

ACCTG1A

Term Project II –Annual Report Analysis

The purpose of this project is to explore the information contained in a company's annual report. Any company which is publicly traded is required to make their annual financial statements available to any interested party. In this case, that's you! In general, the best place to locate this information is on the company's website. Look for a link about Investor Relations, Corporate Information, or other similar labeled areas.

This semester, the company you will be analyzing is Tootsie Roll. Using information found in their annual report, you will answer written questions, compute financial ratios, and provide a summary based on your findings.

This second term project is worth ²⁰⁰ 200 points of your overall grade. Please be sure to dedicate sufficient time to this project as it represents a significant amount of points. Late projects are not accepted. Early submissions are always welcomed and encouraged.

You are also encouraged to check your answers throughout the project with your instructor or the accounting tutors at the Success Center to ensure your accuracy. Also, to ensure the quality of your written report you are encouraged to take your paper for review to the Writing Center. Do not wait until the last minute; otherwise you may not be able to obtain the assistance you need.



Project based on 2009 TACTYC Conference, Sharing What Works, Miller Barritt NECC handout.

Requirements

Please answer the following questions. Format your paper according to the question you are answering. Your responses should be in complete sentences and be free of spelling or grammatical errors. Spelling, grammar, and formatting errors reduce the grade by one point each. Responses must be typed.

1. Introduction/ Overview:

- a. In three paragraphs, provide an overview of the company and its history. Include interesting information, personal insights, at least one recent news release, etc. Make sure to appropriately cite your sources, you will need to attach a reference list at the end of your report.

2. Company Information:

You may find it useful to go to Tootsie Roll's website, <http://www.tootsie.com>, or Yahoo Finance, <http://www.yahoo.com/finance>, to answer the following questions.

- a. What is the trading symbol for Tootsie Roll and which exchange is it traded on?
- b. Name of CEO? Amount of compensation? How long as CEO? Name of previous CEO? How long as CEO?
- c. Does Tootsie Roll pay a dividend to shareholders? If so, what is the current dividend?
- d. How can you purchase Tootsie Roll stock? Identify at least two websites.

3. Letter to Shareholders:

- a. Who wrote the report? What is his/her position in the company? What is the overall attitude of the author? Explain (optimistic, pessimistic, enthusiastic, cautious, etc.)
- b. What are some topics that are mentioned in this letter? Why do you think these particular topics are mentioned?



Requirements (continued)

4. **Financial Highlights:** These are key statistics for a five year period.
 - a. What is the general trend for sales? For net income? Which periods were the highest and lowest for growth?

5. **Products and Divisions:**
 - a. What are the products or services that your company sells?
 - b. Are you surprised by any of the products? Why or why not?
 - c. Are these products industry specific or diverse? An industry specific example would be Hyundai Motor Company making and selling vehicles. A diverse example would be Altria's products which include food, tobacco and alcoholic beverages.

6. **Management's Discussion and Analysis:**
 - a. What is management's overall opinion of the company's financial condition?
 - b. What were the topics discussed in management's analysis? Does management give reasons for the success or lack of success? Please provide examples.
 - c. How did the retail price of merchandise change from last year to this year? What were the reasons for this change?
 - d. Does seasonality and inflation have a major impact on Tootsie Roll? Which seasons are the most and least profitable? Explain.

7. **Financial Statements:**
 - a. Are the names for the statements the same as you've learned in class? If not, what are the titles for the four statements?
 - b. Locate and list these numbers from the financial statements: Use the column for the most recent year.
 - i. Net sales
 - ii. Net income
 - iii. Number of shares outstanding
 - iv. Total assets
 - v. Total liabilities



Requirements (continued)

8. Notes to the Financial Statements:

- a. Select just one note, read it and paraphrase the information. What significance would this information have for the company? For the external user? **Give reference to the page and the title of the note in your response.**

9. Segment Information:

- a. Summarize this data. Based on this information, do you have any recommendations where the company should focus their efforts?

10. Auditor's Report:

The auditor's report deals with the credibility of the financial statements. Of special significance is the opinion section.

- a. Who is the auditing firm for the company? What is their opinion on the company? Is it a good opinion or adverse opinion? Why? What does this say about the company's financial statements?

11. Financial Analysis:

- a. Compute the following financial ratios for the company for **two years** (the most recent and previous year). *You must show your work to receive credit.*
 - i. Current ratio
 - ii. Acid-test ratio
 - iii. Debt-to-equity ratio
 - iv. Profit margin ratio
 - v. Return on total assets ratio
- b. Also, explain what the ratio measures and if the company's ratio is favorable or unfavorable and why. You should have at least two sentences for each ratio.



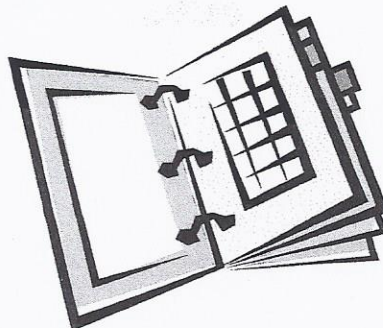
Requirements (continued)

12. Summary:

Summarize your findings in one or two paragraphs. Ideas to include: what did you learn? Is reading an annual report easy or challenging? Do you feel that you could pick up another report and get a general idea about a company? What did you learn about Tootsie Roll? What questions do you still have about the annual report or the Tootsie Roll Company?

13. Finishing the Report:

- a. Cover Page –include a cover page listing your name, course, section number, and name of report. Feel free to get creative and have fun with this.
- b. Reference Page –include the references used in your report. You must include the sources used in the Overview section or throughout your report, using MLA format.
- c. Research –this report requires a significant amount of time and energy and should be treated accordingly. For example, reports showing depth of research, multiple news articles, and insight, a comprehensive understanding of accounting and how it relates to financial statements, will receive these points.
- d. Quality - Your responses should be in complete sentences and be free of spelling or grammatical errors. Spelling, grammar, and formatting errors reduce the grade by one point each. Responses must be typed. Consider making an appointment to have your paper reviewed at the school's Writing Tutors.
- e. Neatness –the report must be neatly and securely compiled.



Late or incomplete projects will not be accepted.

Appendix A

Directions for Download of Annual Report:

You will eventually be provided with a copy of the annual report but should you desire an electronic copy early, follow the below steps:

- 1.) Go to <http://www.tootsie.com>
- 2.) Click **Company Information** located at the top left side of the page
- 3.) Click on **Financial Information** and you'll see a drop down box where you select 2015.
- 4.) Then click the link for **Annual Reports**. The annual report will open using Adobe's Acrobat Reader. (There is a link for downloading a free reader if you don't already have one).