1. Home Depot has a higher LTD as compared to Lowe's. In 2013 Home Depot reported 36.3% while Lowe's reported 30.8% in the same year.

v) Paid-In Capital / Additional Paid-In Capital

1. There is a stark difference between the companies when it comes to Paid-In Capital. Home Depot is showing 20.7% in 2013 while Lowe's is showing 0.0%.

c) Similarities

i) Merchandise Inventories / Merchandise Inventories, Net

1. Both companies have maintained approximately 27.0% against total assets for both years 2013 and 2012.

ii) Total Equity

1. In 2012, both companies were within a percentage of each other with Home Depot showing 43.3% and Lowe's showing 42.4%.

D) Compute Return on Equity for both companies for 2013 and 2012. Calculate the five components of ROE and verify that their product equals ROE.

a) DONE ON EXCEL SHEET.

E) Refer to the common-sized income statement you prepared in part c and your ROE decomposition from part d.

a) What trends do you notice in the expense line items as a percentage of sales and in ROE subcomponents for each firm over time?

b) Which firm is more profitable? Consider profitability in terms of overall ROE, operating return on sales, and operating return on assets.

i) When analyzing the ROE for Home Depot, we can see a strong increase from 25.[illegible]8% in 2012 to 35.54% in 2013 which we can translate to increased substitutability for the company. In comparison Lowe's also shows a strong increase in ROE from 12.89% in 2012 to 25.18% in 2013.

ii) We can see that in terms of Asset Turnover (AT), Home Depot's is higher. There AT is shown at 1.93 in 2013 as compared to 1.63 in 2012 for Lowe's.

iii) We can see the Home Depot is the more profitable company. Operating ROA can be used to determine profitability. We see that Home Depot makes 11.6 cents of profit before interest and taxes for every dollar of sales compared to Lowe's 7.8 cents.

F) Asses the companies' asset efficiency. Which firm is more efficient in its use of assets? Specifically, use fixed asset turnover, Inventory Turnover, Accounts Payable Turnover, and Cash Conversion analysis.

a) DONE ON EXCEL SHEET.

b) We can see that Home Depot's Asset Turnover is higher than Lowe's which shows that Home Depot is more efficient in the use of their assets. In laymen's terms, this means Home Depot generates more sales per dollar of assets or investments.

c) We can see that Home Depot has a higher inventory turnover than Lowe's. In 2013, Home Depot's Inventory Turnover was 77.33 days while Lowe's was 92.64 days, a difference of 15.31 days in favor of Home Depot.

d) Home Depot, again, has the advantage when it comes to accounts payable turnover or the amount of time that it takes to turn payables. In 2013, Home Depot averaged 39.97