

Accounting: publicly
traded company to
and analyze



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Ron Steele John Smith Accounting 500 20 October Chevron Corporation

Company Analysis Q1: When did the company begin operating and where are its major locations?

Chevron began operating in the year 1879. It was incorporated in San Francisco, California as the Pacific Coast Oil Company (Chevron History, 87)

The company has major locations worldwide including: Angola, Argentina, Australia, Azerbaijan, Bangladesh, Brazil, Cambodia, Canada, Chad, China, Columbia, Democratic Republic of the Congo Denmark, Indonesia, Kazakhstan, Myanmar, the Netherlands, Nigeria, Norway, the Philippines, the zone between Saudi Arabia and Kuwait, Singapore, South Africa, South Korea, Thailand, Trinidad and Tobago, United Kingdom, United States of America, Venezuela, and Vietnam (Chevron 2009 Annual Report, 10).

Q2: What is the size of the company (in terms of employees, market capitalization, revenue, etc...)

Chevron Corporation is one of the world's largest corporations. In the year 2009, it employed 59, 963 employees (Chevron Operating Highlights, 7). The company had market capitalization of \$169 billion (Chevron Corp New CVX, 2) Sales and other operating revenue totaled \$167 billion (Chevron Financial Highlights, 6).

Q3: What are it's major products or services?

Chevron is involved in most every aspect of the energy industry. They produce, explore, and transport crude oil and natural gas. They also refine, distribute, and market fuels and energy products. Another aspect of their business is manufacturing and selling petrochemical products. Generating power and producing geothermal energy are other tasks they undertake. For future benefits, the company explores new efficient energy solutions, and <https://assignbuster.com/accounting-publicly-traded-company-to-and-analyze/>

are constantly working on items such as biofuels and other renewable products (Chevron 2009 Annual Report, 8).

Q4: What is the company's industry ranking?

In the Petroleum Refining Industry, Chevron currently ranks number two in revenue and is only trailing Exxon Mobil. Exxon Mobil's latest revenue stood at \$285 million dollars, while Chevron's figure was at \$163 million dollars (Fortune 500, 1).

Q5: Which are the company's major competitors?

The company's major competitors are Exxon Mobil, Royal Dutch Shell, and British Petroleum (Chevron Corp New CVX, 2). Other top competitors include Anadarko Petroleum, ConocoPhillips, Hess Corporation, Holly Corporation, Koch Industries, Marathon Oil, Total S. A., and PetroChina Co Ltd (Fortune 500 Global, 2).

Q6: What are the company's goals, philosophies and objectives (i. e. e., larger market share, expansion, acquisitions, etc.) for the future?

For the future, Chevron has several stated objectives. One objective is with refining and marketing where the company hopes to improve returns and selectively grow with a focus on integrated value creation (Chevron 2009 Annual report, 7-8) A second objective is with renewable energy where Chevron seeks to invest in renewable energy technology and capture profitable positions (Chevron 2009 Annual Report, 7-8)

The company core is with gas exploration and production. The company wishes to commercialize their equity gas to resource base while growing a high-impact global gas business. With regards exploration and production, Chevron wishes to continue profitable growth in core areas and build new legacy positions (Chevron 2009 Annual Report, 7-8). The company also <https://assignbuster.com/accounting-publicly-traded-company-to-and-analyze/>

places emphasis on operational excellence. This involves protecting the health and safety of people; protecting the environment; and promoting energy efficiency (Chevron 2009 Annual Report, 8).

Ratio analysis:

Three areas of ratio analysis to examine with Chevron are (1) liquidity ratios; (2) profitability ratios; and (3) solvency ratios (See Appendix A) Liquidity ratios measure the ability of the firm to meet their short term obligations (Chevron Corp CVX -Liquidity Analysis, 1-5). The first liquidity ratio is the current ratio, which is current assets of \$37, 216 divided by current liabilities of \$26, 211. Given those numbers, Chevron has a current ratio of 1. 42 versus the industry average of 1. 21. A second liquidity ratio is the quick ratio. The quick ratio is cash plus short term marketable investments plus receivables divided by current liabilities. Chevron's quick ratio is $\$25, 525 / \$26, 211 = 1. 01$. This is in comparison to the industry average of . 76. A final liquidity measurement is the cash ratio. This is the cash plus short term marketable investments divided by current liabilities. Chevron's cash ratio is $\$8, 822 / \$26, 211 = . 34$. This is in comparison to the industry average of . 22 (Chevron Corp—CVX—Liquidity Analysis, 1-5).

A second area is with profitability ratios (See Appendix A) Operating profit margin is operating income divided by revenue. Chevron's 12/31/09 revenue was \$14, 322 million divided by revenue of \$167, 402 million = 8. 56. This is in comparison to the industry average of 9. 45 (Chevron Corp—CVX—Profitability Analysis, 1-5)

Net profit margin is net income divided by revenue. Net income at 12/31/09 was \$10, 483 divided by revenue of \$167, 402M = 6. 26. This is in comparison to the industry average of 6. 42.

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Return on equity is net income divided by shareholder's equity. For Chevron, at 12/31/09, net income was \$10,483M divided by shareholder's equity attributable to parent of \$91,914 = 11.41. This is in comparison to the industry average of 11.72 (Chevron Corp—CVX—Profitability Analysis, 1-5)

A third area is with solvency (See Appendix A). Debt to equity ratio is the total debt divided by the total shareholder's equity. For Chevron, total debt was \$10,514 divided by total shareholder's equity of \$92,561 = .11. This is in comparison to the industry average of .34

Debt to capital ratio is the total debt divided by the total debt plus shareholder's equity. Total debt was \$10,514M divided by \$103,075 = .10 for Chevron versus .25 for the industry as a whole.

Interest coverage ratio is EBIT divided by interest payments. For Chevron, the EBIT at 12/31/09 was \$15,240M while interest expense was \$28million. Hence, the interest coverage ratio for 2009 for Chevron was \$15,240 divided by \$28 = 544.29. The industry average on the other hand was 34.54 (Chevron Corp—CVX—Long-term Debt and Solvency Analysis, 1-5).

Appendix A

Liquidity Ratios:

"Chevron Corp. (CVX) Liquidity Analysis."

Current Ratio:

12/31/09 12/31/08

Current Assets \$37,216 \$36,470

Current Liabilities \$26,211 \$32,023

Current Ratio Comparison

Chevron Corporation 1.42 1.14

Industry—Oil and Gas 1.21 1.16

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Quick Ratio:

12/31/09 12/31/08

Cash and Equivalents \$8,716 \$9,347

Marketable Securities, Current \$106 \$213

A/R and Notes Receivable, current \$16,578 \$15,155

Due from Related Parties, current \$1,125 \$701

Quick Assets---Total \$26,525 \$25,416

Current Liabilities \$26,211 \$32,023

Current Ratio Comparison

Chevron Corporation 1.01 0.79

Industry—Oil and Gas 0.76 0.74

Cash Ratio: 12/31/09 12/31/08

Cash and Equivalents \$8,716 \$9,347

Marketable securities, current \$106 \$213

Cash Assets, Total \$8,822 \$9,560

Current Liabilities \$26,211 \$32,023

Cash Ratio Comparison

Chevron Corporation 0.34 0.30

Industry---Oil and Gas 0.22 0.25

Profitability Ratios:

"Chevron Corp. (CVX) Profitability Analysis."

Operating Profit Margin:

12/31/09 12/31/08

Operating Income \$14,322 \$35,010

Revenues \$167,402 \$264,958

Comparison

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Chevron Corporation 8. 5613. 21

Industry---Oil and Gas 9. 4511. 26

Net Profit Margin:

12/31/09 12/31/08

Net Income Attributable to Parent \$10, 483 \$23, 931

Revenues \$167, 402 \$264, 958

Comparison

Chevron Corporation 6. 269. 03

Industry---Oil and Gas 6. 426. 64

Return on Equity:

12/31/09 12/31/08

Net income Attributable to parent \$10, 483 \$23, 931

S/E attributable to parent \$91, 914 \$86, 648

Comparison

Chevron Corporation 11. 4127. 62

Industry---Oil and Gas 11. 7221. 05

“ Chevron Corp. (CVX) Long-term debt and Solvency Analysis.”

Solvency Ratios:

“ Chevron Corp. (CVX) Long-term debt and Solvency Analysis.”

Debt to equity:

12/31/09 12/31/08

Short term borrowings \$290 \$2, 721

Capital Lease Obligations \$94 \$97

L/T Debt excluding maturities \$301 \$341

Total Debt \$10, 514 \$8, 901

S/E attributable to parent \$91, 914 \$86, 648

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S/E---noncontrolling interest\$647\$469

Total stockholder's equity\$92, 561\$87, 117

Comparison

Chevron Corporation. 11. 10

Industry—Oil and Gas. 34. 31

Debt to Capital:

12/31/0912/31/08

Short-term borrowings\$290\$2, 721

Capital less obligations, current\$94\$97

L/T debt excluding maturing debt\$9, 829\$5, 742

Capital Lease Obligations noncurrent\$301\$341

Total Debt\$10, 514\$8, 901

S/E attributable to parent\$91, 914\$86, 648

S/E attributable to noncontrolling\$647\$469

Total Stockholder's Equity\$92, 561\$87, 117

Capital, Total\$103, 075\$96, 018

Comparison

Chevron Corporation. 10. 09

Industry—Oil and Gas. 25. 23

Interest Coverage Ratio:

12/31/0912/31/08

Earnings before interest and taxes\$15, 240\$37, 691

Interest expense\$28-

Comparison

Chevron Corporation544. 29--

Industry—Oil and Gas34. 5450. 00

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