

FIN 6406 – Financial Analysis Portfolio Paper Requirements

Due Date Listed in Syllabus

Project Overview: You are expected to complete a financial analysis of a U.S firm.

- **The finished project should include a well-written, typed paper.**
 - The completed paper should be in Microsoft Word or in PDF format.
 - The paper should be formatted according to APA style guidelines (except for exceptions noted in these directions).
 - I am not a stickler regarding APA style requirements. Minor differences from guidelines will not hurt your grade.
 - Paper length: 15 to 20 pages (double-spaced, 12-point font, one-inch margins).
 - Page count **does not** include title page, executive summary, or reference list.
 - The page count **does** include the text and all exhibits. Exhibits should be incorporated into the main body of the paper (not as appendices).
 - Individual exhibits should not be longer than one-half of one page and the total page count for all exhibits should not exceed four pages.
 - You are expected to use tables, charts, graphs, etc.
 - Include excerpts from the financial data – not large “raw” data items such as the full balance sheet.
 - Label exhibits (e.g., Exhibit 1, 2, etc.) based on the order of their discussion in the paper and reference them in the body of the paper using their label.
 - If the main body of the paper (including exhibits) is:
 - less than 15 pages or over 20 pages, there will be a 10-point penalty.
 - less than 12 pages or over 23 pages, there will be a 20-point penalty.
- **A supporting Excel file is required (components described later in the instructions).**
- The grading rubric used to assess the project is available in eLearning.
 - The project grade is determined using the following weights.
 - Excel support file – 15%
 - Executive summary and introduction – 15%
 - Company analysis – 50%
 - Quality of writing and presentation – 20%
 - Check your paper using the rubric to ensure that you include all required items.
- This is a graduate paper. I provide detailed instructions, but I do not make it a completely “cookie-cutter” project. You will have to make some decisions regarding how to fulfill requirements. Of course, I am glad to answer any questions you have regarding the project.

Paper Layout

The following outline is a simple way to organize your paper. (Use the grading rubric to check items on the list to make sure that you cover all of them.) You may deviate from the outline, but keep in mind that your grade is likely to be higher if it is easy to find the required information.

- Executive Summary (less than 1 page)
 - The executive summary should be single-spaced and summarize your main points to provide the reader a brief description of ***your findings***.
- I. Introduction (1-2 pages)
 - Background information should include a brief history of the company and a description of the company's current position.
 - Mention the company's major products and customers (markets).
 - Include basic information such as the company's ticker symbol, the exchange on which its stock trades, its market value, and other key factors.
- II. Industry and Competition (1-3 pages)
 - Discuss the company's industry and trends affecting the industry.
 - Note key competitors or industry leaders.
- III. Financial Statement Analysis (6-9 pages)
 - Focus the discussion on how the company's financial position has changed over time and how it compares to its key competitor(s) (most recent 5 years of financial data).
 - Information from the Financial Statements and Financial Statement Analysis sections of the course should be considered.
 - Discuss important changes in the income statement and balance sheet.
 - Discuss financial ratios that are relevant to your company and its industry.
 - Standard ratios are a good starting point.
 - Include relevant “unique” or industry specific ratios or measurements.
 - Indicate why you chose these ratios.
 - What are the key differences over time and across firms?
 - Discuss your Du Pont analysis.
 - Discuss market-value-based measures.
 - Offer reasons for changes and differences.
- IV. Risk Assessment (2-3 pages)
 - Discuss how beta measures risk and compare your firm's betas to those of its competitor(s).
 - List and discuss the additional risk measures you collected. Compare the risk measures for your firm to those of its competitor(s).
 - Discuss how the firm's has changed over time?
- V. Weighted Average Cost of Capital (1-2 pages)
 - Describe how you calculated the firm's weighted average cost of capital.
 - What assumptions went into your calculations?

- How did you arrive at the component capital costs?
 - How did you determine the component weightings?
 - Indicate your level of confidence in your cost of capital estimate.
- VI. Overall Evaluation (1-2 pages)
 - How do you rate the company's overall financial position?
 - What are the company's major strengths and weaknesses?
 - What should the company do to improve its situation?
- NOTES
 - Include charts, graphs, and/or tables as exhibits in the body of the paper.
 - Be sure to discuss "why" values have changed over time and "why" they are different across firms. It is not enough to simply show the values.

Excel File

Your Excel file should include the information listed below. Labels and notes should be included that adequately explain the data.

- Tab 1: Financial statements.
 - Include the balance sheet and income statement for your firm.
 - You may also include the financial statements for the competitors. If you choose to do so, label the tabs 1a, 1b, etc.
- Tab 2: Key Financial Ratios.
 - Include a list of the ratios you will discuss and your justification for using them at the top of the spreadsheet.
 - Include the values for the key financial ratios for your firm, its closest competitor(s), and /or industry averages you will discuss in the paper. Remember to include market information.
 - You do not have to calculate the ratios yourself. You may use ratios gathered from published sources (please make sure the source is listed in the spreadsheet).
- Tab 3: DuPont Analysis.
 - Show and clearly label the components of the DuPont equation for your firm and its closest competitor(s).
- Tab 4: Risk Assessment Measures
 - List the risk assessment measures you collect and indicate the data source for each.
- Tab 5: Weighted Average Cost of Capital Calculation.
 - Include all inputs and calculations necessary for the WACC.
 - Read the "WACC in Practice" document in eLearning for additional information.
- Additional Information
 - You may include any additional tabs and/or information in the Excel file. This file is intended to serve as the repository for data you will use in your financial analysis.

Data

Most of the company information you need can be accessed through the UWF Library website or other online sites. Go to the UWF Library entry page: <https://secure.uwf.edu/library/> and choose the link "Databases," then "Databases by Subject," and then "Business" for a list of the available databases. The list below indicates "required information." However, you may need additional information for your analysis.

- Closest competitor(s) for your firm. A general internet search will usually suffice.
- Financial Statements
 - Get five years of financial statement data for your firm and its competitor(s).
 - One source is Mergent Online.
 - Choose Mergent Online from the database list, enter the firm's ticker symbol, and choose Company Financials. There will be a download link that allows you to save the financial information in Excel format.
 - Balance sheet and income statement information is a must.
 - Pre-calculated ratios are available for download under the Ratios tab.
 - There are other databases in the library list that provide similar information such as Intrinsic Investment Research.
 - For comparison purposes, it may be helpful to create common-sized balance sheets and income statements.
 - Financial Ratios
 - You need to locate or calculate four to five years of ratios for your firm.
 - You may collect or calculate as many ratios as you wish, but you should choose to discuss the 10 to 15 ratios that you feel are most important for describing the firm's condition.
 - Industry and/or Competitor(s) Comparison
 - You should compare your company to the industry and/or one or more key competitors. You should download (and/or calculate) the information for competitors.
 - Du Pont Analysis
 - It is recommended that you prepare a simple table (or graph) that presents the three ratios that go into an expanded DuPont analysis plus the resulting ROE across time. Explain the values.
 - Risk measures
 - Collect reported betas for your firm and its major competitor(s) from at least two sites. (Mergent Online and Yahoo!Finance (key statistics) are two possible sources.)
 - Collect at least two other risk measures for your firm and its major competitor(s).
 - Search for information about the change in the risk of your firm over time.

- Cost of Capital
 - For the cost of debt, you will likely want to use information about current bond yields/costs if they are available.
 - You can use the information about beta from the previous section to calculate the cost of equity using the CAPM.
 - The “WACC in Practice” document will help you complete this section.
- Other Data Sources
 - You are not limited to the data sources listed in these instructions.
- Indicate the data source for each information set.

Some Important Considerations

- Review the rules regarding what constitutes plagiarism and avoid it. See: <https://confluence.uwf.edu/display/public/Plagiarism%3A+What+It+is+and+How+to+Recognize+and+Avoid+It>
- This paper should not just be a bunch of numbers. It should enlighten the reader about the financial condition of the firm. If you do a good job writing your analysis, it should be an interesting paper.
- Focus on the important issues. For example, do not discuss inventory turnover for a service firm that has little to no inventory.
- You may use “\$” and “%.” Writing out “dollars” and “percent” is cumbersome.
- Have someone proof your paper. Go to the writing center if you need help. Make sure that you budget sufficient time to allow for external proof reading.
- Do not feel you have to define basic ratios.
 - Assume that your reader is relatively well informed about basic financial matters.
 - Do explain the implications of the ratios.
 - Do explain any industry-specific measures such as RevPAR (revenue per available room) for hotels or net interest margin for financial institutions.
- Do not wait until the last minute to work on your paper. This is not an extremely long paper, but it requires time and work on your part to gather and analyze the information. A suggested schedule is provided to help you stay on track.
- To get an A on your paper, you should demonstrate understanding and provide insights. For example, if you are analyzing a retailer, you should not simply say that sales increased last year. Instead, you also should explain the source of the increase. For example, was the increase in sales due to new products, more customers, additional stores, etc.

Project Management

Please understand you will need to balance the demands of home, work, and other course and school assignments to complete this project in a timely fashion. Although some of the

components of the paper are related to topics covered later in the semester, there are sections that can be completed throughout the semester.

- The due date is set based on the time needed to grade the projects.
- Late Submissions:
 - Papers submitted up to 48 hours late receive a 10-point penalty.
 - Papers submitted over 48 hours, but less than 7 days, beyond the due date and time receive a 25-point penalty.
 - Papers are generally not accepted for credit in the class if they are more than 7 days late. Papers can still be accepted to meet the MBA portfolio requirements.
- The general program policy is that a grade of Incomplete is not given simply to allow additional time to finish a portfolio paper. Incomplete grades are for uncontrollable circumstances such as serious medical emergencies.

Suggested Schedule (dates attached to schedule in syllabus)

- Week 1: Download financial statements, ratios, etc.
- Week 2: Write the Introduction and Industry and Competition sections.
- Week 3: Complete the Financial Statement Analysis Section.
- Week 4: Complete the Risk Assessment and WACC sections.
- Week 5: Write the Overall Evaluation and Executive Summary. Proof the paper.
- Submit the paper and Excel file by 11:59 pm on the due date listed in the syllabus. Late submission deductions are described earlier in this document.