Accounting I Annual Report Final Project Instructions You have analyzed many aspects of a company. In this part of the project, you will present a report to potential investors that will persuade them to invest money in this company. Prepare a report that summarizes the financial position of the company. Additionally, include a PowerPoint presentation that you would use in a meeting with investors to illustrate the desirability of investing in this company. The complete report is due at the end of the course, however there are due dates for specific sections noted throughout the course. Please make sure to upload assignments to the corresponding dropbox folder prior to the deadlines for submission. Use separate files for Word documents and the PowerPoint presentation. Here are the specific instructions for the format of the annual report project. In this project, you will write and present an in-depth analysis of the company you choose. For my online classes “present” means you will provide a PowerPoint presentation of your report. This is an application of what you will have learned from class lectures, homework assignments, and your own research. Each person will electronically submit a written report in the appropriate D2L dropbox folder. Late submissions will not be accepted. Format Your report should be typed, with one-inch margins all around. Double-space all of the report except charts and tables. Please use proper grammar, spelling, and punctuation. When using pronouns to refer to your company, please use “it” or “its,” not “they” or “their.” You may use charts and tables to summarize data when appropriate; otherwise, use sentences and paragraphs for narratives and comments. (I do not specify a length requirement, but Sections 2-7 should take from 6-10 pages to cover adequately.) Selecting a Company and Gathering Initial Information It is very important that you obtain an electronic copy of your company’s latest form 10-K by the second week of class. Submit this document to the dropbox by the requested date! For your information, the dollar figures in the financial statements of your annual reports will be presented in either thousands or millions. If your dollar amounts are listed in thousands, add 3 zeroes to get the actual amount. If your dollar amounts are in millions, add 6 zeroes. When asked to present amounts in your report, please use the actual amounts, in order to get an idea of the true size of your company. Report Preparation The report should contain the following information in the specified order. Section 1: Cover page Include the name of the firm, your name, and the due date of the report. Section 2: Introductory section A. Company name, industry, major products or services, names of at least two competitors, stock exchange on which the company’s stock is listed. B. History of the company. C. Summary of the president’s message or other promotional and informational material in the annual report. Section 3: Results of Operations A. Describe the company’s method for revenue recognition. B. Please list the net income/loss for the 2-3 years presented in your company’s annual report. Is your company profitable? Refer to the three or five-year summary of the company’s performance and determine what has been the trend concerning profitability during that time. C. What do you expect the company’s future earnings to do? Why? Can you support this claim with recent information found in the news? Section 4: Capital Structure A. List the total of total liabilities and the total of total stockholders’ equity for each year presented in your balance sheet (no detailed information, please!!). Which are greater, liabilities or equity? Comment on how the mix of liabilities and equity relates to your company. (For this comment, look at all of the years that are presented in your annual report—there should be at least three years presented in summary form.) Are liabilities and/or stockholders’ equity growing or shrinking? How has this relationship changed over time? B. Capital Stock (1) List the types and number of outstanding shares (common and preferred) for the current year and previous year. (2) Does the company have any treasury stock? If so, list the number of shares presented for the current year. (3) List the stock market prices. What is the current stock price? What are the stock price on June 30 and December 30 for the past two years? (You can search in Yahoo! Finance for your company’s stock prices by entering the symbol of your company) Section 5: Assets A. Inventories: Describe your company’s methods for valuing inventory (FIFO, LIFO or other methods). B. Property, Plant, and Equipment: Describe the types and lives of property and equipment for your company. Identify the method or methods of depreciation used by your company (straight-line, production or accelerated depreciation method). You should be able to locate this information in the accounting polices note (usually the first note) to the financial statements. C. List the total of all assets and the total of current assets for the 2-3 years presented in your company’s annual report. Does your company have more long-term assets than current assets? (Note--for our purposes, anything not a current asset is a long-term asset.) Do long-term assets (especially property, plant and equipment) increase over the years? Section 6: Cash Flows List the total amounts for operating, investing, and financing cash flows for each of the past two or three years. Then comment and discuss on each of the following: A. Operating cash flows: Have the operating cash flows been positive? Have they increased or decreased over the past three years? Are the operating cash flows sufficient to meet cash requirements, or must your company obtain cash from financing in order to meet its cash requirements? B. Investing cash flows: Have the investing cash flows been positive or negative over the past years? What does this tell you about your company? Discuss the specific sources and uses of cash in this area. C. Financing cash flows: Have the financing cash flows been positive or negative over the past years? How has the company been financing activities? Has your company issued new stock, obtained new debt, or retired debt? Did your company pay dividends? Section 7: Ratios, Summary & Conclusions Be sure to provide the financial ratio information on your firm. Summarize your analysis of the firm and comment as to whether or not it is a company in which you would invest. Why or why not? Do not shortchange this section. Your summary and conclusions are the most important part of the report! You may complete a SWOT analysis (defining strengths and weaknesses (internal), opportunities and threats (external) for your firm. Write at least one paragraph for each of the SWOT items – each paragraph should show a particular strength, weakness, opportunity, or threat) Section 8: References List the references used in preparing your report. Section 9: Ratios See attached sheet. Ratio Analysis Instructions: Prepare and compute the ratios on these pages (in pencil). Put these pages in your project. See chapter 14 for information on computing ratios. You will receive three points as the extra credit if you include one competitor’s ratios for comparison, include the name of the competitor in your reference list, and include a copy of financial statements of this competitor behind the ratio analysis. Name of Ratio Formula Ratios Your Company Competitor Current Previous Current Year Year Year Liquidity Ratios Working capital Current assets – Current liabilities \_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_ Current Ratio Current assets \_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_ Current liabilities Quick Ratio Cash + Accounts receivable + Marketable securities \_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_ Current liabilities