

FINANCIAL STATEMENT ANALYSIS (FSA) RESEARCH PROJECT

PURPOSE

The purpose of the project is to apply course concepts to real companies. You will be comparing the accounting (financial statement information) and non-financial information of two companies and choosing one company to invest in based on your analysis.

REQUIRED - EXCEL SPREADSHEET (Due on Canvas on December 13th)

1. Choose **ONE** of the company pairs from the following list:
 - ❖ AT&T Inc. and Verizon (telecommunications industry)
 - ❖ CVS Health and Rite Aid Corporation (healthcare/drugstore retail industry)
 - ❖ Jack in the Box, Inc. and The Wendy's Company (restaurant industry)
2. Obtain the 2019 annual reports for the two companies from their company websites (usually under the "Investors" or "Investor Relations" section)
3. Choose *four accounts* from the balance sheet for each company that would be important for an investor to analyze (Include the page numbers where you obtained the amounts from in the spreadsheet)
 - Do these accounts appear to be increasing, decreasing or remaining stable?
4. Choose *four accounts* from the income statement for each company that would be important for an investor to analyze (Include the page numbers where you obtained the amounts from in the spreadsheet)
 - Do these accounts appear to be increasing, decreasing or remaining stable?
5. Identify and calculate two liquidity ratios, two profitability ratios and two solvency ratios for each company
(A list of 13 ratios is included in the "Ratios" tab of the Excel spreadsheet template)
6. Analyze the companies' investing and financing activities for the most recent year as identified in the statement of cash flows, specifically identifying the *three largest investing activities and the three largest financing activities*
 - Largest means in terms of magnitude, not based on inflow (positive) or outflow (negative) amounts
 - For example, if a company has these amounts for investing activities: (\$1,000,000), \$500,000, (\$250,000) and \$100,000. Then, the largest three investing activity amounts would be (\$1,000,000), \$500,000 and (\$250,000).
(Include page numbers in the spreadsheet)
7. Collect the year-end stock prices over the past five years for each company (use <https://finance.yahoo.com/>)
8. Identify *two non-financial items* (not a number that is in a dollar amount) for each company that is not included in the financial statements that you think would be important to someone considering whether to invest in the companies
(Hint - you may want to consider topics discussed in other business classes, also include the page numbers in the spreadsheet)
 - Visit these web links for a definition and examples of non-financial measures:
<https://visionedgemarketing.com/non-financial-metrics/>
<https://smallbusiness.chron.com/list-nonfinancial-performance-objectives-35524.html>

REQUIRED - INDIVIDUAL WRITTEN REFLECTION (Due on Canvas on December 17th)

- One full page (include your name at the top of the page), single-spaced, one-inch margins and 12-point font
- Use complete sentences and paragraphs
- DO NOT include a title or the assigned questions in your reflection
- Plagiarism will not be tolerated
 - If you obtain information from outside of the annual reports, you must cite your sources in a references page in American Psychological Association (APA) format
 - Visit Purdue University's Online Writing Lab (OWL) website for reference page guidance: https://owl.purdue.edu/owl/research_and_citation/apa_style/apa_style_introduction.html
- Answer the following questions in your individual reflection:
 1. What is the industry for your two companies? Which accounts would be most important for investors to assess for companies in this industry? Why would these accounts be the most important ones? Which accounts did you choose to compare for your two companies? Why are these accounts important for you in assessing your companies' performance in their industry?
 2. For the statement of cash flows analysis, what are your companies' cash inflows and outflows? Do you agree or disagree with the investing and financing strategies that the companies appear to be employing? Why do you agree or disagree with these strategies (i.e., In your opinion, are these activities helping your companies grow or hindering their growth? How?)?
 3. Which ratios did you choose to analyze for your companies? Why did you choose these ratios? How do these ratios help you assess the liquidity, profitability and solvency of your companies? Based on your ratio analysis: which company is more liquid, which company is more profitable and which company is more solvent?
 4. Which company would you invest in based on the collected information? Why? Did the company's stock price play a role in your decision? Why or why not?
 5. Did you use the non-financial information in making your investment decision? Why or why not? Did you rely more on the accounting-related financial statement information or the non-financial information in making your decision? Why was one type of information more important to you than the other type of information? Why is non-financial company information important in making an investment decision?
 6. What did you learn from working on this project? In what ways can you apply the skills obtained from working on this project to your life?

GRADING

- Refer to the FSA research project rubric for grading expectations