

BUSINESS FINANCE

Draft for Lowes.
use years 2018, 2017, 2016², 2015.

years	Company	2015	2016	2017	2018
ROE	LOWES	24.58	28.76	43.47	105.15
	HOME DEPOT	58.09	89.64	149.44	758.87
Net profit margin	LOWES	4.77	4.29	4.71	7.28
	HOME DEPOT	7.63	7.92	8.41	11.51
Asset turnover	LOWES	1.74	1.87	1.98	0.55
	HOME DEPOT	2.07	2.14	2.21	0.66
Financial leverage	LOWES	3.19	4.08	5.35	5.52
	HOME DEPOT	4.29	6.74	9.92	13.67

Lowes ROE = net profit/ shareholders' equity

$$2015 \text{ ROE} = 2,698 / 10,976.40 \times 100 = 24.58$$

$$2016 \text{ ROE} = 2,546 / 8,852 \times 100 = 28.76$$

$$2017 \text{ ROE} = 3,093 / 7,115.25 \times 100 = 43.47$$

HOME DEPOT

$$2015 \text{ ROE} = (6,345 / 10,923) \times 100 = 58.09$$

$$2016 \text{ ROE} = 7,009 / 7,819 \times 100 = 89.64$$

$$2017 \text{ ROE} = 7,957 / 5,325 \times 100 = 149.4$$

LOWE NP Margin

$$2015 \text{ NPM} = 2,698/56,223 \times 100 = 4.77$$

$$2016 \text{ NPM} = 2,546/59,074 \times 100 = 4.29$$

$$2017 \text{ NPM} = 3,093/ 65,017 \times 100 = 4.71$$

HOME DEPOT

$$2015 \text{ NPM} = 6,345/83,176 \times 100 = 7.63$$

$$2016 \text{ NPM} = 7,009/85,519 \times 100 = 7.92$$

$$2017 \text{ NPM} = 7,957/ 94,595 \times 100 = 8.41$$

LOWE ATO

$$2015 \text{ ATO} = 56,223/32,312 = 1.74$$

$$2016 \text{ ATO} = 59,074/31,590 = 1.87$$

$$2017 \text{ ATO} = 65,017/32,837 = 1.98$$

HOME DEPOT

$$2015 \text{ ATO} = 83,176/40,182 = 2.07$$

$$2016 \text{ ATO} = 85,519/ 39,962 = 2.14$$

$$2017 \text{ ATO} = 94,595/ 42,803 = 2.21$$

LOWES FL

$$2015 \text{ FL} = 35,014.7/10,976.40) = 3.19$$

$$2016 \text{ FL} = 36,116.2/8,852) = 4.08$$

$$2017 \text{ FL} = 38,066.6 7,115.25) = 5.35$$

HOME DEPOT

$$2015 \text{ FL} = (46,859.7/10,923) = 4.29$$

$$2016 \text{ FL} = 52,700/7,819) = 6.74$$

$$2017 \text{ FL} = 52,824/ 5,325) = 9.92$$

The return on equity of Lowes Companies has been in the increase and this was as a result of an increase in the financial leverage. The firm has had an increase in the sources of its finances thus leading to the gradual increase in its return on equity.

The return on equity of the company is lower compared to the competitor's return on equity. One way the firm can improve its return on equity is to increase the distribution of the idle cash thus generating more income for the organizations.

From the assignment, have learned that the good use of the resources of the company has a great impact on the success of the organization. In the future, I would ensure that all the resources are put to good use to improve the profitability of the organization.

References

Growth, Profitability, and Financial Ratios for Lowe's Companies Inc. (LOW) from

Morningstar.com. (2018). Retrieved from

<https://financials.morningstar.com/ratios/r.html?t=0P000003C9&culture=en-US&platform=sal>

Growth, Profitability, and Financial Ratios for the Home Depot Inc. (HD) from

Morningstar.com. (2018). Retrieved from

<https://financials.morningstar.com/ratios/r.html?t=0P000002OY&culture=en-US&platform=sal>



[Redacted]



Research Project Part 1 - Submit Assignment

▼ Hide Submission Folder Information

Submission Folder

Research Project Part 1

Instructions

Your assignments for the Research Project Part 1 and Part 2 are posted as separate files in Content - Syllabus - on the right side of the screen.

Rubrics for the Part 1 and Part 2 of the Research Project are posted as separate files in Content - Syllabus - on the right side of the screen.

The links to APA citation methodology are posted in Content - Course Resources - Writing Resources.

Format of the Research Project (As it is stated in the Syllabus):

Both parts of the Research Project report should be about 6-8 pages double-spaced typewritten pages (without tables and graphs). The assignments for both parts include suitable comparative, quantitative and qualitative analyses and conclude with a specific and supported recommendation and reflection.

The Research Project (Parts 1 and 2) must be posted to the LEO Student Assignments as Attachments. Attachments are limited to a maximum two files in doc, docx., xls. xlsx., or rtf. formats. OTHER FORMATS ARE NOT ACCEPTABLE, will not be reviewed or graded.

Please note that hand-written and scanned works, pdf. files, jpg. files, as well as files posted in google drive, will not be accepted or graded.

Submit

Cancel

Logical and Smooth Flowing Transitions and Relationships among Sections of the Written Report (3% of the project grade)

Research Sources and Significance of Research Information and Data, Use of APA Citation Methodology (5% of the project grade)

Essential research data, financial calculations and other documentation as necessary to support your recommendation should be referred to in summary form in your report and attached in detail as enclosures. All major sources should be referenced. There is no set limit to the size of the enclosures, but it is recommended that only essential enclosures be attached. You should use references and bibliography to identify any remaining supporting documents you wish to include.

Due Date

Sep 16, 2018 11:59 PM

▼ Hide Rubrics

Rubric Name: Part 1 Project Rubric 2185

Criteria	Excellent (90 and Above)	Good (80 and Above)	Acceptable (70 and Above)
Common size analysis of the assigned company. (Prepare, analyze and interpret financial information) (15% of the paper grade)	15 points Outstanding and very thorough development and articulation of the common size analysis of the income statement and the balance sheet of the assigned company.	12 points A good effort is made to develop common size analysis of the income statement and the balance sheet of the assigned company.	10.5 points The project contains some information on the common size income statement and the balance sheet of the assigned company but the analysis should be considerably more developed.

Submit

Cancel 15 points

12 points

10.5 points

Criteria	Excellent (90 and Above)	Good (80 and Above)	Acceptable (70 and Above)
<p>Organization, Format and Presentation of Paper including the Title page, Introduction, Body, and Summary. Each section of the paper must begin with sub-headings. Please use the sub-headings included in the assignment (4% of the project grade)</p>	<p>Paper is organized and very easily followed. The paper follows APA format and contains no or very few errors.</p>	<p>Paper is neatly presented without major blemishes and is generally well-organized</p>	<p>Paper has prominent blemishes in presentation and may have some weaknesses in organization</p>
<p>Use of Tables, figures, and other graphics to summarize and support analysis presented in paper (Research, collect, synthesize and interpret data by applying appropriate technology tools to solve business problems) (3% of the project grade)</p>	<p>3 points</p> <p>Tables, figures and other graphics are very descriptive and provide exceptionally strong support for the paper; there are no errors in labels or in the numbering sequence</p>	<p>2.4 points</p> <p>Tables, figures and other graphics are descriptive and provide a sufficient support for the paper; they are properly labeled and numbered</p>	<p>2.1 points</p> <p>Tables, figures and other graphics provide marginal support for the paper; some labels may be incomplete; there may be some problems with the numbering sequence</p>

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Cancel

Criteria	Excellent (90 and Above)	Good (80 and Above)	Acceptable (70 and Above)
<p>Develop a specific recommendation, with supporting rationale, will THE COMPANY be financially sustainable over the next two to three years, and which steps should be done to improve its financial stability? (15% of the paper grade)</p>	<p>15 points</p> <p>Outstanding and very thorough effort to explain whether the assigned company's recent trends and results in financial performance is of sufficient financial strength, will THE COMPANY be financially sustainable over the next two to three years, and which steps should be done to improve its financial stability.</p>	<p>12 points</p> <p>Very good effort made to explain whether the assigned company's recent trends and results in financial performance is of sufficient financial strength, will THE COMPANY be financially sustainable over the next two to three years, and which steps should be done to improve its financial stability. There are no significant gaps in the analysis</p>	<p>10.5 points</p> <p>Some effort made to explain whether the assigned company's recent trends and results in financial performance is of sufficient financial strength, will THE COMPANY be financially sustainable over the next two to three years, and which steps should be done to improve its financial stability, but there are significant gaps in the analysis</p>
<p>Reflection - the student should write a paragraph in their own words reflecting on specifically what they learned from the assignment and how they think they could apply what they learned in the workplace. (5% of the project grade)</p>	<p>5 points</p> <p>Outstanding and very thorough effort to write in their own words reflecting on specifically what they learned from the assignment and how they think they could apply what they learned in the workplace.</p>	<p>4 points</p> <p>Very good effort made to write in their own words reflecting on specifically what they learned from the assignment and how they think they could apply what they learned in the workplace.</p>	<p>3.5 points</p> <p>Some effort made to write in their own words reflecting on specifically what they learned from the assignment and how they think they could apply what they learned in the workplace.</p>
<p>Submit</p>	<p>Cancel 4 points</p>	<p>3.2 points</p>	<p>2.8 points</p>

Criteria	Excellent (90 and Above)	Good (80 and Above)	Acceptable (70 and Above)
<p>Trend analysis. (Prepare, analyze and interpret financial information) (15% of the paper grade)</p>	<p>Outstanding effort to develop trend analysis of the most significant financial performance results.</p>	<p>A good effort to develop trend analysis of the most significant financial performance results</p>	<p>Satisfactory effort made to present so data for the trend analysis of the most significant financial performance result but the analysis should be considerably more developed.</p>
<p>Financial ratios trends analysis of the assigned company and industry comparatives (Prepare, analyze and interpret financial information) (20% of the project grade)</p>	<p>20 points</p> <p>Excellent and successful effort to implement financial ratio analysis of the assigned company and industry comparatives; very clear linkages between financial ratio results and investment decisions and recommendations;</p>	<p>16 points</p> <p>A good effort to develop financial ratio analysis of the assigned company and industry comparatives, the result are well explained and analyzed</p>	<p>14 points</p> <p>Some effort made to develop financial ratio analysis of the assigned company and industry comparatives however the result not explained and analyzed.</p>
<p>Dupont analysis of the assigned company. Compare with main competitor. (Apply Financial Theories to Solve Financial Problems) (15% of the project grade)</p>	<p>15 points</p> <p>Successful implementation of DuPont analysis of the company and provides a very clear linkage between DuPont analysis and investment decisions and recommendations.</p>	<p>12 points</p> <p>A good effort to develop DuPont analysis of the assigned company, the result are well explained and analyzed.</p>	<p>10.5 points</p> <p>Some effort made to develop DuPont analysis of the assigned company, however the result not explained and analyzed.</p>

Submit

Cancel



Please note that Use of APA Citation Methodology is required for the
ment.

All works must be Word processed. Handwritten and scanned work will not be accepted and graded.

In accordance with the UMUC Academic Policy, notes taken for papers and research projects should accurately record sources of material to be cited, appropriately quoted, paraphrased or summarized, and papers and research projects should acknowledge these sources in the appropriate places in the text of the paper as well as in a reference list at the end of the paper, in accordance with accepted citation practices. No more than 20% of the text of the project should be made up of quotes.

The resubmission of research projects from previous classes (whether or not taken at UMUC), partially or in its entirety, is unacceptable, and will result in a grade of zero for the graded exercise.

Written projects must be:

- 1
· typed, double-spaced, in 12-point Times New Roman or Arial font, with margins no wider than one inch
- 2
· have footnotes or endnotes, with correct citations
- 3
· have a bibliography of sources used
- 4
· include, for each entry, the author, title, city and state of publisher, publisher's name, year, and page numbers
- 5
· prepared using word processing software (Microsoft Word preferred), in a manner similar to the preparation of a written assignment for classroom submission

PRESENTATION OF PAPER AND WRITING (15%) of the project grade):

-Organization, Format and Presentation of Paper including the Title page, Introduction, Body, and Summary (4% of the project grade)

Use of Tables, Figures and Other Graphics to Summarize and Support Analysis Presented in the Paper (3% of the project grade)

Submit

Cancel

Criteria	Excellent (90 and Above)	Good (80 and Above)	Acceptable (70 and Above)
<p>Logical and smooth flowing transitions and relationships among sections of the written report (Communicate, collaborate, lead and influence across the organization to achieve organizational goals) (3% of the project grade)</p>	<p>3 points</p> <p>Transitions are used throughout the written analysis and provides a logical transition from topic to topic.</p>	<p>2.4 points</p> <p>Good transitions used in most sections</p>	<p>2.1 points</p> <p>Some transitions used in paper</p>
<p>Research sources and significance of information and data applying appropriate technology tools to solve business problems, APA citations, double-spaced, 12-point font Times New Roman (5% of the project grade)</p>	<p>5 points</p> <p>Successful identification and use of appropriate and professional research sources including Library Search Engines, Websites, S&P, SEC, stock exchanges, Morningstar, NYSE, Competitors, 10K Report, analyst reports, news releases, articles, etc.; appropriate and accurate documentation, APA citations are accurate and of the highest level.</p>	<p>4 points</p> <p>A good effort to identify and use appropriate and professional and supporting research sources; appropriate and professional use of APA documentation, use of double spaced, with one-inch margins, and use 12-point Times New Roman font.</p>	<p>3.5 points</p> <p>Some effort to identify and use appropriate and professional and supporting research sources with some documentation</p>

Submit

Cancel



FINC 330 Project Descriptions

Research Project Part 1

Ratio Analysis

OBJECTIVE

You are to assume you have been recently hired by The Company and have been assigned to a team that reports to the CEO of THE COMPANY (SELECTED BY INSTRUCTOR). The head of your team is the CFO who is concerned about THE COMPANY's current financial performance and comparison against major competitors in the industry and the impact that may have on the firm's stock price. The CFO would like your team to provide insights that will help them to project future financial performance. Specifically, the primary question to answer is: will THE COMPANY be financially viable over the next two to three years, and which steps should be done to improve its financial stability?

THE COMPANY that is to be analyzed for this project is to be a company selected by instructor.

Alternatively, you can request approval of another publicly traded company. This request must be submitted before the end of the first week of the course. The request must include

- identification of the company by ticker symbol and name
- a reasonable and appropriate explanation of why you want to examine the alternative company
- the source of the analyst's report that will be used in the analysis (which must be submitted to me)
- acknowledgement by you that all of the specific elements of the assignment (see below) will be prepared by you and included in the final research project report

SUGGESTED WEBSITES

www.morningstar.com - To find the information for your company you need to type the stock symbol in the **Quotes** window to get into the company's page.

www.marketwatch.com -To find the information for your company you need to type the stock symbol in the **Search** window to get into the company's page.

www.Finviz.com - To find the information for your company you need click on Screener on the top of the screen, type the stock symbol in the **Ticker** window to get into the company's page., and click on the company in the list.

www.money.cnn.com -To find the information for your company you need to type the stock symbol in the **Search** window to get into the company's page.

www.finance.yahoo.com - To find the information for your company you need to type the stock symbol in the Search window to get into the company's page.

www.nyse.com – Click on Data, then click on Stocks (under Quotes), and type the name of the company or the stock symbol in the window “Keyword or symbol” to get into the company's page.

www.nasdaq.com - To find the information for your company you need to type the stock symbol in the Search window to get into the company's page.

Company's websites

YOUR SPECIFIC ASSIGNMENT

Using the information from the websites the students will develop evaluation of the financial performance for THE COMPANY (SELECTED BY INSTRUCTOR). (The evaluation portion will total 85% of the assignment grade)

-1— Background and Industry (one *short* paragraph).

-2— **Common size analysis (15% of the project grade).** You can find the common size financial statements for the company for the last 3-5 years on www.morningstar.com. Type the stock symbol in the Quotes window to get into the company's page. Scroll down and click on All Financial Data. Switch View from “\$” to “%”.

Create a table that contains *the most significant* common size financial performance results for the last 3-5 years for THE COMPANY and for the last year for the major competitor. Present the table with this information in your report.

Write about 1-2 pages of the analysis of the financial conditions, its stability, and trends.

-3— **Trend analysis (15% of the project grade)**

Analyze the financial trends over 5 years of Revenue, net income, and any other of *the most significant* financial performance results of your choice. To present your findings, you will use the table(s) and/or graphs. You can use the bar graphs provided by www.morningstar.com. Or create your own ones.

Write about 1-2 pages of the report of the results that you received. What important information does this analysis provide?

-4— **Financial ratio analysis. (20% of the project grade)**

In this part of the project you will complete ratio analysis of THE COMPANY. Please remember that you are the financial analyst of THE COMPANY and should prepare the report to be read by the chairman (CEO) of THE COMPANY. The ratio analysis should be completed from the point of view of THE COMPANY's the management.

The chairman of THE COMPANY is especially concerned about the following groups of ratios:

- Liquidity (current ratio, quick ratio, and net working capital-to-sales ratio)
- Operating performance ratio (Days of Sales in Inventory, Days of Sales in Receivables), turnovers
- Profitability ratios (Gross Profit Margin, Operating Profit Margin, Net Profit Margin)
- Return on Investment ratios: (Basic Earning Power ratio, ROA, ROE)

You can find financial ratios for the company for the last 3-5 years in the Internet or calculate them. If you use published ratios you must indicate that and cite their source.

a) Present the ratios as the table(s) in your project. Create graphs for some ratios on your choice over three years to show trends.

b) Write 2 pages (or more) of analysis of the ratio results that you found. In your analysis you should answer the following questions:

- How liquid is the company?
- Is management generating a substantial profit on the company's assets?
- If the management of the company would like to improve the company's financial performance, what should the management of THE COMPANY do?

-5- Evaluate Return on Equity for the company for the last three years using the DuPont analysis. (15% of the project grade).

- Find ROE, Net profit margin (listed as net margin), asset turnover, financial leverage for the *last three years* for your company. You also may use debt/equity ratio in your analysis. *Present the ratios as the table(s) in your project.*
- Find ROE, Net profit margin (listed as net margin), asset turnover, financial leverage for the *last year* for its major peer competitor. You also may use debt/equity ratio of peer competitor in your analysis. *Present the ratios as the table(s) in your project.*
- Has the company's ROE changed over the last three years? What was the main factor that influenced this change?
- Compare the ratios of you company to the peer competitor. If the management of the company would like to improve their return on equity, what should the management of the company do?

Write about 1 page of analysis to answer the questions (c) and (d).

-6- Develop a specific recommendation, with supporting rationale, as to whether the assigned company's recent trends and results in financial performance is of sufficient financial strength,

will THE COMPANY be financially sustainable over the next two to three years, and which steps should be done to improve its financial stability? (about 1 page) (15% of the project grade).

-7- **Reflection** – the student should write a paragraph in their own words reflecting on specifically what they learned from the assignment and how they think they could apply what they learned in the workplace. (5% of the project grade)

PRESENTATION OF PAPER AND WRITING (15%) of the project grade):

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