FINC 330 Project Descriptions Research Project Part 1 Due at the end of week 5. Ratio Analysis Business Analysis Paper details: Financial Analysis of a Fortune 500 company with Trend analysis, ratio analysis. Liquidity (current ratio, quick ratio) Operating performance ratio (Days of Sales in Inventory, Days of Sales Outstanding, Days of Payables Outstanding), Receivables Turnover, Inventory Turnover, Fixed Assets Turnover, Total Assets Turnover) Profitability ratios (Gross Profit Margin, Operating Profit Margin, Net Profit Margin) Return on Investment ratios: (ROA, ROE) Charts needed. OBJECTIVE You are to assume you have been recently hired by The Company and have been assigned to a team that reports to the CEO of THE COMPANY (SELECTED BY INSTRUCTOR). The head of your team is the CFO who is concerned about THE COMPANY’s current financial performance and comparison against major competitors in the industry and the impact that may have on the firm’s stock price. The CFO would like your team to provide insights that will help them to project future financial performance. Specifically, the primary question to answer is: will THE COMPANY be financially viable over the next two to three years, and which steps should be done to improve its financial stability? THE COMPANY that is to be analyzed for this project is to be a company selected by instructor. Alternatively, you can request approval of another publicly traded company. This request must be submitted before the end of the first week of the course. The request must include identification of the company by ticker symbol and name a reasonable and appropriate explanation of why you want to examine the alternative company the source of the analyst's report that will be used in the analysis (which must be submitted to me) acknowledgement by you that all of the specific elements of the assignment (see below) will be prepared by you and included in the final research project report SUGGESTED WEBSITES www.morningstar.com - To find the information for your company you need to type the stock symbol in the Quotes window to get into the company’s page. www.marketwatch.com -To find the information for your company you need to type the stock symbol in the Search window to get into the company’s page. www.Finviz.com - To find the information for your company you need click on Screener on the top of the screen, type the stock symbol in the Ticker window to get into the company’s page., and click on the company in the list. www.money.cnn.com -To find the information for your company you need to type the stock symbol in the Search window to get into the company’s page. www.finance.yahoo.com - To find the information for your company you need to type the stock symbol in the Search window to get into the company’s page. www.nyse.com – Click on Data, then click on Stocks (under Quotes), and type the name of the company or the stock symbol in the window “Keyword or symbol” to get into the company’s page. www.nasdaq.com - To find the information for your company you need to type the stock symbol in the Search window to get into the company’s page. Company’s websites YOUR SPECIFIC ASSIGNMENT Using the information from the websites the students will develop evaluation of the financial performance for THE COMPANY (SELECTED BY INSTRUCTOR). (The evaluation portion will total 85% of the assignment grade) -1—Introduction (3% of the project grade)- The paper should begin with a short introduction, explains the purpose of the paper, and provides an overview of the contents that follow (one short paragraph). 2— Trend analysis (20% of the project grade) Analyze the financial trends over the last 5 years of · Sale Growth, · COGS Growth, · Gross Income Growth, · Interest Expense Growth, · Net Income Growth, · Cash & Short Term Investments Growth · Assets - Total - Growth. You can find these ratios in the Internet or calculate them. If you use published ratios you must indicate that and cite their source. These growth rates are available in www.marketwatch.com -To find the information for your company you need to type the stock symbol in the Search window to get into the company’s page. Click on Financial > Income Statement (or Balance Sheet) > click on View Ratios. To present your findings, you will create the table(s) and/or graphs. You can use the bar graphs provided by www.marketwatch.com or create your own ones. Write about 1-2 pages of the analysis of the financial conditions, its stability, and trends. What important information does this analysis provide? -3— Financial ratio analysis. (25% of the project grade) In this part of the project you will complete ratio analysis of THE COMPANY. Please remember that you are the financial analyst of THE COMPANY and should prepare the report to be read by the chairman (CEO) of THE COMPANY. The ratio analysis should be completed from the point of view of THE COMPANY’s the management. The chairman of THE COMPANY is especially concerned about the following groups of ratios: · Liquidity (current ratio, quick ratio) · Operating performance ratio (Days of Sales in Inventory, Days of Sales Outstanding, Days of Payables Outstanding), Receivables Turnover, Inventory Turnover, Fixed Assets Turnover, Total Assets Turnover) · Profitability ratios (Gross Profit Margin, Operating Profit Margin, Net Profit Margin) · Return on Investment ratios: (ROA, ROE) These ratios are available on www.morningstar.com > Company’s page – under Financials and under Operating Performance You can find financial ratios for the company for the last 1-5 years in the Internet or calculate them. If you use published ratios you must indicate that and cite their source. a) Present the ratios as the table(s) in your project. Create graphs for some ratios on your choice over three years to show trends. b) Write 2 pages (or more) of analysis of the ratio results that you found. In your analysis you should answer the following questions: · How liquid is the company? · Is management generating a substantial profit on the company’s assets? · If the management of the company would like to improve the company’s financial performance, what should the management of THE COMPANY do? -5- Evaluate Return on Equity for the company for the last three years using the DuPont analysis. (17% of the project grade). You can find these ratios in the Internet or calculate them. If you use published ratios you must indicate that and cite their source. a. Find ROE, Net profit margin (listed as net margin), asset turnover, financial leverage for the last three years for your company. You also may use debt/equity ratio in your analysis. Present the ratios as the table(s) in your project. b. Find ROE, Net profit margin (listed as net margin), asset turnover, financial leverage for the last year for its major peer competitor. You also may use debt/equity ratio of peer competitor in your analysis. Present the ratios as the table(s) in your project. c. Has the company’s ROE changed over the last three years? What was the main factor that influenced this change? d. Compare the ratios of you company to the peer competitor. If the management of the company would like to improve the company’s return on equity, what should the management of the company do? Write about 1 page of analysis to answer the questions (c) and (d). -6- Develop a specific recommendation, with supporting rationale, as to whether the assigned company's recent trends and results in financial performance is of sufficient financial strength, will THE COMPANY be financially sustainable over the next two to three years, and which steps should be done to improve its financial stability? (about 1 page) (15% of the project grade). -7- Reflection – the student should write a paragraph in their own words reflecting on specifically what they learned from the assignment and how they think they could apply what they learned in the workplace. (5% of the project grade) PRESENTATION OF PAPER AND WRITING (15%) of the project grade): -Organization, Format and Presentation of Paper including the Title page, Introduction, Body, and Summary. Each section of the paper must begin with sub-headings. Please use the sub-headings included in the assignment. Please use double spaced, with one-inch margins, and use 12-point Times New Roman font. (4% of the project grade) Use of Tables, Figures and Other Graphics to Summarize and Support Analysis Presented in the Paper. All tables and charts should have the numbering system, like “Table 1…”, the title, and foot/end note to reference the source of the information. (3% of the project grade) Logical and Smooth Flowing Transitions and Relationships among Sections of the Written Report (3% of the project grade) Research Sources and Significance of Research Information and Data, Use of APA Citation Methodology (5% of the project grade)