Ethics and compliance for disney assignment

Art & Culture

Financial Ratios and Ethics of Disney Finance for Business August 30, 2010 Financial Ratios and Ethics of Disney The Walt Disney Company is known far and wide as a major source of entertainment and the embodiment of family values. Throughout the years, Walt Disney studios have supplied millions with wholesome, child oriented entertainment with iconic characters such as Mickey Mouse, Snow White, and of course Alice in Wonderland. From humble beginnings, the Disney Company grew with leaps and bounds throughout the years to include numerous theme and amusement parks, movies, and production studios and the Disney stores.

While the general management of the company has changes over the years; the core values of the company have remained the same, as Disney’s website says; “ providing innovative, quality entertainment for all members of the family, across America and around the world. ” A closer look at the Walt Disney Company will offer insight to the financial processes that have assisted the company to grow into the world renowned company that is known, loved, and respected. Ethics Ensuring the ethical standards of The Walt Disney Company is part of the company’s business practices.

The Walt Disney Company is an equal opportunity employer in regard to race, religion, color, sex, sexual orientation, national origin, age, marital status, covered veteran status, mental or physical disability, pregnancy, or any other basis prohibited by state or federal law (The Walt Disney Company, 2009). The Walt Disney Company contains a Human Resource department that enforces all company policies and monitors all harassment prevention and discrimination policies. These policies are provided in the business standards and ethics training provided to all employees. This training is provided to all domestic and nternational employees through web-based tutorials. Training helps to ensure that all of the employees have the knowledge and training to act ethically and legally, in compliance with the company's Standards of Business Conduct. Securities and Exchange The U. S. Securities and Exchange Commission protects investors. The SEC requires companies to provide financial information to the public. This allows potential investors to view the information offering opportunity to make proper decisions before investing into a company. This information also makes investors aware of the happenings so that investment decisions can be made later.

Specific laws and regulations are in place that companies must follow with the SEC. Companies must register, file corporate reports, include shareholder solicitations, and disclose any insider trading. The SEC regulates investment advisers, and the organization of a company including investing, mutual funds, and trading. Regulations also require debt collection and reporting financial statements. Disney has submitted several reports to the SEC including quarterly reports, financial and operations conditions, changing of directors or principle officers, company events, and annual reports.

Within the financial reports, an income statement, balance sheet, and cash flow information are provided to review. Other reports include any amendments or security holder changes. As a registrant, Disney documented the borrowing of monies and debt rates for undergoing a three-year credit agreement to acquire a new facility. The company also documented changes in accounting and reporting for non-controlling interests. The new guidance incorporated changes certain reporting of some financial information such as the statement of income and the balance sheet.

Every event encountered is reported including a merger agreement with Marvel Entertainment that involved common stocks and shareholder options for investing. Disney has followed the processes to comply with the U. S. Securities and Exchange Commission and maintains records for the public. Current Ratio (Assets/Liabilities) Ratios are used to evaluate the financial health of a company. Keown, Martin, Petty, and Scott (2005) explain that ratios can reveal both, "…the financial strengths and weaknesses of a company" (p. 72). One ratio used determines the liquidity of a company.

Liquidity is the ease with which a company can convert its assets to cash. The ratio used is the Current Ratio and divides the current assets by the current liabilities. The calculations for Disney are as follows: | 2008 | 2009 | | 11, 666 M / 11, 591 M = 1. 01 times | 11, 889 M / 8, 934 M = 1. 33 times | Do not leave spaces around slash marks Acid Test (Assets-Inventories/Current Liabilities)

Another ratio used to determine liquidity is the Acid Test Ratio. This ratio subtracts inventories from the current assets then divides the sum by current liabilities. The calculations for Disney are as follows: | 2008 | 2009 | | 11, 666 M ??? 1, 124 M / 11, 591 M = . 91 times | 11, 889 M ??? 1, 271 M / 8, 934 M = 1. 12 times | Do not leave spaces around slash marks These calculations show that for 2009 Disney had $1. 3 in current assets for every $1. 00 in current liabilities. This was a 37% increase over 2008. Disney also had $1. 12 in current assets minus inventories per $1. 00 of current liabilities. This is a 23% increase over 2008. This information shows that Disney has improved its ability to meet its financial obligations. Debt Ratio (Total Debt/Total Assets) Another way to examine the financial health of a company is to analyze the debt ratio. Keown, Martin, Petty, and Scott (2005) point out that, “ Debt ratio indicates how much debt is used to finance a firm’s assets” (p. 0). This is calculated by dividing the total debt by the total assets. The calculations for Disney are as follows: | 2008 | 2009 | | 30, 174 M / 62, 497 = 0. 482 = 48. 2% | 29, 383M / 63, 117 M = 0. 465 = 46. 5% | Do not leave spaces around slash marks These calculations show that in 2009 46. 5% of Disney’s assets are financed by debt. This is a 3. 5% decrease from 2008.

The average for financing debt is approximately 40% (Keown, Martin, Petty, and Scott , 2005, p. 81), so while Disney is close to the average it is still a little over. Return on Equity (Net Income/Total Stockholder Equity) The Return on Equity is calculated by dividing Net Income by Total Stockholder Equity. It measures how much return in percentage is generated on the stockholders investment. The return shows return on equity; therefore, it is very important ratio for stockholders in order to judge whether the company has generated enough returns, which could cover the cost of equity or required rate of return.

The higher Return on Equity depicts that management is utilizing equity very well and able to generate good returns for the investors. The Return on Equity is better judged when it is compared with investor’s Required Rate of Return or Cost of Equity. If Return on Equity is well above the Required Rate of Return or Cost of Equity then company is truly generating value for the stockholders but if it is not then the value of stockholder's is deteriorating. In case of Disney the ROE has deteriorated to 9. 80% in FY 2009 as compare to ROE 13. 70% in FY 2008.

This shows that value for stockholders deteriorated in the financial year 2009. |?? | 03-Oct-09 | 27-Sep-08 | | Return on Equity | 9. 80% | 13. 70% | | Days Receivable | 125. 11 | 118. 55 | Days Receivable The Days Receivable shows the number of days sales are outstanding.

It shows that how many days it takes to convert sales into cash. Smaller the period to convert sales into cash better for the company or visa versa. It shows how efficient is the management in generating cash collection. If during a period company has huge increase in sales but most of the sales are on credit for longer period then due to lack of cash sales may result in problems of paying short term liabilities. Therefore, cash collection period or days receivable should be as smaller as possible. In case of Disney the day's receivable has increased in FY 2009 to 125. 1 days from 118. 55 days in FY 2008. The day's receivable ratio has also shown that Disney's management efficiency has deteriorated. Excellent job on the ratios and their impact on the company Conclusion Disney's reputation for entertainment is well known, but recent financial records show signs of deterioration. Debt ratios have risen, while return on equity has fallen and days receivable have gotten bigger not smaller. These are signs that financially Disney needs to make some adjustments to remain a viable leader in the entertainment industry.

Disney's interaction with the SEC shows that they have plans for growth and changes; however, no matter how great a company's reputation without financial stability no company can survive. The team did an excellent job on this paper. Your detail and description of how Disney is committed to adhering to their ethical standards as well as their financial status is well defined. . . References Disney Corporation. (2010). History. Retrieved from: http://corporate. disney. go. com/corporate/complete_history_7. tml Disney Corporation. (2010). Corporate Standards. Retrieved from: http://corporate. disney. go. com/corporate/cr_business_standards. html Keown, A. J. , Martin, J. D. , Petty, J. W. , & Scott, D. F. (2005) Financial Management: Principles and applications (10th ed.). Upper Saddle River, NJ: Pearson/Prentice Hall. U. S. Securities and Exchange Commissions (2010). Main page. Retrieved from http://www. sec. gov Yahoo Finance. (2010). Walt Disney Co. (DIS). Retrieved from: http://finance. yahoo. com/q/sec? s= DIS+SEC+Filings