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Annual Report Project
The Annual Report Project (ARP) provides you the opportunity to analyze a corporate annual
report. You will obtain the annual report of a Fortune 500 company and answer questions regarding
the application of concepts studied in your financial accounting course.

## The Annual Report Project:

Will increase your interest in financial accounting by allowing you to personally
choose the annual report you will review

## Provides hands-on exposure to financial statements of real-world companies

Emphasizes the importance of the notes to the financial statements
Provides an opportunity to examine the application of procedures and methods
discussed in your accounting textbook

## Encourages you to work with spreadsheets

The Annual Report Project consists of twelve assignments and is designed to be a useful supplement both for undergraduate financial accounting courses and for introductory financial accounting at the M. B. A. level. The following is a list of the topics covered in each Annual Report Project assignment:

## ARP 1 Obtaining the Annual Report

ARP 2 Company Information
ARP 3 Overview of the Annual Report
ARP 4 The Balance Sheet
ARP 5 The Income Statement
ARP 6 Current Assets
ARP 7 Long-lived Assets
ARP 8 Liabilities
ARP 9 Stockholders’ Equity
ARP 10 Statement of Cash Flow
ARP 11 International Financial Reporting Standards
ARP 12 Overall Evaluation
ORGANIZATION OF EACH ASSIGNMENT
Beginning with Assignment 4, each assignment consists of three parts:
THE BASICS requires you to find information in the annual report and may require the calculation of some financial statement ratios.
FURTHER ANALYSIS often includes calculating and interpreting financial statement ratios. It also requires comparing these ratios to industry averages.

## INFORMATION FOR DECISION MAKING asks you to evaluate the information obtained in other parts of the assignment.

ANNUAL REPORT PROJECT - ASSIGNMENT 1
OBTAINING THE ANNUAL REPORT
Obtain the most recent annual reports of three U. S. corporations which are Fortune 500 companies and are traded on a national stock exchange (NYSE, NASDAQ). You will obtain three annual reports so that you will have an alternate if you are unable to use your first choice.
Do not select a public utility, financial institution or brokerage firm, insurance company, co-operative or government entity. In addition, please note that summary annual reports are not acceptable.
The completion of your annual report project assignments will be easier if you obtain a printed copy of the annual report rather than retrieve the report from an Internet site. However, your instructor may allow you to download the annual report from the company Web site.
A useful resource is fortune. com. This site provides links to the Web sites of Fortune 500 companies.

## OTHER USEFUL SOURCES ARE:

The Investor Relations Information Network (www. irin. com)
The Wall Street Journal Annual Reports Service (www. icbinc. com)
The Public Register’s Annual Report Service (www. prars. com) (800-4-

## ANNUAL)

Barron’s Annual Report and Earnings Service (www. icbinc. com) (800-965-2929)
1. Choosing a company
Choose companies in which you are interested. Perhaps the company has been featured in the news lately. Perhaps you own stock in the company. Perhaps you would like to own stock in the company. If you want to look at a list of possibilities, find a copy of the April issue of Fortune magazine which lists the Fortune 500 or try www. fortune. com
2. Place your order. Answer the following questions.
the companies. Please list the companies in the order of your preference.)

## Company Fortune 500 Rank

a. \_\_\_Cheveron\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_
b. \_\_\_Exxon Mobil\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_
c. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

## How did you request the annual report? (Indicate phone number called, Internet address, etc.)

a. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
b. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
c. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

## Why did you select these particular companies?

The company is a market leader in the energy sector thus it is well established and the information is easily available

## The company is dynamic since it incorporates numerous energy components that will respond uniquely to different economic stimuli

The company is a parent company to several firms hence gives an idea of understanding how parent-subsidiary relationship operates.
ANNUAL REPORT PROJECT - ASSIGNMENT 2
INFORMATION ABOUT THE COMPANY
NOTE: Make two additional copies of this annual report project form. Then complete and submit
Assignment 2 for each of the three companies you chose in Assignment 1. If you have notyet received the annual reports, use the Internet to answer the following questions.

## GUIDANCE FOR THIS AND THE FOLLOWING ASSIGNMENTS:

• When a question asks you to explain, describe, analyze, etc., use complete sentences and well-organized paragraphs.

## • The space provided for the answer indicates the expected length of your answer.

1. Name of company chosen: Chevron Corporation
2. Information about the company:

## What is the industry classification for the company: Energy

Describe the nature of the company’s business.
The company deals with integrated energy products. The company explores and produces crude oil and natural gas, refines crude oil, markets the refined products, distributes fuel and lubricants and manufactures and sells petroleum chemicals and additives, power generation and geothermal developments.

## List the company’s primary products or services (use brand names where available).

Ursa®
Delo®
Pro-Gard®
Havoline®
Techron® Concentrate Plus
Havoline® Xpress Lube®
What is the address of the company’s corporate headquarters?
1500 Louisiana Street

## What is the address of the company’s Web site?

http://www. chevron. com/

## List other countries in which the company operates:

Angola
Argentina
Australia
Azerbaijan
Bangladesh
Brazil
Bulgaria
Cambodia
Canada
China
Colombia
Indonesia
Kazakhstan
Kuwait
Liberia
Lithuania
Malaysia
Netherlands
New Zealand New
Nigeria
Philippines
Poland
Romania
Russia
Saudi Arabia
Singapore
South Africa
South Korea
Thailand
Trinidad and Tobago
Ukraine
United Kingdom
Australia
United States
Venezuela
Vietnam
What were the company’s revenues for the most recent fiscal year? \_ 220, 264. 00 Millions
Who is the chairman of the company’s board of directors? John S. Watson
Who is the company’s CEO? John S. Watson
3. Provide the following market data:

## On what stock exchange is the company’s stock traded? New Yolk Stock Exchange

What is the ticker symbol for the company? NYSE: CVX
What was the price of the company’s stock at the end of one day during this past week? Price: 117. 31 Date: November 20th 2014
What were the lowest and highest stock prices during the past year? 52-week low: 135. 10, 52-week high: 106. 65
4. Obtain a copy of an article about the company. Attach a copy of the article.

## Source of article (name of magazine or newspaper, date, page numbers):

http://www. reuters. com/article/2014/11/20/oil-kazakhstan-tengizchevroil-idUSL6N0TA0WA20141120
Summarize the article. Use complete sentences and well-organized paragraphs. Your summary should be no fewer than 100 words in length.
Chevron-led Tengizchevroil (TCO) oil production declined by 1. 5% in the period spanning from January to September 2014 according to an official statement realized by the company. The decline translated to a production of 19. 8 million tons. The statement caused a ripple in the market since last year the company improves on its production by building the mammoth Tengiz onshore oilfield thus managing to produce 27. 1 million tons of oil. The performance of the company is crucial not only to the shareholders but also to the country of Kazakhstan's since it is a major contributor to the set target of the country oil export. In 2013, the country approved the expansion of TCO's to a record 38 million tons of oil.

## Market Update:

(Stock price this week)

## Price\_\_117. 31\_\_\_\_\_\_\_on

date\_\_\_\_\_\_\_\_\_\_\_

## ANNUAL REPORT PROJECT - ASSIGNMENT 3

OVERVIEW OF ANNUAL REPORT
This assignment will provide both an overview of the annual report of your chosen company and
a table of contents to help you complete future assignments more efficiently.

## HELPFUL ADVICE: You will be able to complete the remaining assignments more readily

if you take the time now to:
a. Make copies of pages 2 and 3 of this assignment after you have completed them. It will serve as your table of contents for future assignments.
b. Make a copy of the five-year (or more) summary of selected financial data from your annual report. It contains several key numbers that will be required in future assignments.
c. Print industry comparisons. One useful Web site is Reuters. com.\*

## Under the “ News and Markets” tab, click on Stocks.

Enter either the ticker symbol or company name.
Across the top of the next screen, you will see an extensive menu of options for
obtaining more information about your company. You will find much of this
useful.

## For ratios and industry comparisons, choose the Financials option from this

menu.

## Print the resulting pages.

1. Staple these three items together and place them and your company’s annual report in the front pocket of a folder that has both pockets and prongs.
2. Write your name on the outside of the folder in the upper right-hand corner.
3. As you complete your Annual Report Project assignments, place them in the prongs with the most recent assignment on top.
\*Another useful Web site is finance. yahoo. com

## Balance sheet date: 31st December 2013

1. REVIEW THE ANNUAL REPORT THAT YOU HAVE RECEIVED. IT WILL CONTAIN

## SEVERAL SECTIONS:

a. FINANCIAL HIGHLIGHTS. This section provides a summary of selected financial results over a number of years. You may find two schedules providing highlights: one brief summary near the front of the annual report and a more detailed summary in the financial section.

## This second schedule may be called Five-Year Summary of Selected Financial Data.

Note its page number here. Page(s)
b. THE CHAIRMAN’S LETTER. This letter provides the chairman’s overview of the past
c. THE COMPANY, ITS PRODUCTS, ITS EMPLOYEES. This section may contain a
d. MANAGEMENT DISCUSSION AND ANALYSIS. This section discusses operating results, industries in which the company operates, financing and investing activities, significant events, trends and developments. Page 10-26
e. THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS.

## This section contains the balance sheet (also called statement of financial position),

Income statement, statement of cash flows and statement of stockholders’ equity. The accompanying
Notes, as indicated at the bottom of each of the above statements, are an integral
Part of the financial statements. The financial statements cannot be understood without reference
The financial statements and accompanying notes will be the focus of your Annual Report Project.
Balance Sheet Page 31\_\_
Income Statement Page 29
Statement of Cash Flows Page 33
Statement of Stockholders’ Equity Page\_\_\_\_\_\_
Notes to the financial statements:
(Include ALL notes. Attach an additional page if necessary.)

## Summary of significant accounting policies Note #\_\_\_\_1\_ Page\_\_34\_\_\_\_\_

Inventories Note #\_\_\_2\_\_ Page\_\_\_\_\_37\_\_
Plant assets Note #\_\_\_\_\_ Page\_\_\_\_\_\_\_
Long-term debt Note #\_\_\_\_\_ Page\_\_\_\_\_\_\_
Income taxes Note #\_\_23\_\_\_ Page\_\_\_62\_\_\_\_
Employee benefit plans Note #\_\_21\_\_\_ Page\_\_56\_\_\_\_\_
Commitments and contingencies Note #\_\_\_23\_\_ Page\_\_\_62\_\_\_\_
Other notes:
f. MANAGEMENT REPORT ON INTERNAL CONTROL Page\_\_\_\_\_\_\_
g. THE INDEPENDENT AUDITOR’S REPORT:

## REPORT ON INTERNAL CONTROL Page\_\_\_\_\_\_\_

REPORT ON THE FINANCIAL STATEMENTS Page\_\_\_\_\_\_\_
h. Other:
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Page\_\_\_\_\_\_\_
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Page\_\_\_\_\_\_\_
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Page\_\_\_\_\_\_\_
2. REVIEW THE CHAIRMAN’S LETTER TO THE SHAREHOLDERS.

## Summarize the major points made in the letter.

Page(s) on which letter appears: \_\_\_\_\_
Locate the management report(s) and the independent auditor’s report(s).
a) Who is responsible for the preparation and integrity of the financial statements?

## The board of directors

b) Does the company maintain a system of internal controls? Why? Yes, The firm Maintains the internal control in order to safeguard the firm’s assets.
c) Does the company have an audit committee? \_\_Yes\_\_\_\_ what is its purpose? The major purpose is to maintain an effective internal audit function.
d) What is the name of the independent public accountant (auditor)? Price water house coopers
(Note: There are two independent auditor’s reports: (1) a report on internal control, and (2) a report
on the financial statements. The following questions relate to the financial statement audit.)
e) According to the auditor’s report on the financial statements, what is the auditor’s responsibility?

## The auditor is responsible for ensuring that the financial statement reflect a true and fair view of the firm.

f) According to the audit report, what is an audit?
g) Summarize the auditor’s opinion. The auditors offer unqualified audit opinion in that the books of account have been prepared in accordance to the GAAPs and it reflects a true and fair value of the company.

## Market Update:

(Stock price this week)

## Price\_\_\_\_\_\_\_\_\_on

date\_\_\_\_\_\_\_\_\_\_\_

## ANNUAL REPORT PROJECT - ASSIGNMENT 4

THE BALANCE SHEET
THE BASICS
Locate the company’s balance sheet. Balance sheet date: 12 months ending 2013-12-31
Page on which balance sheet appears: \_\_\_\_\_\_\_\_\_
1. The accounting equation is Assets = Liabilities + Stockholders’ Equity. Replacing the words in the accounting equation with dollar amounts, give the company’s accounting equation at the end of the current and prior years.
Assets = Liabilities + Equity
This year 253, 753. 00 = 104, 640. 00 + 149, 113. 00
Last year 232, 982. 00 \_= 96, 458. 00 + 136, 524. 00
2. Calculate the company’s current ratio for both this year and the prior year.

## Show your computations.

This year:
Current assets = 50, 250. 00
Current liabilities= 33, 018. 00
Last year: Current assets = 55, 720. 00
Current liabilities= 34, 212. 00

## Explain what information this ratio provides. (Hint: See the Financial Statement Analysis

chapter of your textbook.) Use complete sentences.

## Current Ration:

This Year: 1. 52
Last Year: 1. 63
Has the current ratio improved or worsened? Explain. Use complete sentences
The current ratio has worsened. Although the current liability declines, the current asset decline at a faster rate than the liabilities thus causing the ratio to decrease.
Calculate the company’s debt to total assets ratio (also called total debt to equity) for both this year and the prior year. Show your computations.

## Debt to Total asset

This year: 0. 0805
Last year: = 0. 0517
Explain what information this ratio provides. Use complete sentences.

## The debt to total asset implies the proportion in which the firm finances its assets using debt financing.

Has the ratio improved or worsened? Explain. Use complete sentences.
The ratio has worsened. The firm uses more debt in the current year compared to the previous year.
3. Compare these ratios to industry averages.

## Use the ratios you printed in Assignment 3.

Current ratio 1. 521. 23
Debt to equity ratio0. 14%0. 23

## How do the results for your company compare to industry averages?

The firm averages outperforms the industry hence the ratios are favorable.
FURTHER ANALYSIS
4. Prepare common-size balance sheets for the two years presented, expressing each balance
(Refer to the discussion of vertical analysis in the financial statement analysis chapter of your text.)

## Use a spreadsheet program such as Excel to do this part of the assignment. Label the spreadsheet

“ Common Size Analysis – Balance Sheet.” Insert the accounts and classifications in column A and the amounts for each of the two years in columns B and C. In columns D and E, use a formula to convert the amounts in columns B and C to percentages.

## INFORMATION FOR DECISION MAKING

5. Answer the following questions: Use complete sentences.

## In which assets does the company have the most significant investment?

Property plants and equipment
Is the company financed primarily with debt or equity? Explain using the information obtained in questions 1–4.
The company is primarily financed by equity. From the information gathered, the equity to asset ratio is higher than the debt to asset ratio. The implication is that the firm is more inclined to using equity than debt.

## Is the debt primarily short-term or long-term? Explain.

The company debt is primarily long term. It does not have any short term debt.

## Comment on any significant changes in individual assets or liabilities. Use the information obtained in question 4

The firm short term investment drops significantly while a new expense named Current Port of LT Debt/Capital Leases is recognized in the current year. Also, Notes Payable/Short Term Debt doubles in the current year.
Comment on any significant changes in the composition of current assets or current liabilities. Use the information obtained in question 4.
Overall, both the total current liabilities and total current assets decline. However, the total current assets decline at a greater pace than the liabilities.
Evaluate the company’s debt-paying ability. Refer to the information obtained in the previous questions.

## Interest coverage ratio is strong. As such, the company can pay for the interest rate conveniently

Market Update:
(Stock price this week)

## Price\_\_\_\_\_\_\_\_\_on

date\_\_\_\_\_\_\_\_\_\_\_

## ANNUAL REPORT PROJECT - ASSIGNMENT 5

THE INCOME STATEMENT
Locate the company’s income statement.
What is the period covered by the income statement? 12 months ending 31st December 2013
What is the page on which the income statement appears? \_\_30\_\_\_\_\_\_
THE BASICS
1. Does the format of the statement more closely follow a single-step or a multiple-step format? Multiple steps

## How can you tell? The statement groups together various elements and presents them as a single category.

2. Calculate the following ratios for each of the three years presented.

## Show your computations.

Current year Last year Two years ago
• Gross profit rate (%) 41. 8141. 14 42. 16
• Ratio of operating \_\_\_\_\_15. 32 15. 6919. 14

## Expenses to sales (or operating revenue) (%)

• Profit margin (%) 15. 32 15. 6919. 14

## Net income/sales or operating revenues

• Return on assets . 87 0. 940. 87

## Net income/average total assets

You will find prior years’ assets in the Five-Year Summary of Selected Financial Data.
3. Compare these ratios to industry averages. (Note: The gross profit rate may also be called the gross margin. The ratio of operating expenses to sales may also be called the operating margin. The profit margin percentage may also be called the net profit margin.)
Gross profit rate 41. 81 32. 4
Operating margin 15. 32 17. 8
Profit margin 15. 32 11. 8
Return on assets . 87 0. 9

## How do the results for your company compare to industry averages?

Except for return on assets, the firm outperforms the industrial average.
FURTHER ANALYSIS
4. Prepare common-size income statements for the three years presented, expressing each
income statement item as a percentage of total revenue. (Total revenue = 100%). (Refer

## Use a spreadsheet program to do this part of the assignment. Label the spreadsheet “ Common Size Analysis

– Income Statement.” List the revenue and expense classifications in column A, the amounts for the three years in columns B, C, and D. In columns E, F, and G, use a formula to convert the amounts to percentages.

## INFORMATION FOR DECISION MAKING

5. Answer the following questions. Use complete sentences, and explain your answers by reference

## Comment on the trend in total revenue. Is it increasing or decreasing during the three year period?

The revenue trend is increasing
How has the gross profit percentage changed over the three-year period?
Refer to the information obtained in question 2.
The gross profit stagnates around 40%. There is no notable change.
Comment on the ratio of total operating expenses to operating revenues over the three year period. Refer to the information obtained in question 2.
The total operating revenue has been declining while the total operating expense declines then starts to increase through at narrow margin compared to the margin the revenue are declining.
Comment on individual revenue and expense items that had significant percentage changes (changes as a percentage of total revenue or total expenses) over the three-year period. Indicate the percentages.
The firm records operating expensive as a percentage of revenue is 87%, 83% and 84% for 1013, 2012 and 2011respectivile while the operating income as a percentage of revenue is 13%, 17% and 16% respectively. The operating expenses have increased in the three years while the operating revenue has decreased.
Comment on the overall trend in operating income and net income as a percent of sales over a three-year period. Refer to the information obtained in questions 2 and 4.
The trend in operating income is not favorable since it has shown a declining trend while net income has stagnated at around 10%,
Comment on the significance of these changes. Do they indicate a positive or negative trend for the company? Explain.
The changes show a negative trend in the firm since the operating income as a percentage of sales is decreasing while the net income as a percentage of sale is stagnant and drops by one percent in the 2013 year.

## Include any other comments that you consider relevant.

The country has not improved on the gross profit as expressed as a percentage of revenue. As such, this could explain the reason the firm earning per share has slightly been declining. The firm is not making additional revenue while the expenses have been increasing.
Market Update:
(Stock price this week)

## Price\_\_\_117. 31\_\_\_\_\_\_on

date\_\_\_\_21/11/2014\_\_\_\_\_\_\_

## ANNUAL REPORT PROJECT - ASSIGNMENT 6

CURRENT ASSETS
Refer to the notes to the financial statements. The first note, “ Summary of Significant Accounting
Policies,” provides information about the company’s inventory costing and other accounting methods. You will also need to refer to the other notes to the financial statements and to the financial statements themselves in order to answer the following questions.

## IMPORTANT: For each answer given, indicate the page number on which the information was

found.

## THE BASICS

1. Accounts Receivable
(a) What is the amount of the company’s accounts receivable? Page \_\_\_32\_

## Before subtracting the allowance for doubtful accounts

(gross accounts receivable):

## This year \_\_\_\_\_\_\_21684\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_21077\_\_\_\_\_\_\_\_\_\_

After subtracting the allowance for doubtful accounts
(net accounts receivable):

## This year \_\_\_\_\_\_\_21622\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_20997\_\_\_\_\_\_\_\_\_\_\_\_

(b) What is the amount of the allowance for doubtful accounts? Page \_\_32\_\_\_\_

## This year \_\_\_\_\_62\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_\_80\_\_\_\_\_\_\_\_\_

What percentage of the gross accounts receivables are considered bad debts?
The credit risk ratio: Allowance for doubtful accounts
Gross accounts receivable
This year \_\_\_\_\_\_\_0. 2%\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_0. 3%\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. Inventories and Cost of Goods Sold
(a) What is the amount of inventory? Page \_\_\_32\_\_\_

## This year \_\_\_\_\_\_\_\_\_\_\_6380\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_6144\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(b) What is the amount of cost of goods sold? Page \_\_\_30\_\_\_

## This year \_\_\_\_\_\_\_\_\_134696\_\_\_ Last year \_\_140766\_\_\_\_\_\_\_\_\_\_ 2 years ago \_\_\_149923\_\_\_\_\_\_\_\_\_

(c) What inventory costing method has the company chosen? LIFOPage \_\_\_35\_\_\_
(d) What other information does the company provide in the note about
its inventory? inventories are stated at costPage \_\_\_35\_\_\_

## FURTHER ANALYSIS

Analysis of Current Assets
3. Calculate the following ratios: Show your computations.
(a) Receivables turnover = Sales = \_\_\_\_\_\_\_20. 36\_\_\_\_\_\_ =

## Average net receivables

(b) Average collection period = 365 = \_\_\_\_\_\_17. 93\_\_\_\_\_\_\_\_ =

## Turnover

(c) Inventory turnover = Cost of goods sold = \_\_\_\_42. 22\_\_\_\_\_\_\_\_\_\_ =

## Average inventory

(d) Average days inventories held = 365 = \_\_\_\_\_\_\_8. 65\_\_\_\_\_\_\_ =

## Turnover

4. Explain what information each of these ratios provides.
(a) Activity ratio of how many times the company turns its receivables into cash. How many times the company collects its receivables in a year.
(b) The number of days the company takes to receive or collect receivables.
(c) shows how many times inventory is sold during the year.
(d) Shows average no of days inventory is held by the company before being sold.
5. Compare these ratios to industry averages.
Receivables turnover \_\_\_\_\_\_\_20. 36\_\_\_\_\_ \_\_11. 8\_\_\_\_\_\_\_\_
Inventory turnover \_\_\_\_42. 22\_\_\_\_\_\_\_\_ \_\_\_\_\_28. 25\_\_\_\_\_

## How do the results for your company compare to industry averages?

The results for the company are above those of the industry.
INFORMATION FOR DECISION MAKING
6. Evaluate the company’s receivables collection. In your answer, consider the type of product(s) the company sells, the industry in which the company operates and the type of customer it serves. Refer to the information obtained in the preceding questions.
The company’s collection of receivables is recommendable since it takes only 18 days to collect its receivable after delivery date. In addition, inventory turnover is high since it shows a lot of activity in selling of company’s inventories. Also the average days inventories are held are few at around 8 days, meaning the company does not have to incur high carrying or holding costs.
7. Evaluate the company’s inventory management. In your answer, consider the type of product(s) the company sells, the industry in which the company operates and the type of customer
it serves. Refer to the information obtained in the preceding questions.
The company sells products such as gasoline and its customers are large distributors who reach the end consumers. in addition is ahead of its peers in terms of inventory and receivables turnover, signifying an efficient inventory turnover.
Market Update:
(Stock price this week)
Price\_\_117. 31\_\_\_\_\_\_\_on
date\_\_\_\_\_\_\_\_\_\_\_

## ANNUAL REPORT PROJECT - ASSIGNMENT 7

LONGLIVED ASSETS
Refer to the notes to the financial statements. The first note, “ Summary of Significant Accounting
Policies,” provides information about the company’s depreciation and amortization methods. You will also need to refer to the other notes to the financial statements and to the financial statements themselves in order to answer the following questions.

## IMPORTANT: Indicate the page number in which the information was found.

THE BASICS
Property, plant and equipment
1. What depreciation method does the company use? Page \_36\_\_\_\_
\_\_declining balance method\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. What is the amount of depreciation expense for the current year? Page 32\_\_\_\_\_
(Hint: Look at the operating activities section of the cash flow statement if the indirect
method was used.)

## Current year\_\_\_\_\_\_\_\_14186\_\_\_\_\_\_\_\_\_\_\_ Last year\_\_\_\_\_\_\_\_\_\_13413\_\_\_\_\_\_\_\_\_

Intangible assets
3. Does the company have any intangible assets? If so, what are they? noPage \_32\_\_\_\_
4. Does the company report any goodwill? \_\_\_Yes\_\_\_ Page \_\_32\_\_\_

## What is the amount? \_\_\_\_\_\_\_\_\_\_\_4639\_\_\_\_\_\_\_

FURTHER ANALYSIS
5. Calculate the following: Show your computations.

## You will find prior years’ total assets in the Five-Year Summary of Selected Financial Data.

(a) Average useful life of plant assets = Average cost of plant assets

## Depreciation expense

= \_\_\_296433/14186\_ = 20. 89
(b) Average age of plant assets = Accumulated Depreciation = \_\_\_131604/14186\_ = 9. 3

## Depreciation Expense

(c) Asset turnover = Sales =

## Average total assets

\_220156/126876. 5= \_1. 74\_\_\_\_\_\_\_ \_\_230590/116491= 1. 98\_\_\_\_\_\_\_\_\_244371/\_115815= 2. 10\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago
(d) Return on assets = \_\_\_Net income\_\_\_\_ =

## Average total assets

21597/126876. 5= 0. 17 26336/116491= 0. 22\_ 27008/115815= 0. 23\_

## Current year last year two years ago

6. What information is provided by:
(a) The asset turnover ratio-shows the company’s ability to generate sales from its assets.
(b) Return on assets-shows the contribution of the company’s assets to its profitability.
7. Compare the asset turnover ratio and the return on assets computed above to the industry averages.
Asset turnover \_\_\_\_\_1. 74\_\_\_\_\_\_\_\_ \_\_\_\_\_1. 55\_\_\_\_\_\_\_\_
Return on assets \_\_\_\_0. 17\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_0. 15\_\_\_\_\_\_

## How does your company compare to others in the industry?

The company is faring better than its peers in the industry since its ratios are higher than the industry
INFORMATION FOR DECISION MAKING
8. How does depreciation expense affect cash flow?

## Depreciation expense reduces the amount available for investing activities to the company.

9. Comment on the average age of the company’s assets relative to their average useful
life. Refer to the information obtained in question 5, above.
the company’s assets age is around 9 years. This is about half the useful life of plant assets, which is a low ratio, hence proper maintenance of the assets is followed.
10. Refer to the investing activities section of the company’s cash flow statement.

## Page \_33\_\_\_\_

What was the amount spent to purchase long-lived assets (capital expenditures) during each year
presented?
\_\_\_\_\_\_\_\_37985\_\_\_\_\_\_\_\_\_\_ \_\_\_30938\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_26500\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago
11. Evaluate your company’s capital spending. Compute the capital expenditure ratio
Cash provided by operating activities = \_\_35002/ (37985) = (0. 92)

## Capital expenditures

Comment on your company’s ability to finance its capital spending through operations. (A ratio of 2 would indicate that the company could have purchased twice as much property, plant and equipment as it did without any additional external financing.)
The company’s ratio is -0. 92, which is way below a recommendable ratio of about 2. This means the company is not in a position to finance its capital spending through operations.
Market Update:
(Stock price this week)

## Price\_\_\_117. 31\_\_\_\_\_\_on

date\_\_\_\_\_\_\_\_\_\_\_

## ANNUAL REPORT PROJECT - ASSIGNMENT 8

LIABILITIES
Refer to the financial statements and notes to the financial statements. The first note, “ Summary of Significant Accounting Policies,” provides information about the company’s accounting methods. You will also need to refer to the other notes to the financial statements and to the financial statements themselves in order to answer the following questions.

## IMPORTANT: Indicate the page number on which the information was found.

THE BASICS
1. What is the amount of the company’s current liabilities? Page \_32\_\_\_\_

## This year \_\_\_\_\_33018\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_34212\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. What is the amount of the company’s long-term liabilities? Page \_\_\_32\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

3. Refer to the notes to the financial statements. Does the company report any other commitments or contingent liabilities? \_\_\_No\_\_\_\_\_ If yes, provide a description of any contingencies
discussed. Page \_\_\_\_\_
4. Refer to the notes to the financial statements. Does the company disclose any off-balance sheet
financing arrangements? \_\_\_Yes\_\_\_ If yes, describe. Page \_21\_\_\_\_
5. (a) Examine the financial statements and the notes. Does the company report any capital leases? \_\_yes\_\_\_\_ Page \_\_32\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

This year \_\_\_\_\_\_\_\_\_\_\_\_97\_\_\_\_ Last year \_\_\_\_\_\_\_\_99\_\_\_\_\_\_\_\_\_\_\_
(b) Refer to the notes to the financial statements. Does the company report any operating leases? \_no\_\_\_\_\_\_ Page \_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

What is the amount of total cash flow commitment under these operating leases?
Page\_36\_\_\_
What is the definition of a liability? Use complete sentences.
is a legally binding obligation to a company to settle its debts.
Even though they are not recorded as liabilities, do these operating leases seem to meet the definition of a liability? Explain. Use complete sentences.
yes, this is because they are factored in as expenses which the company has to pay.

## FURTHER ANALYSIS

6. Calculate the following ratios for both years presented in the balance sheet:
Show your computations.
(a) Current ratio = 50250/33018 = 1. 52(current year)
= Current assets

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

= 55720/34212/ = 1. 63 (prior year)
(b) Quick or Acid-Test ratio = \_\_43870/33018 = 1. 33 (current year)
= Quick assets

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

= \_\_49576/34212 = 1. 45 (prior year)
(c) Debt to total assets ratio = \_103326/253753 = 0. 41(current year)
= Total liabilities
Total assets = \_95150/232982 = 0. 41(prior year)
7. Explain what information each of these ratios provides. Use complete sentences.
(a) shows the firm’s ability to meet short term debt obligations.
(b) shows the current position and short term liquidity of the firm
(c) It shows the firms position and its ability to meet all its financial obligations.
8. Compare the current, quick, and debt to total assets ratios computed above to industry
averages. (Remember that the debt to total assets ratio may also be called total debt to equity.)
Current ratio \_1. 52\_\_\_\_\_\_ \_2. 37\_\_\_\_\_\_\_\_\_\_\_
Quick ratio \_1. 33\_\_\_\_\_\_\_\_\_\_\_ \_2. 26\_\_\_\_\_\_\_\_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

How do the results for your company compare to industry averages?
9. Refer to the financing activities section of the company’s cash flow statement.

## Page \_33\_\_\_\_

(a) What was the amount of new borrowings during each of the years presented?
2378 264 23
(b) What was the amount of debt repaid during each of the years presented?
\_\_132\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_2224\_\_\_\_\_\_\_\_\_\_\_\_\_\_2769\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago
(c) Did these activities result in a net increase or decrease in the company’s cash
balance? decrease
\_\_\_(4694)\_\_\_\_\_ \_\_\_\_\_\_\_5075\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_1804\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago

## INFORMATION FOR DECISION MAKING

10. Evaluate the company’s debt-paying ability. Use complete sentences. Refer to the ratios

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

lines of credit and of any existing off-balance-sheet financing arrangements.
Though the company ratios are positive, they are quite low, at below a ratio of 2 in order to take care of unforeseen contingencies. thus the company is exposed at debt risks and is not financially sound in terms of debt-payments.
Market Update:
(Stock price this week)
Price\_\_\_\_\_\_\_\_\_on
date\_\_\_\_\_\_\_\_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

STOCKHOLDERS’ EQUITY
Refer to the financial statements and notes to the financial statements. The first note, “ Summary of Significant Accounting Policies,” provides information about the company’s accounting methods. You will also need to refer to the other notes to the financial statements and to the financial statements themselves in order to answer the following questions.

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

THE BASICS
1. How many shares of common stock have been issued? \_260000000\_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

If these numbers differ, explain why.
2. Does the company have any preferred stock outstanding? \_\_yes\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

Page \_32\_\_\_\_
3. Does the company report any stockholders’ equity accounts other than contributed capital (capital stock), paid-in capital in excess of par (additional paid-in capital) and retained earnings? List these accounts and their amounts (for example, treasury stock, accumulated other comprehensive income)

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

Accumulated other comprehensive loss= (3579)

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

FURTHER ANALYSIS
4. Calculate the following ratios for each of the three years presented in the stockholders’ equity statement: (You may be able to find the year-end stock price in the financial review or financial highlights section of the annual report. If the year-end price is not available, compute the average of the high and low prices for the fourth quarter. Show your computations. Indicate the page(s) which contain theinformation used in the computations.
a. Dividend payout ratio = Total cash dividends paid on common stock

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

\_ (7474)/21597= \_-0. 35\_\_\_\_\_\_(6844)/26336= \_-0. 26\_\_\_\_\_\_(6136)/27008= \_-0. 23\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago
b. Dividend yield = Dividends paid per share Page 4 \_\_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

\_3. 90/124. 91= 0. 031\_\_\_\_\_ \_3. 51/\_108. 14= 0. 032\_\_\_\_\_\_\_ \_3. 09/105= \_0. 029\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago
c. Earnings per share (provided in income statement) Page 65\_\_
\_\_\_11. 18\_\_\_\_\_\_\_ \_\_\_\_\_\_\_13. 42\_\_\_\_\_\_\_\_\_\_\_ \_\_\_13. 54\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago
d. Price-earnings ratio = Market price per share of stock

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_118. 55/11. 18= 10. 60\_\_\_102. 56/13. 42= \_7. 64\_\_ \_\_\_95. 34/13. 54= \_7. 04\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago
e. Return on common stockholders’ equity = (21423-0)/74556. 5= 0. 29

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

Average common stockholders’ equity
You will find prior years’ stockholders’ equity in the Five-Year Summary of Selected Financial Data.
Current year Prior year
2142326179
5. Explain what information each of these ratios provides. Use complete sentences.
(a) It shows the dividends paid per share to holders of common stock from the net income
(b) It shows the percentage of stock purchase price the company returns as dividends.
(c) Shows the earnings that are attributable to each share in the company.
(d) Compares the market price of the stock relative to its earnings. it reflects the willingness of the market in terms of earnings to pay for a stock.
(e) Shows the company’s ability or success in generating income for the sake of the stockholders.
6. Compare the dividend payout, dividend yield, price-earnings ratio and return on equity (current year) to industry averages.
Dividend payout \_\_-0. 35\_\_\_\_\_\_\_\_\_\_ \_\_0. 38\_\_\_\_\_\_\_\_\_\_
Dividend yield \_\_0. 031\_\_\_\_\_\_\_\_\_\_ \_\_0. 036\_\_\_\_\_\_\_\_\_\_
Price-earnings ratio \_\_10. 6\_\_\_\_\_\_\_\_\_\_ \_\_\_18. 7\_\_\_\_\_\_\_\_\_
Return on equity \_\_0. 29\_\_\_\_\_\_\_\_\_\_ \_\_\_0. 128\_\_\_\_\_\_\_\_\_

## How does your company compare to others in the industry?

7. Refer to the financing activities section of the company’s cash flow statement.

## Page \_33\_\_\_\_

(a) What amount, if any, was received from common stock issued in each of the years presented?
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago
(b) What amount, if any, was paid to purchase treasury stock in each of the years presented?
\_\_\_\_\_\_\_4494\_\_\_\_\_\_\_\_\_\_\_ \_\_4142\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_3193\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago
(c) What was the amount paid in dividends in each of the years presented?
\_\_\_\_\_\_\_7474\_\_\_\_\_\_\_\_\_\_\_ \_\_\_6844\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_6136\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago
(d) Did these activities result in a net increase or decrease in the company’s cash balance?

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

INFORMATION FOR DECISION MAKING
8. Based on the ratios computed in question 4 and your understanding of their meaning as indicated in question 5, evaluate the company’s stock as an investment. Refer to each of the ratios in your discussion.
the company’s stocks can be worth investing in but one needs to consider the ratios carefully. this is because, the company’s ROE and P/E are above industry rate but dividend yield is below. it may be worth investing in since there returns on equity and P/E are favorable.
Market Update:
(Stock price this week)
Price\_\_\_\_\_\_\_\_\_on
date\_\_\_\_\_\_\_\_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

THE STATEMENT OF CASH FLOWS
THE BASICS

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

What is the period covered by the statement? \_\_\_2013-2011\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
On what page of the annual report does the statement appear? \_\_\_33\_\_\_\_
1. What was the ending balance of cash and cash equivalents in the current year? 16245

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

Explain any discrepancy.
2. What was the net cash flow from investing activities? \_35609\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

What activity accounted for the largest cash flow from investing activities?
\_\_\_\_\_\_\_\_capital expenditures\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

3. What was the net cash flow from financing activities? \_\_\_3821\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

What activity accounted for the largest cash flow from financing activities?
cash dividends of common stock\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

4. What was the net cash flow from operating activities? \_35002\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

5. Did the company use the direct or indirect method in reporting net cash flows from operating activities? \_\_\_\_\_\_\_\_indirect\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

6. What was the net income for each of the three years presented? Page \_\_30\_\_\_
\_\_\_\_\_\_\_\_21597\_\_\_\_\_\_\_\_\_\_ \_\_\_\_26336 27008
current year last year two years ago

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_35002\_\_\_\_\_\_\_\_\_\_\_ \_\_\_38812\_\_\_\_\_\_\_\_\_\_41095\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

tax gains, operating working capital, deferred charges
FURTHER ANALYSIS
7. Calculate the following: Show your computations.
Cash received from customers: 174318-625= 173693. Sales + Decrease (or - increase) in Accounts Receivable
Cash paid to suppliers: 192943+236-39= 193140

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

8. Use the notes to the financial statements to determine the following: Page \_30 & 4\_\_\_

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

Cash paid for interest: \_\_\_\_\_\_\_0\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
9. Calculate the following ratios. Show your computations.
a. Free cash flow =

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

35002-\_37985-7474=-10457\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 38812-30938-6844= \_1030\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 41095-26500-6136= \_8459\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago
b. Current cash debt coverage ratio = Cash provided by operating activities

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

Calculate this ratio for the current year only.
35002/16509= 2. 12
c. Cash debt coverage ratio = Cash provided by operating activities

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

Calculate this ratio for the current year only.
35002/51663= 0. 68
d. Cash return on sales ratio = Cash provided by operating activities

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

\_35002/220156= \_0. 158\_\_ \_\_38812/230590= \_0. 168\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 41095/244371= \_0. 168\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
current year last year two years ago
10. Explain what information each of these ratios provides. Use complete sentences.
(a) Shows the amount of cash to the company to enhance shareholders value.
(b) Shows the ability of the company to pay for its current liabilities from its operations
(c) Shows the ability of the company to pay for its total liabilities from its operations
(d) Shows how much cash is being generated compared to sales.
INFORMATION FOR DECISION MAKING
11. Evaluate the company’s liquidity, solvency, and profitability as indicated by the cash flow ratios computed above. Use complete sentences. Refer to each of the ratios in your discussion. Use an additional page if necessary.
As per the free cash flow, the company is not favorable at all since the amount available to enhance stockholders value is negative, meaning no value can be added currently.
However, the company’s stand in terms of covering its current liabilities is above while its stand in settling total liabilities is weak.

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

INTERNATIONAL FINANCIAL REPORTING STANDARDS
The effort to develop a common global set of accounting standards began many years ago with the formation of the International Accounting Standards Committee (IASC). That group was replaced in 2001 by the International Accounting Standards Board (IASB). The IASB is responsible for developing International Financial Reporting Standards (IFRS) and for promoting their use and application. Currently more than 100 countries have adopted IFRS, and number is growing each year. The United States has not yet joined the list, but the SEC has provided a roadmap indicating its intention to adopt IFRS for public companies beginning in 2014. In the interim the IASB and the FASB are engaged in a number of joint projects to attain greater convergence of IFRS and US GAAP.
This assignment requires you to look at the annual report of a company in the European Union (EU) that has already adopted IFRS and to examine the potential impact of IFRS adoption on your company based on the discussion in your textbook and the guidance that follows.
There are many important differences between US GAAP and IFRS in the areas of financial statement presentation, revenue and expense recognition, asset and liability measurement, and business combinations and consolidation. These differences include the following:
- Inventory valuation. The use of the last-in-first-out (LIFO) method of inventory measurement is not acceptable under IFRS.
- Fair value measurement. IFRS permit revaluation of certain nonfinancial assets to fair market value. In addition, the test for asset impairment is a one-step process that compares the carrying value of the asset to its fair market value (or discounted cash flows). US GAAP uses a two-step model that tests for impairment by comparing asset carrying value to undiscounted future cash flows. IFRS also allows past impairment charges to be recovered; US GAAP does not.
- Litigation and other contingencies. US GAAP requires the accrual of a contingent liability if a negative outcome is probable. IFRS reduces that recognition threshold to more likely than not.
- Leases. Lease classification is based on the transfer of risks and rewards of ownership rather than on the specific criteria of US GAAP. As a result, more lease arrangements will be recorded as assets and liabilities. Operating leases may be eliminated.
- Research and development. Research expenditures will continue to be expensed, but development costs will be capitalized if certain criteria are met.
- Statement of cash flows. IFRS classify interest and dividends paid as operating or financing activities. Interest and dividends received are classified as operating or investing activities. Under the FASB/IASB joint proposal, operating activities will be reported using the direct method.
- Income statement. IFRS requires either a single statement of comprehensive income or two separate statements: an income statement and a statement of comprehensive income. US GAAP permits the presentation of the components of comprehensive income in a statement of changes in equity.

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Based on the discussion in your textbook and the information above, identify three areas in your company’s annual report which may change as a result of the adoption of IFRS. Make specific reference to your company’s annual report, providing amounts where possible.
a. inventoryPage\_\_\_21\_\_
b. net cash from operating activitiesPage\_33\_\_\_\_
c. total assetsPage\_\_32\_\_\_
2. Find the annual report of a company that has adopted IFRS. Go to fortune. com. From the menu at the top of the page choose Rankings. Then choose Global 500 by country. Choose a country in the European Union, and find the link to the company’s Web site. Find the most recent annual report for the company.
a. The initial note to the financial statements should describe accounting policies and identify the basis of presentation. What accounting standards are used in the presentation of the company’s financial statements?
b. Examine the company’s financial statements, and compare them to the financial statements of your US company. Identify at least three differences.
1.
2.
3.

## This year \_\_\_70308\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Last year \_\_\_\_\_\_60938\_\_\_\_\_\_\_\_\_\_\_\_\_

OVERALL EVALUATION AND RECOMMENDATION
Throughout the course you have conducted an extensive review of one company’s annual report. Suppose that a friend has just inherited some money and is considering investing in the company you have analyzed. What is your recommendation? Buy or pass?
Fully explain the reasons for your recommendation. Refer to specific findings from your annual report project assignments, and provide full citations for any other sources you use. Include a discussion of
- The company’s revenue, expense and income patterns (ARP 5)
- Its asset base, asset composition, relationship between assets and liabilities and between liabilities and equity (ARPs 4, 6, 7, 8 and 9)
- Its cash flows (ARP 10)
- Its liquidity, solvency and profitability (see ARPs 4, 5, 8 and 10)
- Management effectiveness and efficiency (see ARPs 6 and 7, and the return and turnover ratios)
- The accounting methods chosen by the company and the impact of these choices on the financial statements. These choices include the company’s inventory costing and depreciation methods.
- Any other information which you consider appropriate in coming to a decision, including dividend patterns and price-earnings ratios (ARP 9)
Begin your discussion with a thoughtful analysis of the company based on the guidelines above, and end with the recommendation that analysis supports. Your instructor will indicate the appropriate length for your discussion or presentation.
Considering the company’s ratios and analysis, in some cases the company may be attractive for investment, since its ratios and rates are above the industry. However, one of the critical factors such as free cash flow is way below and stands at negative. This means that the company cannot enhance the value of its shareholders. Other ratios such as current ratios are way below the recommended values putting the company at risk. I would therefore advise my friend not to buy the company’s stocks.