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Evaluation of Corporate Performance

The Final Paper will involve applying the concepts learned in class to an analysis of a company using data from its annual report. Using the concepts from this course, you will analyze the strengths and weaknesses of the company and write a report recommending whether or not to purchase the company stock.

The completed report should include:

- An introduction to the company, including background information.
- A financial statement review.
- Pro Forma financial statements (Balance Sheet and Income Statement) for the next two fiscal years, assuming a 10% growth rate in sales and Cost of Goods Sold (COGS) for each of the next two years.
- A ratio analysis for the last fiscal year using at least two ratios from each of the following categories::
    a. Liquidity
    b. Financial leverage
    c. Asset management
    d. Profitability
    e. Market value
- Calculate Return on Equity (ROE) using the DuPont system.
- Assess management performance by calculating Economic Value Added (EVA).
- Evaluate the soundness of the company's financial policies (e.g. capital structure, debt, leverage, dividend policy, etc.) based on the material covered during class.
- A synopsis of your findings, including your recommendations and rationale for whether or not to purchase stock from this company.

Liquidity 2, 3

This report should be 15 to 20 pages long, excluding title page and reference page(s), using APA 6th edition formatting guidelines. Support your findings and recommendations with evidence from at least five scholarly sources in addition to the annual report, such as the textbook, industry reports, and articles from the Ashford University Library. Be sure to include links to websites that were used as references or to access company information.

Writing the Final Paper

The Final Paper:

1. Must be 15 to 20 double-spaced pages in length (excluding the title and reference pages), and formatted according to APA style as outlined in the Ashford Writing Center.

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2. Must include a title page with the following:
    a. Title of paper
    b. Student's name
    c. Course name and number
    d. Instructor's name
    e. Date submitted
3. Must begin with an introductory paragraph that has a succinct thesis statement.
4. Must address the topic of the paper with critical thought.
5. Must end with a conclusion that reaffirms your thesis.
6. Must use at least five scholarly sources.
7. Must document all sources in APA style, as outlined in the Ashford Writing Center.
8. Must include a separate reference page, formatted according to APA style as outlined in the Ashford Writing Center.

Grading Percent Breakdown

Discussions	38%
Journals	4%
Assignments	35%
Final Paper	23%
Total:	**100%**

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Week One

Course Content

To be completed during the first week of class

Overview

Assignment	Due Date	Format	Grading Percent
Post Your Introduction	Day 1	Discussion	2
The Role of Financial Management in a Firm	Day 3 (1st post)	Discussion	3
Short Term View or Long Term View?	Day 3 (1st post)	Discussion	3
Financial Management Challenges	Day 7	Assignment	7

Learning Outcomes

This week students will:

1. Interpret the function of the financial balance sheet as a model of corporate activity and decision making.
2. Explain the role of financial management in a corporation.
3. Define the characteristics and importance of financial markets including their liquidity, competitiveness, and efficiency.

Introduction

For Week One, the focus will be on finance as a necessary factor in understanding how business operates. Students will gain initial exposure to the important features of bonds and stocks. Emphasis will also be on the financial goal of the corporation - shareholder wealth maximization, and the problems associated with attaining this financial goal. The effectiveness of corporations as a means of creating wealth is also examined, keeping in mind that the long-term viability of any business depends on how well managers understand the limits and opportunities that external forces exert on their organization.

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Students will start preparations for their Week Six Final Project this week by identifying a publicly traded company and downloading the company's annual report. Refer to Week Six for more information on the Final Project.

Research Tip: The "Mergent" database in the Ashford Library contains company profiles and financial information for publicly traded companies and their competitors. To access this database enter the Ashford Library and select "Find Articles and More" in the top menu panel. Next, select "Databases A-Z" and go to section "M" for "Mergent". For help with using Mergent use Mergent Online Quick Tips.

Required Resources

Required Text

1. Byrd, J., Hickman, K., & McPherson, M. (2013). *Managerial Finance*. San Diego, CA: Bridgepoint Education Inc. This text is a Constellation™ course digital materials (CDM) title.
    a. Chapter 1: A Financial Model of the Corporation
    b. Chapter 2: Financial Claims and Markets

Multimedia

1. Films Media Group. (Producer). (2011). *Microeconomics: Understanding the market system* [Video File]. Retrieved from Films on Demand.

Recommended Resources

Article(s)

1. Ang, J.S. (1993). On Financial Ethics. Financial Management, Autumn, (1993), 32 – 59. Retrieved from ProQuest Database.
2. Mergent. (n.d.). Mergent Online Quick Tips. Mergent Online. Retrieved from Online Ashford Library.
3. Mergent Database for Company and Industry Research. To access go to the Ashford Library and select "Find Articles and More" in the top menu panel. Next, select "Databases A-Z" and go to section "M" for "Mergent".

Discussions

Participate in the following discussions:

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1. *1st Post Due by Day 1.* **Post Your Introduction.** Introduce yourself to your Instructor and classmates by sharing a brief bio of yourself, including your goals and experience with finance.

   Also, look ahead at the Week Six Final Project and select a publicly-traded company to utilize for the annual report analysis. In your post include the name of the company that you have chosen for the project and why you chose that company.

   Research Tip: The "Mergent" database in the Ashford Library contains company profiles and financial information for publicly traded companies and their competitors. To access this database enter the Ashford Library and select "Find Articles and More" in the top menu panel. Next, select "Databases A-Z" and go to section "M" for "Mergent". For help with using Mergent use Mergent Online Quick Tips.

   Guided Response: Review several of your classmates' postings. Respond to at least three of your classmates' bios by commenting on their experience with finance and how it is similar or different from your own experience. You may also choose to comment on or pose questions related to the company your classmates have chosen for their Week Six Final Project. Use this forum to get acquainted and network with your classmates.

2. *1st Post Due by Day 3.* **The Role of Financial Management in a Firm.** Examine the role of management as it relates to finance in a corporation. In your post, discuss the role of management by addressing the following prompts:
   - Explain the various aspects of finance that management must understand.
   - Describe why a manager needs to understand the characteristics and importance of financial markets including their liquidity, competitiveness, and efficiency.
   - Interpret the function of the Financial Balance Sheet in assisting in management's decision making process.
   - Discuss what could happen if management does not fulfill responsibilities related to finance. Share a real world example from your own professional experience or from an external source.

   Your post should be 200-250 words in length.

Guided Response: Review several of your classmates' postings. Respond to at least two classmates' by commenting on their example of management not fulfilling its responsibilities. Pose a question to spark discussion regarding what could have been handled differently.

3. *1st Post Due by Day 3.* **Short Term View or Long Term View?** After reading the first two chapters of your textbook, evaluate the following statement:

   Managers should not focus on the current stock value because doing so will lead to overemphasis on short-term profits at the expense of long-term profits.

   In your post, explain what is meant by this statement. Describe how management might decide whether to focus on short term or long term goals and how that decision impacts the organization. Next, using the financial balance sheet as displayed in the text, compute an example of how focusing on short term profits can be detrimental to long term profits. Share your opinion regarding whether you feel it's a better option to focus on short term or long term goals. Use evidence from the text or external sources to support your position. Your post should be 200-250 words in length.

   Guided Response: Review several of your classmates' postings. Respond to at least two classmates by sharing whether you agree or disagree with their view of managerial profit focus and provide advice on how to overcome the challenges they have identified.

Assignments

1. *Due by Day 7.* **Financial Management Challenges.** The following video discusses the four types of markets: perfect competition, monopolistic competition, oligopoly, and monopoly.
   Video 2.1: Market Structures

   Given the market structures as described in the video, identify at least two articles from the ProQuest database that highlight and discuss two of the biggest challenges facing financial managers today in these varied market structures. In a three- to five-page paper (excluding title and reference pages), summarize your findings from the articles. Include how market liquidity, competitiveness, and efficiency impact financial managers. The paper should be formatted according to APA style as outlined in the Ashford Writing Center. Be sure to properly cite your two required articles resources using APA style.

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Week Two

Course Content

To be completed during the second week of class

Overview

Assignment	Due Date	Format	Grading Percent
Initial Investment	Day 3 (1st post)	Discussion	3
Managing Earnings	Day 3 (1st post)	Discussion	3
Return on Investment – Education Funding	Day 7	Assignment	7

Learning Outcomes

This week students will:

1. Convert future cash flows to equivalent values at different points in time.
2. Identify differences between cash flow streams; including, perpetuities, ordinary annuities, annuities due, and amortized loans.
3. Explain how other, non-financial factors can impact expected financial returns.

Introduction

Week Two will focus on cash flows and the time value of money. Students will learn how present and future values are calculated. Many business activities require computing a value today for a series of future cash flows, therefore the techniques presented this week applies not only to finance but also to marketing, manufacturing, and management.

Required Resources

Required Text

1. Byrd, J., Hickman, K., & McPherson, M. (2013). *Managerial Finance.* San Diego, CA: Bridgepoint Education Inc. This text is a Constellation™ course digital materials (CDM) title

a. Chapter 3: Time is Money
b. Chapter 4: Time Value Applications – Security Valuations and Expected Returns

Discussions

Participate in the following discussions:

1. *1st Post Due by Day 3.* **Initial Investment.** After reading Chapters 3 and 4 of your textbook, address each of the following questions:

   a) Think of something you want or need for which you currently do not have the funds. It could be a vehicle, boat, horse, jewelry, property, vacation, college fund, retirement money, etc. Select something which costs somewhere between $2,000 and $50,000. Use the "Present Value Formula", which computes how much money you need to start with now to achieve the desired monetary goal. Assume you will find an investment that promises somewhere between 5% and 10% interest on your money (you choose the rate) and pretend you want to purchase your desired item in 12 years. (Remember that the higher the return, usually the riskier the investment, so think carefully before deciding on the interest rate.) How much do you need to invest today to reach that desired amount 12 years from now?

   b) You wish to leave an endowment for your heirs that goes into effect 50 years from today. You don't want to be forgotten after you pass so you wish to leave an endowment that will pay for a grand soirée yearly and forever. What amount would you like spent yearly to fund this grand party? How much money do you have to leave to your heirs 50 years from now assuming that will compound at 6% interest? Assuming that you have not invested anything today, how much would you have to invest yearly to fully fund the annuity in 50 years, again assuming a 6% monthly compounding rate?

   Guided Response: Review several of your classmates' postings. Examine calculations and reply to at least two of your classmates' posts by adding recommendations to extend their thinking or posing questions to help them consider components they may have missed.

2. *1st Post Due by Day 3.* **Managing Earnings.** Companies often try to keep accounting earnings growing at a relatively steady pace in an effort to avoid large swings in earnings from period to period. They also try to manage earnings targets. Reflect on these practices and discuss the following in your discussion post.
   - Are these practices ethical?
   - What are two tactics that a financial manager can use to manage earnings?
   - What are the implications for cash flow and shareholder wealth?
   - Using the financial balance sheet as displayed in the text, provide an example of how purchasing an asset or issuing stocks or bonds could potentially impact earnings targets.

   Your post should be 200-250 words in length.

   Guided Response: Review your classmates' posts. Respond to at least two of your classmates' postings by sharing an example that supports their position or encourages them to expand or change their thinking.

Assignments

1. *Due by Day 7.* **Return on Investment – Education Funding.** Develop a three- to five-page analysis (excluding the title and reference pages) on the projected return on investment for your college education and projected future employment. This analysis will consist of two parts.

   Part 1: Describe how and why you made the decision to pursue an MBA. In the description, include calculations of expenses and opportunity costs related to that decision.

   Part 2: Analyze your desired occupation. Determine how much compensation (return) you expect to earn and how long will it take to pay back the return on this investment. Use the financial formulas, Net Present Value (NPV), Internal Rate of Return (IRR), and Payback, provided in Chapters 3 and 4 of your text.

   The analysis should be comprehensive and reference specific examples from a minimum of two scholarly sources, in addition to your text. The paper must be formatted according to APA.

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Week Three

Course Content

To be completed during the third week of class

Overview

Assignment	Due Date	Format	Grading Percent
Working Capital	Day 3 (1st post)	Discussion	3
Capital Rationing	Day 3 (1st post)	Discussion	3
Capital Budgeting	Day 7	Journal	2
Management of Working Capital Case Study: "George's Team"	Day 7	Assignment	7

Learning Outcomes

This week students will:

1. Distinguish the features of accounting statements; including, the Income Statement, Balance Sheet, and Statement of Cash Flows.
2. Compare capital budgeting analysis techniques; including Net Present Value (NPV), Internal Rate of Return (IRR) and Payback.
3. Synthesize recommendations for improvements to working capital practices.

Introduction

For Week Three, the focus will be on the specific components that make up cash flow estimation and the fundamentals of corporate investing. Students will examine product market opportunities created by imperfect competition and analyze guidelines for identifying and selecting investment opportunities and options.

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Required Resources

Required Text

1. Byrd, J., Hickman, K., & McPherson, M. (2013). *Managerial Finance.* San Diego, CA: Bridgepoint Education Inc. This text is a Constellation™ course digital materials (CDM) title
   a. Chapter 5: Estimating Cash Flows
   b. Chapter 6: Capital Budgeting – Investing to Create Value

Article

1. Biery, M.E. (2013, April 12). Businesses seeking working capital—survey. *Forbes.* Retrieved from http://www.forbes.com/sites/sageworks/2013/04/12/businesses-seeking-working-capital-survey/

Multimedia

1. INTELECOM. (Producer). *Capital Budgeting.* [Video File]. Retrieved from the Intelecom Video Library
2. INTELECOM. (Producer). *Management of Working Capital Case Study: "George's Trains".* [Video File]. Retrieved from the Intelecom Video Library.

Discussions

Participate in the following discussions:

1. *1st Post Due by Day 3.* **Working Capital.** Read the journal article, "Businesses Seeking Working Capital-Survey." Based on the information presented in the article, discuss the following:
   a. How should a business use working capital analysis?
   b. Which is more important to the short-term lender: the stock of cash or the flow of cash?
   c. Is it possible in today's business to operate with no current liabilities?

   Respond to at least two of your classmates' posts.

   Guided Response: Review several of your classmate's postings. Respond to at least two of your classmates by sharing additional costs and benefits of a worldwide standard for financial reporting that they have not yet considered. Support your response with evidence from the text, real world examples, or external sources.

2. *1st Post Due by Day 3.* **Capital Rationing.** Compare and contrast the Internal Rate of Return (IRR), the Net Present Value (NPV) and Payback approaches to capital rationing. Which do you think is better? Why? Provide

examples and evidence from two articles from ProQuest to support your position. Your post should be 200-250 words in length.

Guided Response: Review several of your classmates' postings. Respond to at least two classmates by explaining why you either agree or disagree with their position. Provide evidence to support your position.

Journal

1. *Due by Day 7.* **Capital Budgeting.** Review the following video:

   http://searchcenter.intelecomonline.net/playClipDirect.aspx?id=4870EEC7664070BB9D6744FDA7325EE48937A8D6C2046957D894C3572333E0B94E4E0FADFA493E372EF9C0293DDF74D7

   Critically reflect on the importance of capital budgeting. Why is this such a heated subject in many boardrooms? How does capital budgeting promote the financial health of an organization? How will you use the financial techniques you have learned this week to promote the financial health of your organization?

Assignments

1. *Due by Day 7.* **Management of Working Capital Case Study: "George's Trains".** View the following video:

   http://searchcenter.intelecomonline.net/playClipDirect.aspx?id=4870EEC7664070BB9D6744FDA7325EE44F45E0E47862343D60FAA8E3325D1A83C46D5C6FAB3D01A758FA30144214BB3D

   It appears that George is running a profitable business. George is aware you are in an MBA Managerial Finance class and comes to you for advice on his working capital practices. More specifically George asks you to do the following:

   a. Describe his working capital practices, including his methods of capital budgeting analysis techniques.
   b. Analyze the potential pitfalls in his capital budgeting practices that George should be aware of.
   c. Develop a simple statement of cash flows for George's Trains using any information gleaned from the video. What areas of improvement do you recommend? Provide at least three references from the Ashford University Library or other scholarly sources to support your recommendations.

In a three- to five-page paper (excluding the title and reference pages), respond to George's request for advice in detail. The paper should be properly formatted in alignment with APA 6th edition formatting.

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Week Four

Course Content

To be completed during the fourth week of class

Overview

Assignment	Due Date	Format	Grading Percent
Applying the Capital Asset Pricing Model (CAPM)	Day 3 (1st post)	Discussion	3
Risk Identification and Mitigation	Day 3 (1st post)	Discussion	3
Types of Risk	Day 7	Assignment	7

Learning Outcomes

This week students will:

1. Describe the relationship between risk and return, and how to measure for both.
2. Estimate required return and valuation using the Capital Asset Pricing Model.
3. Explain how to calculate the Weighted Average Cost of Capital (WACC) and its components.
4. Describe how to estimate the discount rate for individual projects and how risk factors into the process.

Introduction

The focus of Week Four will be on the components of an investor's required return. This will lead to a discussion of diversification and the elimination of risk and finally the Capital Asset Pricing Model (CAPM). Students will also learn how to estimate the discount rate. The same estimates of cash flows and discount rate will also used in internal rate of return (IRR) analysis.

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Required Resources

Required Text

1. Byrd, J., Hickman, K., & McPherson, M. (2013). *Managerial Finance*. San Diego, CA: Bridgepoint Education Inc. This text is a Constellation™ course digital materials (CDM) title
   a. Chapter 7: Required Returns
   b. Chapter 8: Cost of Capital

Multimedia

1. INTELECOM. (Producer). *Types of Risk*. [Video File]. Retrieved from the Intelecom Video Library.

Recommended Resources

Article(s)

1. Fama & French (1992). The Cross Section of Expected Stock Returns. Journal of Finance (47), 427 – 46. Retrieved from ProQuest Database.
2. Moneychimp. (http://www.moneychimp.com/articles/financials/fundamentals.htm)

Discussions

Participate in the following discussions:

1. *1st Post Due by Day 3.* **Applying the Capital Asset Pricing Model (CAPM).** Analyze the Capital Asset Pricing Model (CAPM). Using the course text and an article from ProQuest as references, address the following:

   - Explain how the CAPM assists in measuring both risk and return.
   - Explain how the CAPM assists in calculating the weighted average costs of capital (WACC) and its components.
   - Illustrate why some managers have difficulty applying the Capital Asset Pricing Model (CAPM) in financial decision making.
   - Identify the benefits and drawbacks of using the CAPM.

   Develop a 200 – 300 word answer supporting your position.

Guided Response: Review several of your peers' postings and critique their analysis. Respond to at least two of your classmates by comparing the similarities and differences of your analysis. Why do you think the responses were either similar or different?

2. *1st Post Due by Day 3.* **Risk Identification and Mitigation.** Using the annual report from the company that you have selected for your Final Project, discuss the risks the company faces and the actions they take to mitigate those risks. Refer to the Management Discussion and Analysis section of the annual report for this information.

   As part of your response consider whether you think the risk mitigation techniques are reasonable. Discuss what others concerns or advice you would offer if you had the opportunity.

   Include in your post a calculation for the probability of one of the risks identified by your company. This information may not be available in the annual report, therefore you will likely need to conduct research and critical thinking to complete this calculation.

   Tip: For help with reading an annual report access this handy guide from Money Chimp (http://www.moneychimp.com/articles/financials/fundamentals.htm).

   Develop a 200 – 300 word explanation supporting your position.

   Guided Response: Review several of your classmates' postings. Consider how your classmates' companies identify and proposes risk mitigation techniques. Compare and contrast the risk mitigation techniques that your chosen company uses to the ones used in your classmates' posts.

Assignments

1. *Due by Day 7.* **Types of Risk.** View the following Video:

   http://searchcenter.intelecomonline.net/playClipDirect.aspx?id=4870EEC7664070BB9D6744FDA7325EE409273F0294E05CB605BD2644A49FA1711B997988CEF21D86EF438737AEFFE09D

This video introduces the concept of business risk and risk management. It notes that business risks can generally be classified into four categories: property, market, employee, and customer.

Using each of the four categories of risk, develop an analysis of how financial management techniques or policies can be used to mitigate each of the risks. To supplement your risk analysis, you must use at least one article for **each of your risk mitigation techniques or policies** from the Ashford University Library database.

Summarize your findings in a three- to five-page paper (excluding the title and reference pages) that is formatted according to APA style as outlined in the Ashford Writing Center. Be sure to properly cite at least four scholarly sources using APA style.

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Week Five

Course Content

To be completed during the fifth week of class

Overview

Assignment	Due Date	Format	Grading Percent
Factors in Capital Budgeting Decisions	Day 3 (1st post)	Discussion	3
Assessing Dividend Policy	Day 3 (1st post)	Discussion	3
Capital Budgeting and Dividend Policy	Day 7	Journal	2
Comparing Capital Expenditures	Day 7	Assignment	7

Learning Outcomes

This week students will:

1. Describe the factors that impact target capital structure and debt capacity.
2. Illustrate how dividend policy functions in perfect and imperfect capital markets.
3. Summarize how dividend policy is put into practice.
4. Compare capital expenditures of two competing companies.

Introduction

Week Five will focus on the optimal capital structure that maximizes value by maximizing expected cash flows and/or minimizing required returns. This week students will also discuss dividend policy, which is the distribution of residual cash to shareholders.

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Required Resources

Required Text

1. Byrd, J., Hickman, K., & McPherson, M. (2013). *Managerial Finance*. San Diego, CA: Bridgepoint Education Inc. This text is a Constellation™ course digital materials (CDM) title
   a. Chapter 9: Capital Structure
   b. Chapter 10: Dividend Policy

Recommended Resources

Article(s)

1. Mergent. (n.d.). Mergent Online Quick Tips. Mergent Online. Retrieved from Online Ashford Library
2. Mergent Database for Company and Industry Research. To access go to the Ashford Library and select "Find Articles and More" in the top menu panel. Next, select "Databases A-Z" and go to section "M" for "Mergent".
3. Modigliani & Merton (1958). The Cost of Capital, Corporation Finance, and the Theory of Investment. *American Economic Review, 261 – 297.* Retrieved from ProQuest.
4. Moneychimp. (http://www.moneychimp.com/articles/financials/fundamentals.htm)

Discussions

Participate in the following discussions:

1. *1st Post Due by Day 3.* **Factors in Capital Budgeting Decisions**. Imagine you are a representative of management in the company you have selected for your Week Six assignment and you must make a capital budgeting decision. The decision is to implement a new computer network system to decrease the time between customer order and delivery. The cost will be 10% of last year's profits. You are charged with describing the important considerations in the decision-making process to upper management. In your response, be sure to include the following:

   - A description of the important factors, in addition to quantitative factors, that were considered when making this capital budgeting decision.
   - An explanation of how these factors are significant to the company.
   - A summary of how you will determine the criteria to rank capital budgeting decisions and whether some criteria are more important than others.

- A calculation of the proposed return on investment based on criteria you select and justification for that ROI.

Develop a 200 – 250 word explanation supporting your recommendations.

Tip: For help with reading an annual report access this handy guide from Money Chimp (http://www.moneychimp.com/articles/financials/fundamentals.htm)

Guided Response: Review several of your classmates' postings. Respond to at least two of your classmates by adding additional factors to consider in the decision-making process that they may have missed or would add positively to the results of the budgeting decision. Be sure to include evidence to support your position.

2. *1st Post Due by Day 3.* **Assessing Dividend Policy**. Revisit the company you chose for your Week Six Final Project. Using the annual report and other sources such as a 10k or 10q's, discuss the dividend policy of your company.

Answer the following questions as part of your response:

- How would you describe your chosen company's dividend policy?
- Why do you believe this company chose the dividend policy they have in place?
- Do you agree or disagree that they have selected the best dividend policy for the company?
- How might this dividend policy function in both perfect and imperfect capital markets?
- Calculate the dividend rate over the past 5 years. Define why you believe that it has or has not changed over the last 5 years.

Support your position with evidence from the text or external sources.
Your post should be 200-250 words in length.

Guided Response: Review several of your classmate's postings. Respond to at least two classmates by commenting on whether you agree or disagree with your classmates' reasoning for the selection of dividend policy. Provide other reasons why that particular company may have chosen that dividend policy.

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Journal

1. *Due by Day 7.* **Capital Budgeting and Dividend Policy**. We examined two very important topics in finance this week; Capital Budgeting and Dividend Policy.

   Critically reflect on the importance of selecting the right projects in which to invest capital. Do we always select those projects that have the highest return on investment? What other factors play into capital budgeting decisions?

   We also looked at dividend policy. What incentive is there for a company to pay dividends? What signals does dividend policy provide to investors?

Assignments

1. *Due by Day 7.* **Comparing Capital Expenditures.** Select a company and access the last three years' annual reports. Next, select a company that is a direct competitor and download the previous three years' annual reports.

   Research Tip: The "Mergent" database in the Ashford Library contains company profiles and financial information for publicly traded companies and their competitors. To access this database enter the Ashford Library and select "Find Articles and More" in the top menu panel. Next, select "Databases A-Z" and go to section "M" for "Mergent". For help with using Mergent use Mergent Online Quick Tips.

   Tip: For help with reading an annual report access this handy guide from Money Chimp (http://www.moneychimp.com/articles/financials/fundamentals.htm)

   Using the annual reports of both companies, complete the following in a three- to five-page paper, excluding title and reference page(s):

   For each company, report the amount of capital spending for the past three years. Quantitatively determine whether the amount of capital spending has been consistent or if it has fluctuated. Be sure to provide the calculations used to determine your answer. Describe the capital expenditures of each firm and the factors that impacted the companies' debt capacities and capital structures.

Next, compare the level of capital spending across the two firms. Point out how the spending was similar and/or different and speculate why the similarities or differences might exist. You must use at least three scholarly sources in addition to the text. Support your comparison with evidence from the text, external sources, and articles/reports from the Mergent database in the Ashford University Library.

Format the paper according to the APA 6th edition style guide as outlined in the Ashford Writing Center. Be sure to properly cite your resources using APA style.

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Week Six

Course Content

To be completed during the sixth week of class

Overview

Assignment	Due Date	Format	Grading Percent
Comparing Financial Ratios	Day 3 (1st post)	Discussion	3
Potential Issues in Ratio Analysis	Day 3 (1st post)	Discussion	3
Evaluation of Corporate Performance	Day 7	Assignment	23

Learning Outcomes

This week students will:

1. Analyze sources of financial information that are useful in financial analysis.
2. Construct Pro Forma financial statements.
3. Compare a set of the most commonly used financial ratios.
4. Utilize bond ratings, Economic Value Added (EVA), and DuPont analysis to assess the financial condition and performance of a business.

Introduction

Week Six will focus on ratio analysis and other methods of evaluating corporate performance. Students will gain an appreciation for the complexities that confront a financial manager and a sense of the role that judgment and logic play in evaluating a firm's results.

Students will complete their Final Projects this week. This will require substantial research, organization, and writing.

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Required Resources

Required Text

1. Byrd, J., Hickman, K., & McPherson, M. (2013). *Managerial Finance.* San Diego, CA: Bridgepoint Education Inc. This text is a Constellation™ course digital materials (CDM) title
   a. Chapter 11: Financial Analysis – Evaluation of Corporate Performance

Website

1. Network Status - MSN Money. (n.d.). Retrieved from http://investing.money.msn.com/investments/key-ratios

Discussions

Participate in the following discussions:

1. *1st Post Due by Day 3.* **Comparing Financial Ratios**. Go to MSN Money. (http://investing.money.msn.com/investments/key-ratios) and type in a ticker symbol for a company with the first letter of your last name.
   Next, complete the following:

   a. Select "Key Ratios" on the left menu panel.
   b. There are several categories listed for ratios. Select one "Financial Condition Ratio" and one "Management Efficiency Ratio".
   c. Open the Profile section on the left menu panel and you will see "Industry" is identified. Find a competitive company within that industry and compare those ratios to the ones you just found.

   Examine your findings and determine whether your company outperforms its competition based on financial ratios. Identify where your firm seems to lag. Describe how your firm compares with the industry and speculate as to why you believe your firm is performing as it is.

   Guided Response: Review the financial ratios provided by your classmates. Do any seem unusual? Respond to at least two classmates by sharing any reasons you can provide to explain the variance in the ratios. Support your reasons with evidence.

2. *1st Post Due by Day 3.* **Potential Issues in Ratio Analysis.** As your text describes, ratio analysis is a common technique in financial analysis. One of your colleagues states that a thorough ratio analysis is all that is needed in considering the financial health of a company. Although you agree that ratio analysis is a helpful guide, there may be some potential pitfalls in ratio analysis.

   Discuss at least three potential issues in utilizing ratio analysis that you would share with your colleague. In addition, calculate a liquidity, profitability, and efficiency ratio from your Week Six company to demonstrate your observations.

   Develop a 200 – 300 word explanation supporting your findings.

   Guided Response: Review several of your classmate's postings. Respond to at least two of your classmates by commenting on any potential issues in using ratio analysis that were new to you. You may also provide another issue that your classmate had not considered.

Assignments

2. *Due by Day 7.* **Evaluation of Corporate Performance.** The complete instructions for the Final Project can be found in Week Six of your online course or in the "Components of Course Evaluation" section of this guide.