

## **ACC 549**

### **Financial Statement Analysis Project Guidelines and Rubric**

This project consists of six parts. You are to act as a financial advisor to a client interested in investing in a particular industry. You will research two separate companies in the same industry and provide a recommendation to your client which company, if any, he/she should invest in. One of the companies should be a U.S. public company (10-K Annual Report), the other company should be a foreign company listed on a U.S. exchange (20-F Annual Report). Good examples: Ford and Toyota.

#### **Part 1: Selection of companies**

Submit the names of your two public companies to the instructor for approval. Identify the industry they are in. Make sure one is a US Company and one is a Foreign Company listed on a US Exchange.

*Submit to the Dropbox no later than Sunday 11:59 PM EST/EDT of Module 1.*

#### **Part 2: Obtain Financial Statements from SEC.GOV**

Obtain six years of financial statements for your company from SEC.gov. Do not use other sources (Yahoo Finance or the Company Website) to obtain this information.

Resources: SEC Edgar Database at sec.gov

1. Go to [www.sec.gov](http://www.sec.gov)
2. Search for Company Filings
3. Enter Company Name, example (Nike Inc.)
4. For the Annual Report select 10-K (or 20-F)
5. Select documents
6. Select form 10-K (or 20-F)
7. This is the entire annual report, you only need the financial statements

*Submit to the Dropbox no later than Sunday 11:59 PM EST/EDT of Module 2.*

#### **Part 3: Enter data into the FSAP (Financial Statement Analysis Package) Excel File**

Enter the Balance Sheet and Income Statement amounts for 5 years into the Financial Statement Analysis Package Excel file on the Data Tab of the FSAP.

Resource: [FSAP Excel file](#).

*Submit to the Dropbox no later than Sunday 11:59 PM EST/EDT of Module 3.*

#### **Part 4: Company Analysis**

Write a brief description of the primary business activities for your assigned companies. Focus more on their position within the industry, recent developments, fluctuation in stock prices relative to the market/industry, and other items of significance that would impact your investment decision. Do not focus on the history and background of the company, but rather on information that would be relevant to decision makers.

The paper should be 2-3 pages, 12 pt. font, single spaced.

Resources: Annual Report (management discussion and analysis), Company website, trade journals.

*Submit to the Dropbox no later than Sunday 11:59 PM EST/EDT of Module 4.*

### **Part 5: Industry Analysis**

Summarize the economic outlook for your industry. Look at recent market activity, recent indicators impacting your industry. Address recent change in stock prices. Obtain industry averages for your ratio, vertical, and common size analysis (see the Analysis tab of the FSAP). Consider other expert buy/sell/hold opinions.

The paper should be 1-2 pages, 12pt. font, single spaced.

Resources: Standard and Poor's Stock Reports or other Industry Surveys, Mergent's Industry Review, Finance.yahoo.com, moneycentral, msn.com, hoovers.com, other financial websites, annual reports, and trade journals. Examine recommendations of other investment websites (buy/sell/hold). Incorporate peer reviewed academic research articles into your analysis. Analysis tab of the [FSAP Excel file](#).

*Submit to the Dropbox no later than Sunday 11:59 PM EST/EDT of Module 5.*

### **Part 6: FINAL PAPER**

1. Include Company Analysis (address prior comments): 2-3 pages
2. Include Industry Analysis (address prior comments): 1-2 pages
3. Include FSAP summary – Summarize the Analysis Tab of the FSAP which contains Ratios, Horizontal Analysis, and Common Size Analysis. Summarize the information in a professional and organized manner. Do not just cut and paste the information into your paper.
4. Write a summary of the significant findings from the financial statement analysis. This should be 2-3 single-spaced pages, using 12-point font. Address the Company & Industry analysis. Address significant Ratios, Horizontal Analysis, and Common Sized Analysis from the FSAP (look under the Analysis Tab). Do not address all the ratios and every line of vertical and horizontal analysis, just what you feel is important and significant to your decision. Focus on the specific items that stood out and impacted your decision. ***Include academic research to support your analysis.***
5. Based on your findings, which company, if any, would you invest in? Include specific support for your decision based on your findings in the analysis. Also include support (for or against) investing in the industry you chose. Include academic research to support your final decision. This should be one page, 12-point font, single-spaced.

Resources: Textbook and Academic peer-reviewed journal articles.

The Final Paper should be 6-9 single-spaced pages plus tables.

*Submit to the Dropbox no later than Sunday 11:59 PM EST/EDT of Module 8 (This Dropbox basket is linked to Turnitin.)*

Course Outcome	Criteria	No Submission 0	Novice 6	Basic 7	Proficient 8	Exceptional 9-10	Total Points
#1	<b>COMPANY ANALYSIS</b> States and identifies all required general information about the corporation. Identifies company specific current events that would impact investment decisions/valuation	0 Points No Submission	Student does not clearly state the required general information.	Student provides the required general information without any additional information.	Student identifies two or fewer required general information and company specific current events.	Student accurately states and identifies the majority of the required general information and company specific current events. Student properly explains the impact this would have on valuation.	___/10
#1	<b>INDUSTRY ANALYSIS</b> States all the required industry information. Identifies industry specific current events that would impact investment decisions/valuation.	0 Points No Submission	Student does not clearly state the required general information.	Student provides the required general information without any additional information.	Student identifies two or fewer required general information and industry specific current events.	Student accurately states and identifies the majority of the required general information and industry specific current events. Student properly explains the impact this would have on valuation.	___/10
#2	<b>COMMON SIZE ANALYSIS</b> Analyze the primary financial statements using revenues, profits and common-size analysis	0 Points No Submission	Student does not adequately use common size analysis to make informed decisions.	Student provides basic common size analysis of financial statement line items.	Student selects 3-4 significant financial statement line items and uses common size analysis to make an informed decision.	Student exceeds the expectations of using common size analysis as a decision making tool.	___/10
#2	<b>HORIZONTAL ANALYSIS</b> Analyze the primary financial statements using horizontal analysis	0 Points No Submission	Student does not adequately use horizontal analysis to make informed decisions.	Student provides basic horizontal analysis of financial statement line items.	Student selects 3-4 significant financial statement line items and uses horizontal analysis to make an informed decision.	Student exceeds the expectations of using horizontal analysis as a decision making tool.	___/10

#2	<b>RATIO ANALYSIS</b> Calculates and discusses the ratios in this section	0 Points No Submission	Student does not adequately use ratio analysis to make informed decisions.	Student provides basic analysis using ratios.	Student analyses 3-4 significant ratios to make an informed decision.	Student exceeds the expectations of using ratio analysis as a decision making tool.	___/10
#3	<b>COMPARISON</b> Compares the corporation to the industry and its primary competitor and responds to both questions in this section	0 Points No Submission	Student does not properly compare the results of the analysis and research to make an informed decision.	Student provides basic industry analysis.	Student properly compares the results of the analysis and research to make an informed decision.	Student exceeds the expectation of comparing the results of the analysis and research to make an informed decision.	___/10
#4	<b>CONCLUSION</b> Student makes a proper conclusion and provides support for their decision	0 Points No Submission	No conclusion is made.	Inadequate support is provided for conclusion.	Conclusion is made with minimal support.	Conclusion is made based on a strong support.	___/10
#5	<b>RESEARCH COMPONENT</b> Student uses academic research to support their conclusion	0 Points No Submission	Student does not clearly state the required general information.	Student provides the required general information without any additional information.	Student identifies two or fewer required general information and company specific current events.	Student accurately states and identifies the majority of the required general information and company specific current events. Student properly explains the impact this would have on valuation.	___/10
	<b>GRAMMAR</b> Uses correct grammar	0 Points No Submission	Student does not clearly state the required general information.	Student provides the required general information without any additional information.	Student identifies two or fewer required general information and industry specific current events.	Student accurately states and identifies the majority of the required general information and industry specific current events. Student properly explains the impact this would have on valuation.	___/10

	<b>PRESENTATION (if no presentation, then OVERALL GRADE)</b>	0 Points No Submission	Student does not adequately use common size analysis to make informed decisions.	Student provides basic common size analysis of financial statement line items.	Student selects 3-4 significant financial statement line items and uses common size analysis to make an informed decision.	Student exceeds the expectations of using common size analysis as a decision making tool.	___/10
<b>TOTAL</b>							___/100