

FINANCE 425

Assignment #1 – Due *Tuesday, February 21*

You work for Roger Qian, who is the VP of the hedge fund that hired you out of WSU. He has asked you to do the following task: analyze the financial statements of a company over a period of at least two years. The firm that you will analyze will depend on the last 2 digits of your WSU ID number. You should address the following tasks and questions in a memo to Mr. Qian. Your memo must be double-spaced, 12-point font and **no longer** than 5 pages. To support your conclusions in the memo, you should attach supplemental information (in the form of appendices) to the memo. You can have unlimited attachments to your memo as long as each appendix is referenced within the memo; however, the memo should be self-contained and completely answer all the questions and issues below. For this particular assignment, you should include the actual financial statements of your chosen company as part of your appendices.

1. Provide a brief overview of the company. What does it do?
2. Analyze the income statement. How profitable is the company? Have sales and profits been growing or falling? What are its profit margins and its returns on assets and equity? Have these margins been rising or falling? How does the company's profitability compare with that of other companies in the same industry?
3. Analyze the company's assets. What are the company's biggest assets? How efficiently is the company managing these assets? How efficiently is it managing its total assets? Its fixed assets? Does the company appear to have any collection or payment problems? Does it appear to be investing too heavily in inventories? How is it doing relative to competing firms in the industry? Explain.
4. Analyze the manner in which the company finances its business. Broadly speaking, how would you characterize the business risks the company faces? (For example, a large, diversified producer of canned goods probably faces low risks, while a single-product biotech company likely faces high business risk.) How much financial risk has the company added to its business risk by the way it finances its operations? How does the company's financial risk compare to that of its competitors?
5. During the chosen observation period, what were the company's largest 2 or 3 sources of cash? Its largest 2 or 3 uses of cash? What does your answer say about the company's activities over the period?
6. Over the chosen period, how does the company's sustainable growth rate compare with its actual growth rate in sales? Does the company appear to be generating more cash than it can profitably employ or is it in need of external cash to finance growth? How does the company appear to be coping with the sustainable growth challenges identified?
7. What is your overall assessment of the company's financial health and performance? Does the company have any particular strengths or weaknesses based on your analysis? As the company's CFO, what would be your first priority to improve performance?

<u>Last 2 digits of WSU ID #</u>	<u>Company name</u>	<u>Ticker symbol</u>
00	C S X CORP	CSX
04	GRAINGER W W INC	GWW
05	POLO RALPH LAUREN CORP	RL
06	LOWES COMPANIES INC	LOW
07	A T & T INC	T
08	TIME WARNER INC NEW	TWX
09	TIFFANY & CO NEW	TIF
10	MCAFFEE INC	MFE
14	DR PEPPER SNAPPLE GROUP INC	DPS
15	ROPER INDUSTRIES INC NEW	ROP
16	NEWELL RUBBERMAID INC	NWL
17	NVIDIA CORP	NVDA
18	TARGET CORP	TGT
19	VERIZON COMMUNICATIONS INC	VZ
20	N R G ENERGY INC	NRG
24	CUMMINS INC	CMI
25	INTERNATIONAL FLAVORS & FRAG INC	IFF
26	MCDONALDS CORP	MCD
27	NVIDIA CORP	NVDA
28	PARKER HANNIFIN CORP	PH
29	CABOT OIL & GAS CORP	COG
30	ZIMMER HOLDINGS INC	ZMH
34	CERNER CORP	CERN
35	PRAXAIR INC	PX
36	REGIONS FINANCIAL CORP NEW	RF
37	LABORATORY CORP AMERICA HLDGS	LH
38	GILEAD SCIENCES INC	GILD
39	INTERNATIONAL PAPER CO	IP
40	DIRECTV	DTV
44	AVERY DENNISON CORP	AVY
45	CH ROBINSON WORLDWIDE INC	CHRW
46	MEDCO HEALTH SOLUTIONS INC	MHS
47	AMPHENOL CORP NEW	APH
48	CHEVRON CORP NEW	CVX
49	AVON PRODUCTS INC	AVP
50	MARATHON OIL CORP	MRO
54	GRAINGER W W INC	GWW
55	WHOLE FOODS MARKET INC	WFMI
56	COACH INC	COH
57	COCA COLA CO	KO
58	SEALED AIR CORP NEW	SEE
59	SCANA CORP NEW	SCG

60	F 5 NETWORKS INC	FFIV
64	WHOLE FOODS MARKET INC	WFMI
65	STRYKER CORP	SYK
66	ALLEGHENY ENERGY INC	AYE
67	SHERWIN WILLIAMS CO	SHW
68	DEERE & CO	DE
69	MATTEL INC	MAT
70	JABIL CIRCUIT INC	JBL
74	DEVRY INC DEL	DV
75	DISCOVERY COMMUNICATIONS INC	DISCA
76	SYSCO CORP	SY
77	L S I CORP	LSI
78	UNION PACIFIC CORP	UNP
79	SPECTRA ENERGY CORP	SE
80	DUKE ENERGY CORP NEW	DUK
84	CONSTELLATION ENERGY GROUP INC	CEG
85	NORTHERN TRUST CORP	NTRS
86	MEREDITH CORP	MDP
87	AUTOZONE INC	AZO
88	C V S CAREMARK CORP	CVS
89	VISA INC	V
90	QUANTA SERVICES INC	PWR
94	TOTAL SYSTEM SERVICES INC	TSS
95	JOHNSON CONTROLS INC	JCI
96	MEADWESTVACO CORP	MWV
97	JACOBS ENGINEERING GROUP INC	JEC
98	T E C O ENERGY INC	TE
99	AUTONATION INC DEL	AN