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Financial Statement Analysis MBA 6150 Financial Statement Analysis – Verizon Communications Abstract The process of developing financial statements for a business is to provide supporting documentation to what has been reported as annual or quarterly income.

Within the financial statement analysis strengths and weaknesses are identified through the comparison of data from the balance sheet. There are many different ways to interpret the data that is utilized for the analysis; those include but are not limited to comparative statements, schedule of changes in working capital, common size percentages, and ratio analysis. The following paper will be reviewing the financial data from Verizon Communications (VZ). Through the analysis review of the corporations financial and common size statements will be reviewed, as well as financial ratios, a trend analysis and in depth overview of the organization. Company Background Verizon Communications Inc.

, headquartered in New York, is a global leader in delivering broadband and other wireless and wire-line communications services to mass market, business, government and wholesale customers. Verizon Wireless operates America’s most reliable wireless network, serving more than 89 million customers nationwide. Verizon also provides converged communications, information and entertainment services over America’s most advanced fiber-optic network, and delivers innovative, seamless business solutions to customers around the world. A Dow 30 company, Verizon employs a diverse workforce of more than 230, 000 and last year generated consolidated revenues of more than $97 billion. (www. verizon.

com). Verizon Communications came to be after multiple mergers. These mergers began as the Bell Atlantic – GTE merger. Prior to the merger GTE was one of the world’s largest telecommunications companies serving approximately 35 million access lines throughout the United States, Canada, and the Dominican Republic. GTE posted revenues in 1999 of more than $25 billion. Pre-merger GTE was the “ leading wireless operator in the United States with customers totaling 7.

1 million and the potential to have 72. 5 million customers. While GTE was significant in size, it was small compared to Bell Atlantic. Bell Atlantic posted earnings in 1999 of $33 billion, and had a total of 43 million access lines that included 22 million households and more than 2 million businesses. Over the course of two years and with the approval of the department of justice and FCC the merger was completed; however, during the time that the merger was underway London based Vodaphone/Airtouch and Bell Atlantic announced their plans to merge as well. With the completion of the merger between Vodaphone and Bell Atlantic, the largest wireless company (Verizon Wireless) began.

Operations and Products/Services Verizon Communication is in the business of providing telecommunications services for wireless and wireline communication needs. In addition to providing the ability for consumers and businesses to carry on telephone conversations around the world, Verizon is also a long distance service provider. The ability to provide long distance service was implemented in 2005 with the acquisition of MCI. Executive Summary and Overall Assessment Verizon Communications (VZ) had a strong profit showing in 2008. Their year-end operating revenues were $97, 354 million for year-end 2008; this amount was a 4.

2% increase over the operating revenues from 2007, which were $93, 469 million. VZ cost per share saw a fairly significant fluctuation in 2008 as well. VZ closed out 2008 trading at $33. 90 per share, whereas 2007 closed the year at $43. 39 per share. This $10 decrease in stock value had an effect on stockholders equity; however, it did not impact the company’s overall profit standings.

Risks assumed 1. Verizon has been successful in providing a variety of benefits to their mployees; as a result the company has been successful in avoiding the implementation of the Union into their company structure. However, with the increasingly tough economic times there is a risk that employees will feel that the implementation of a union will help their cause. 2. 2009 was Verizon (Wireless’) first attack on the competition through advertising.

As a result of the advertising the competitor (AT&T) filed an injunction to stop the ads. To date the cease and desist request was denied; however, with this new advertising the company is at a greater risk for litigation. . In an attempt to increase profitability the company has implemented the requirement for certain cellular devices to have data plans. This new requirement could potentially cause frustration to consumers and increase the level of churn that the company sees.

4. Verizon Communications has also built bundles to provide a suite of services, voice, Internet and television. In the event that licenses cannot be obtained to provide wireline services in all areas, this launch could be potentially catastrophic. 5. In addition to the wireline service availability the decision to work with FiOS also places the company in a precarious situation. Should consumers sign up for the relatively new service, and there be problems or system hiccups, the consumer will become jaded about the experience and it could potentially destroy the success of the FiOS line.

6. The wireless side launching another new product that fails. In early 2008, Verizon Wireless launched the HUB, and there were too many problems to make the unit successful and profitable. As a result the service to new customers has been pulled. Should there be another failed product, a label would be placed on the company that does not paint the company in a good light for new products. Financial Statements and Common Size Statements The following financial statement shows how Verizon is doing in comparison to their competition AT&T.

Based on the data provided by AT&T financial statements they are doing ok with their Income Statement. They are doing well to recognize that on a year over year basis, Verizon’s overall costs are lower than AT&T and Verizon invests heavily in their network.