

Instructions:

Part 1 – Getting the statements - see due date (10 points)

1. Work in your regularly assigned Groups or form new Teams (size 4-6 people). Submit ONE written report per group. The project lends itself to being divided up among group members, *however* the strength of the group is that you check each others' calculations and writing.
2. Select **two** companies from the attached list in the same industry (**Attachment A**). First come, first served, confirm your selections with the instructor. You may NOT use JC Penney (as I use it for the example).
3. **Obtain the most current 10-k Financial Statements** for the companies: Download the statements into a document. You need three years of data (e.g., 2011, 2010, 2009), so you might need one additional statement. Be sure to ONLY get the most recent statements for the current and prior years. You may only use the official 10K statements, not any other source: www.sec.gov. For directions, see **Attachment B** with the example company JC Penney, which we will go over in more detail in the computer lab.

Part 2 – Calculations - see due date - *Use your discussion Board on MyBC to check each other's your work!* (30 points) Always use the most current years for ratios, horizontal and vertical analyses (even though the example is for previous years)!

4. **Calculate ratios for the companies.** The ratios should help you decide about the financial health of the company. Calculate two years of ratios for each company. See **Attachment C** for spreadsheet format – **Show the ratios on one table; show your calculations on a separate table**) Again, one per company.
5. **Perform a horizontal analysis for the companies** on the Balance Sheet and the Income Statement. See pp. 679-680 for an example. See **Attachment C** (Excel file) for spreadsheet format -- **Show on two tables for each company. *Note: you MUST use calculations in your spreadsheet for the net change column and the % column. Do NOT type the answer in; it must be calculated using Excel formulas.***
6. **Perform a vertical analysis for these companies** on the Balance Sheet and the Income Statement. See pp. 683 for an example. See **Attachment C** for spreadsheet format -- **Show on two tables for each company. *Note: you MUST use calculations in your spreadsheet for the % column. Do NOT type the answer in; it must be calculated using Excel formulas.***

Part 3 – The Report - see due date. *Use your discussion Board to check each other's your work!* (35 points)

7. **Write a written analysis** of your ratios, horizontal and vertical analysis. Compare and contrast the two companies.
8. **Write a summary statement paragraph.** Compare and contrast the two companies. Which company is the better investment (solely based on YOUR research).
9. **Include a brief paragraph** of Lessons Learned from each group member.

Submit your final paper to Turnitin.com by the due date; see **Attachment D**.
If you wish to submit a draft into Turnitin.com, you can do so. Your final version will overwrite your previous version. I will only grade you on the final version's results. For instructions on Turnitin.com, see **Attachment D**.

The written report should include:

- **Title page** – include all team members' names **(1 point)**
- **Opening paragraph: (5 points)** **2 paragraphs**
Introduce the companies; explain what each does, where it is located, number of employees, major products, and any other pertinent facts. Also, note the year end Stock prices for your company. **USE YOUR OWN WORDS!**
- **SPREADSHEETS (see Attachment C): (6 points)** **2 pages**
 - 2 years of Ratio Analysis
 - Liquidity ratios
 - Profitability ratios
 - Solvency ratios

Some ratios require calculating a two year average balance (e.g., Receivables turnover requires calculating average accounts receivable. You will need to obtain the current year and prior year for each year's ratio. For example, for 2011, you will need to average 2011 and 2010 accounts receivable; for 2010, you will need to average 2010 and 2009 accounts receivable.

 - Ratio Calculation Page **2 pages**
 - Horizontal Analysis (spreadsheet) **4 pages**
 - Vertical Analysis (spreadsheet) **4 pages**
- **WRITTEN ANALYSIS (of spreadsheets) (6 points)** **2-2.5 pages**
 - Write your analysis and interpretations of the ratios you calculated. See the Ratio Analysis section pp 683-692 for examples **Do not include definitions of the ratios in this section.** Very brief, summarize most important ratios. **Half page.**
 - Write your analysis/interpretations of the horizontal analyses you calculated. **Two paragraphs.**
 - Write your analysis/interpretations of the vertical analyses you calculated. **Two paragraphs.**
- **Summary, conclusions and recommendations. (6 points)** **1 paragraph**
Summarize your Written Analysis. Briefly, analyze the companies, given the limited data you have created. You do NOT need to research these companies beyond the spreadsheet analyses that you have done and the additional information you have gathered. You need to make conclusions about the companies: Are these companies healthy? Are the trends favorable? Based on your very limited research, *do you recommend this company for investment? Finally, which company is the better investment?* Make a conclusion and give evidence from your data to support your conclusion. Quote numbers.
- **Lessons Learned/Peer Evaluations** (each team member answer individually) **(6 points)**
 - How long did this take me?
 - What did I learn?
 - What would I do differently next time?
 - How did my peers do on the team (ideas, participation, punctuality, etc.)
- **Upload written document** into Turnitin.com (see **Attachment D**). **(5 points)**

BE SURE ALL TEAM MEMBERS AUDIT ALL CALCULATIONS.

TIPS ON WRITING: Write clearly, with emphasis on C-O-E.

Content: take a position; provide evidence to support your conclusion, e.g., “Sales have improved dramatically over the three years-- 10% growth in 2001 compared to 2000 and 15% growth in 2002 compared to 2001.”

Organization: Organize your thoughts clearly; don’t ramble from topic to topic. For longer paragraphs, make a short outline to assure that you say what you want to say.

Eding: Avoid typos and misspellings, avoid run on sentences, awkward sentences. Proof read your team members’ writing and give them feedback on this.

**Note: When writing about the company, refer to it as an “IT”, not a “THEY.”
Company is singular, not plural.**

Attachment D

Financial Statement Lab Paper Project

SUBMIT ONLINE: You will submit your final paper to the plagiarism website:

www.turnitin.com

Due: March 6, 2013 (draft - optional)

Due: March 8, 2013 (final)

- Class ID: **5898481**
- Enrollment ID: **CAMPUS202** (per class)
- Upload report.
-

IF YOU GET YOUR WORK DONE EARLY:

- Review your originality report and make corrections (if there is time).
- Resubmit corrected copy to www.turnitin.com
- Note, you can resubmit assignment, *however, the originality report* takes much longer (some as long as one day).

UPLOAD:

- (Optional) Upload a draft by: March 6, 2013
- (Required – final copy will overwrite your draft. Upload on/before the due date: March 8, 2013

ATTACHMENT A

Each team will be required to select an industry from the following list. And, only ONE company per team.

OIL	
Exxon Mobil	XOM
Chevron Texaco	CVX
Occidental Petroleum	OXY
Encana	ECA
Conoco Phillips	COP
TECHNOLOGY	
Microsoft	MSFT
Oracle	ORCL
Adobe	ADBE
Google	GOOG
Amazon	AMZN
Ebay	EBAY
RETAILERS	
Macy	M
Nordstrom	JWN
Gap	GPS
Limited	LTD
Abercrombie and Fitch	ANF
Urban Outfitters	
DRUG	
Johnson and Johnson	JNJ
Schering Plough	MRK
Pfizer	PFE
GlaxoSmith Kline	GSK
Novartis	NVS
FOOD RETAILERS	
Costco	COST
Supervalu	SVU
Safeway	SWY
Kroger	SVU
Whole Foods	WFMI
COMPUTER HARDWARE	
Apple	AAPL
HP	HPQ
Dell	DELL
Sony	SNE
Sandisk	SNDK
Cisco	CSCO

CONSUMER STAPLES	
Proctor and Gamble	PG
Colgate	CL
Kimberly Clark	KMB
Estee Lauder	EL
Avon	AVP
RESTAURANTS – Fast Food	
MacDonald's	MCD
Yum! Brands Inc.	YUM
Starbucks	SBUX
Chipotle Mexican	CMG
RESTAURANTS - midrange	
Cheesecake Factory	CAKE
Darden	DRI
PF Chang	PFCB
Brinker, Inc	EAT
DineEquity	DIN
SHOES	
Nike	NKE
Crocs	CROX
Decker	DECK
Timberland	TBL
K-Swiss	KSWS
FOOD PRODUCTION	
Kraft	KFT
General Mills	GIS
ConAgra	CAG
Smithfield	SFD
Tyson	TSN
Kellogg	K
Seneca Foods	SENEA
TOBACCO	
Phillip Morris	PM
Lorillard	LO
Altria	MO
Reynolds American	RAI

ATTACHMENT B

Accounting 202 - HOW TO LOCATE FINANCIAL STATEMENTS FROM THE SEC WEBSITE

Name _____

Lab Objectives/Outcomes:

- Student will be able to locate and print Financial Statements for a publicly held company.
- Students will be able to locate other company information.

1. Find the Financial Statements on the 10-k. Go to the SEC website and find your statements. YOU MUST USE THE SEC LINK; do not use any other source. www.sec.gov

Under **Filings & Forms** click on **Search for Company Filings**. On this page, click on **Company or fund name, ticker symbol**. In the menu box, input the Company Ticker symbol (see Attachment A for a list of companies and their ticker symbols).

or **CIK** or Ticker Symbol: e.g., for JC Penney. You will get a listing of recent filings. To select only 10-K reports, in the Filter Results box, type: **10-K** and click on the **Search** button

Filter Results:	Filing Type:	Prior to: (YYYYMMDD)	Ownership?	Limit Results Per Page	Search
	<input type="text" value="10-k"/>	<input type="text"/>	<input type="radio"/> include <input checked="" type="radio"/> exclude <input type="radio"/> onl	<input type="text" value="40 Entries"/>	Show All

Under the Format column, Click on **Documents**.

Filings	Format	Description	Filing Date	File/Film Number
10-K	Documents	Annual report [Section 13 and 15(d), not S-K Item 405] Acc-no: 0001193125-10-071527 (34 Act) Size: 7 MB	2010-03-30	001-15274 10714139

Filing s	Format	Description	Filing Date	File/Film Number
10-K	Documents Interactive Data	Annual report [Section 13 and 15(d), not S-K Item 405] Acc-no: 0001193125-11-081412 (34 Act) Size: 16 MB	2011-03-29	001-15274 11719343
10-K	Documents Interactive Data	Annual report [Section 13 and 15(d), not S-K Item 405] Acc-no: 0001193125-10-071527 (34 Act) Size: 7 MB	2010-03-30	001-15274 10714139
10-K	Documents	Annual report [Section 13 and 15(d), not S-K Item 405] Acc-no: 0001193125-09-069467 (34 Act) Size: 2 MB	2009-03-31	001-15274 09719536
10-K	Documents	Annual report [Section 13 and 15(d), not S-K Item 405] Acc-no: 0001193125-08-072384 (34 Act) Size: 1 MB	2008-04-01	001-15274 08729853

If possible, Click on the link: **Interactive Data** (You can then select Financial statements and print each one. For the 3rd year back of the Balance Sheet, go back, and select the previous year).

If **Interactive Data** does not show, then Click on **Documents**, then:

Seq	Description	Document	Type	Size
1	FORM 10-K	d10k.htm	10-K	1663504

Click on the link: **d10k.htm**

This will bring up the full 10-k document. In the upper left hand corner, you can see the fiscal year end date, for example, JC Penney's fiscal year ended around January 30. Page down and find the interactive table of contents. Click on Item 15, Exhibits, Financial Statements. Scroll down the page and find the statements. Highlight them and paste them into a Word document. **TYPE the company's full name on top of each statement. Try to place the statements on ONE per page. Do not put multiple statements on a page. You may need to place some statements in Landscape to fit.**

You will print five statements: four from the current year's 10-k and one from the prior year's 10-k.

The Balance Sheet is the *ONLY* statement that doesn't list three years of data, so you need the prior year 10-K's Balance Sheet for this.

STATEMENTS/alternate names for statements	Where to locate:	Example data
Income Statement (or, Statement of Earnings or Statement of Operations)	Current year 10-K: 3 years of data	(e.g., 2010 publication date with: 2010, 2009, 2008 data <u>or</u> , if not published yet, 2009 publication date)
Balance Sheet (or, Statement of Financial Position)	Current year 10-K: 2 years of data	(e.g., 2010, 2009)
Stockholders' Equity (which should include a section or column for Retained Earnings)	Current year 10-K: 3 years of data	(e.g, 2010, 2009, 2008)
Cash Flow	Current year 10-K: 3 years of data	(e.g, 2010, 2009, 2008)
Balance Sheet (or, Statement of Financial Position)	Prior year 10-K: 3 years of data	(e.g, 2009, 2008 , 2007) – only use the one year of data, e.g, 2008

ALWAYS PRINT THE MOST RECENT THREE YEARS OF DATA!

If you access the entire 10-K, you can page back to the first page of the 10-K, you will find there is a wealth of company information in the first few pages, e.g., Business Overview, Competition, Risks in business.

You can also look into company information on other web sites.

2. Exploring Yahoo! For additional information about your company: Go to www.yahoo.com . Click on **Finance**. Request information about **JC Penney Company, Inc** by inputting the **JC Penney Company, Inc** name or ticker symbol **JCP** and clicking **Get Quotes**. Click on **Historical Prices** (left column) and input relevant dates:

What is the year end stock price for JC Penney Company, Inc for the most recent three years?	2010: \$32.31 2009: \$26.61 2008: \$19.70
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Take a look at this page and the information available here. Click on the **Profile** link (see column on left). Look at this page and information available here.

How many employees does JC Penney Company, Inc have?	154,000
How many stores (or key locations) does JC Penney Company, Inc have?	1,100 stores, 13 distribution centers, 5 regional warehouses, and 4 direct fulfillment centers.
Where is the company located?	Corporate Headquarters: Plano, Texas Stores located in the USA and Puerto Rico.

There are many other sources for company information, however, you are not required to use them. (e.g, Hoovers, Business Source Complete, etc.).

Team Members: _____

Industry: _____

Company: _____

Use MOST Current financial statements! (e.g., 2011 and 2010)

RATIOS

Note: See text for proper formatting (e.g., & or decimal). All numbers should be to two decimal places (e.g., 1.88% or 26.41).

		Company:		Company:	
		2011	2010	2011	2010
Liquidity Ratios					
	1 Current Ratio				
	2 Quick Ratio				
	3 Receiv. Turnover				
	4 Inventory Turnover				
Profitability Ratios					
	5 Profit Margin %				
	6 Asset turnover				
	7 Return on assets				
	8 Return on				
	9 EPS				
	10 P-E ratio				
	11 Payout ratio				
Solvency Ratios					
	12 Debt to total Assets				
	13 Times interest earned				

Note: not all ratios have an example number.

RATIOS

Team Members: _____

YOUR COMPANY: _____

		2011		2010	
Ratio	Formula	Calculations	Result - 2 decimals	Calculations	Result - 2 decimals
Liquidity Ratios					
Current Ratio	Current Assets/ Current Liabilities				
Quick Ratio	[Cash + Short Term invest + Net AR]/ Current Liabilities				
Receivables turnover	Net credit sales/Average Net AR				
Inventory turnover	Inv. Turn = COGS/ Average Total Inventory				
Profitability Ratios					
Profit Margin - Put into a PERCENT %	Net Income/ Net Sales				
Asset Turnover	Net Sales/Average total assets				
Return on Assets	Net Income/Average total assets				
Return on common stockholders' equity	Net Income/Average stockholders' equity				
Earnings per Share	Dividends/Weighted Avg. # Common Stock Shares				
Price-earnings (P-E) ratio	(Market Price Per Common Share/EPS)				
Payout ratio	Cash dividends/Net income				
Solvency Ratios					
Debt to Total Assets	Total Liabilities/Total Assets				
Times Interest Earned ratio	(Income before income taxes and interest expense)/interest expense				

Team Members: _____

BALANCE SHEET

[illegible]

HORIZONTAL ANALYSIS

\$\$ in _____

[illegible]

\$\$ in _____

Team Members: _____

BALANCE SHEET

[illegible]

VERTICAL ANALYSIS

INCOME STATEMENT

[illegible]

Team Members: _____

Industry: Retail

Company: JC Penney

Use MOST Current financial statements! (e.g., 2011 and 2010)

RATIOS --EXAMPLE

Note: See text for proper formatting (e.g., & or decimal). All numbers should be to two decimal places (e.g., 1.88% or 26.41).

		Company: JC Penney		Company: Other Co.	
		2011	2010	2011	2010
Liquidity Ratios					
1	Current Ratio	1.84	1.82		
2	Quick Ratio	0.55			
3	Receiv. Turnover	n/a			
4	Inventory Turnover	3.60			
Profitability Ratios					
5	Profit Margin %	-0.88%			
6	Asset turnover				
7	Return on assets				
8	Return on common stockholders' equity				
9	EPS				
10	P-E ratio				
11	Payout ratio				
Solvency Ratios					
12	Debt to total Assets	0.65			
13	Times interest earned				

Note: not all ratios have an example number.

RATIOS - EXAMPLE

Team Members: _____

YOUR COMPANY: _____

note: not all ratios have example calculations, please see text for detailed example

			2011		2010	
#	Ratio	Formula	Calculations	Result - 2 decimals	Calculations	Result - 2 decimals
Liquidity Ratios						
1	Current Ratio	Current Assets/ Current Liabilities	5,081/2,756	1.84	6,370/2,647	2.41
2	Quick Ratio	[Cash + Short Term invest + Net AR]/ Current Liabilities	(1,507+0)/2,756	0.55		
3	Receivables turnover	Net credit sales/Average Net AR	17,260/(0)	n/a		
4	Inventory turnover	Inv. Turn = COGS/ Average Total Inventory	11,042/((2,916+3,213)/2)	3.60		
Profitability Ratios						
5	Profit Margin - Put into a PERCENT %	Net Income/ Net Sales	-152/17,260	-0.88%		
6	Asset Turnover	Net Sales/Average total assets				
7	Return on Assets	Net Income/Average total assets				
8	Return on common stockholders' equity	Net Income/Average stockholders' equity				
9	Earnings per Share	Dividends)/Weighted Avg. # Common Stock Shares				
10	Price-earnings (P-E) ratio	(Market Price Per Common Share/EPS)				
11	Payout ratio	Cash dividends/Net income				
Solvency Ratios						
12	Debt to Total Assets	Total Liabilities/Total Assets	7,414/11,424	0.65		
13	Times Interest Earned ratio	(Income before income taxes and interest expense)/interest expense				