Profitability \times Efficiency

$$\frac{TA}{TE}$$

$$\Rightarrow \frac{TA}{TA - TD}$$

$$\Rightarrow \frac{1}{EM} = \frac{TA - TD}{TA}$$

$$= 1 - \frac{TD}{TA}$$

$$= (1 - DR)$$

$$\Rightarrow EM = \frac{1}{(1 - DR)}$$

$$\uparrow DR \Rightarrow \uparrow EM$$

$$\therefore ROE = \frac{NPM \times TATO}{(1 - DR)}$$

$$\Rightarrow \frac{ROA}{1 - DR}$$