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FROM: *Student Name*

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SUBJECT: *Microsoft (MSFT)*

The first plot, Stock Price, plots Microsoft's adjusted stock price and the S&P 500's adjusted stock price from September 1, 2005 to August 31, 2010. Microsoft's (MSFT) stock price did not change much over the five years, a total change of -0.12. When compared to the price of the S&P 500, MSFT's plot line has the same general appearance but is more volatile, the plot lines on the attached Adjusted Price chart are more jagged.

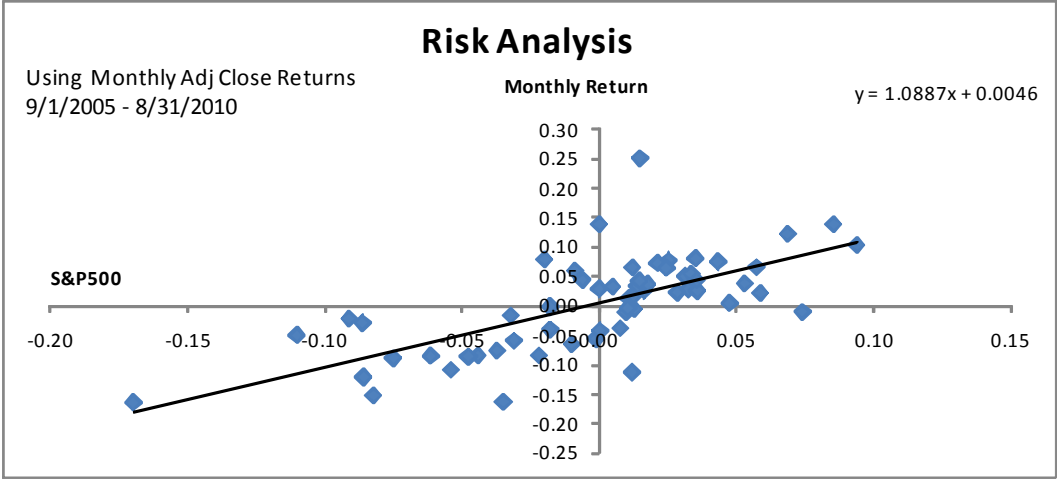
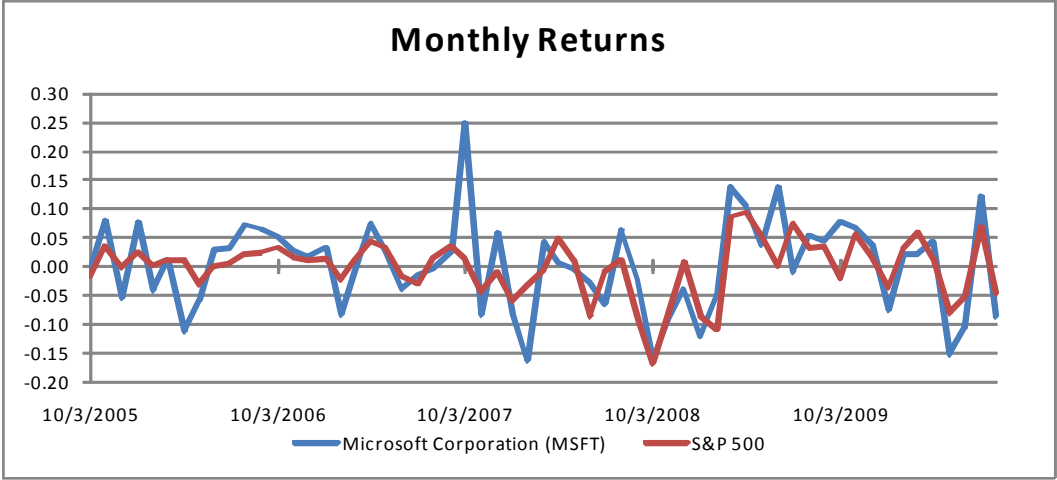
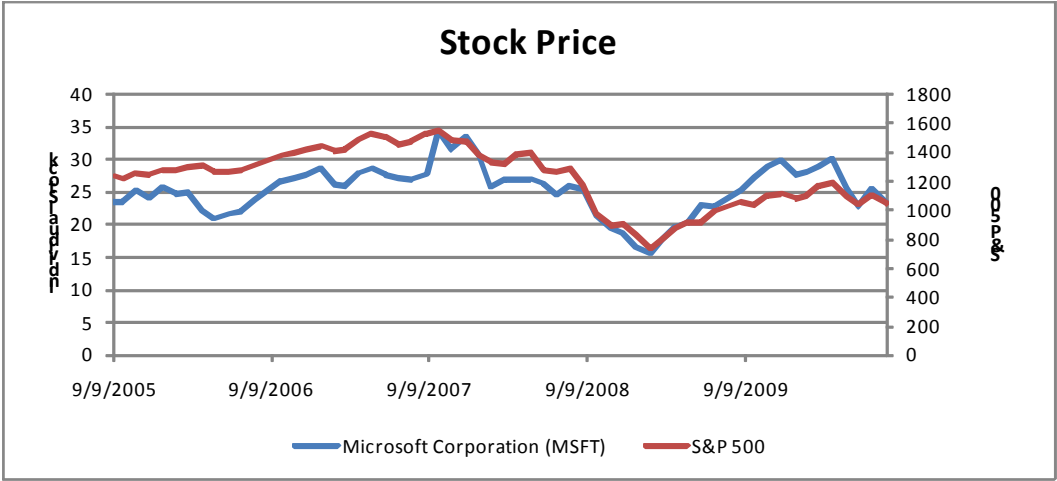
The second plot, Monthly Returns, plots the returns for MSFT and SP500 through the time period under study. The returns from MSFT stock do not vary greatly from the S&P500, however, the variance is greater, .0063 for MSFT and .0025 for SP500. Overall, the return for Microsoft has been greater than the return for the S&P 500.

The third plot, Risk Analysis, plots the returns for MSFT against the SP500 paired by dates in a scatter plot. The equation for the trend line indicates the beta is 1.0887 for MSFT. This means that MSFT stock is slightly riskier than the SP500 stock. Finance.yahoo.com calculates the beta at 1.01 and the difference is due to the time period under study. Finance.yahoo.com uses the most recent three years and I used five years ending at the beginning of this semester.

The ratio analysis table shows that Microsoft has increased its use of debt (leverage), the equity multiplier has decreased (Total Assets / Total Equity). Overall, their liquidity position has improved. The current ratio increased; even though current liabilities increased the current assets increased at a greater rate. The cash ratio has decreased, and since the quick ratio increased, this indicates that they are holding investments beyond those included in their cash equivalents. ROE decreased in 2009 and then increased in 2010. Of the three components of ROE, Sales/Assets and Assets/Equity have decreased steadily; however, Net Income/Sales decreased in 2009 and then increased in 2010. After reviewing their Income Statement, Microsoft increased its Revenues by 7% and its cost of revenue only grew by 2%.

I do not see any overall trends besides the slight increase in the use of leverage. Microsoft continues to be a good credit risk (highly liquid) to lenders and a low risk (compared to the S&P500) for shareholders.

Student Name



Ratio Analysis

	NI/Equity	NI/Sales	Sales/Assets	Assets/Equity	Current Ratio	Quick Ratio	Cash Ratio
2008	0.487267817	0.292634889	0.830024865	2.006090503	144.69%	141.39%	34.59%
2009	0.368294656	0.249311224	0.750269618	1.968956975	182.29%	179.64%	22.48%
2010	0.406280455	0.300236861	0.725604729	1.864926909	212.93%	210.10%	21.05%