

XI. Individual Project / Annual Report Project

COMPANY CHOSEN: UNDERARMOR

An important part of this course is understanding financial statements and learning how to find key data in corporate Annual Reports. All publicly held companies are required to publish a detailed Annual Report, usually within 2 ½ months after the close of their operating year. The SEC requires the annual filing of Form 10-K which includes financial statements and detailed accompanying data. This project requires the following: **(Treat this report like you are working as an business/financial analyst; you will hand in your final product to your boss. Your year end bonus is dependent on the quality of the work.)**

1. Choose a **U.S.** public company that **merchandises or produces tangible goods** (the company ***must have inventory*** listed as an asset on the balance sheet) Do NOT choose a bank, insurance company or other service organization. The company should have a balance for accounts receivable and inventory.
2. Access the Company's most recent Annual Report on the **Company's website** or on the SEC website: www.sec.gov where you can search for the most recent form 10K. <http://biz.yahoo.com/i>, is another resource to find financial information for publicly held companies. The easiest way to find an annual report is to Google the name of the company and "annual report."
3. You must select a full year report. Some companies use a non-calendar year, known as a fiscal year. Do not use partial year data. At this time, the most recent annual reports will cover the year ended December 31, 2023 or a year that ended sometime during 2022 such as June 30, 2022.
4. **PRINT ALL 4 FINANCIAL STATEMENTS FOR THE MOST RECENT YEAR AND INCLUDE THEM IN YOUR REPORT**
5. Answer the following questions about your company:
 - A. How much would you profit or lose if you invested \$5,000 in your company on January 19, 2023 and sold the stock on the date you prepare you report?

Using Yahoo, BigCharts.com or other stock quote websites, list the closing price of the stock for 2 different points in time

	<u>Date</u>	<u>Price per share</u>
Initial selection date	1/19/23	_____
Final selection date	3/--/23	_____

If you had invested \$ 5,000 on January 19, what would have been your gain (loss)?
\$ _____

(Method: Divide \$5,000 by the 1/19/23 price per share to find the number of shares "purchased". Multiply that number of shares by the change in price from 1/19/23 to 3/--/23 to find the gain or loss.)

B. Using the information in the annual report, find:

- 1) The ending date of the last fiscal year
- 2) The company's stock ticker symbol
- 3) The principal products and/or services your company provides
- 4) Name of the independent **certified public accounting** firm that prepared the audit report (Find the "Independent Accountants' Report," right before the financial statements in the annual report).
- 5) Number of shares authorized? Issued? Outstanding? (from the annual report balance sheet)

NOTE: Authorized shares MUST BE more than Issues and Issued MUST BE no larger than outstanding.

- 6) Basic earnings per share (from the annual report income statement)
Ignore "diluted" earnings per share.
- 7) Depreciation method your company uses: straight-line, units of production, or declining balance (in annual report footnote about property and equipment)
- 8) Inventory cost method your company use (LIFO, FIFO, average, specific ID): in annual report footnote on inventory)
- 9) What companies compete with your company?

C. Find an article about your company in a business publication or website which discusses their financial results and status. Include the article with your report.

D. Pretend you are a personal financial planner and one of your clients owns stock in the company. Write a brief memo to your client summarizing the article selected in step 6 above and the recent financial statements to your client. Advise your client whether or not you believe they should continue to hold or sell the stock in your company.

E. Using the financial statements for the most recent two years, compute the following ratios for your company. Compute each year separately, showing the calculations for each ratio. The formulae for the ratios are available in your text book.

F. Ratios: **Write a 2-4 sentence conclusion for each group of ratios (a-e, f & g, h-j) where indicated, indicating whether the ratios are improving, stable, or getting worse).**

a. Current ratio.

b. Receivables turnover ratio

c. Average collection period in days

d. Inventory turnover ratio

e. Average number of days in inventory

What conclusions concerning the company's liquidity can be drawn from these 5 ratios?

f. Debt (Total Liabilities) to total assets

g. Free cash flow.

What conclusions concerning the company's solvency can be drawn from these 2 ratios?

h. Profit margin ratio.

i. Asset turnover ratio.

j. Gross profit rate.

What conclusions concerning the company's profitability can be drawn?

G. Would you recommend this company for investment purposes? Why or why not (give clear and concrete reasons, your opinion should be supported with substantial facts)

*******THE ANNUAL REPORT PROJECT IS DUE March 31, 2023*******

Report format:

No covers or folders please

Title page with Name, Company, Class Section and Semester

The information should be reported by numbering and labeling each item in the order requested. The report must be word processed..

Answers should be written in complete, grammatically correct sentences.