Target financial statement ratio analysis Academic Level : Bachelor Paper details I. CASE #1 – FINANCIAL STATEMENT RATIO ANALYSIS Case #1 is a Financial Statement Ratio analysis of the company selected from the list above. Structurally, the students will present the case as follows: A. A brief 2-3 full paragraph introduction and history of the company selected. B. Present a high-level financial statement analysis that identifies one key financial statement account that bears further investigation/additional weight in the ratio analysis. This is the account that you believe its behavior and impact on the ratios is fundamental to understanding the financial performance of the company as a whole. At this stage no analytical presentation is required – simply identification of material/significant account and why you believe it to be the key account(s). Reasons could include (but are not limited to) the relative size of the account, its relationship to the company’s core competency, and/or growth rate. In other words, why do you believe this account(s) to be the key account(s). The detailed analytical implication and weight will be presented in the next segment of the analysis: The Ratio Analysis, by ratio class (as defined in the text). C. The student will identify which ratios (not necessarily all the available ratios) in each ratio class will be selected for analysis. Each ratio class as defined in the text (Liquidity, Asset Management, Debt Management, Profitability, and Market Value) must be presented as part of the case. However, within each ratio class there may be individual ratios that do not necessarily apply to the specific company. NOTE: The student is to select only those ratios that when the results are analyzed, will provide pertinent analysis for the company (for example, in Asset Management Ratios, the Inventory Turnover ratio may not be applicable to a company that does not have Inventory for sale – a service company). The individual ratio analysis should show at least a three-year trend in order to adequately develop performance patterns. The financial statements to be source of the ratio calculations should be the most recent two 10(k) filings. If industry standards are available, they can also be presented only to complement the analysis. Comparison to industry averages should never be the primary measurement of relative performance or primary focus of the presentation. The use of charts, graphs, tables, etc. are strongly encouraged to present the data for analysis. NOTE: In your three-year trend analysis please focus on the relative percentage change over the three-year period, and not the absolute change. Remember, relative percentage change is the true indicator in finance that indicates real performance and is the basis for sound, mature, analysis. Finally, within each Ratio Class, a conclusion on overall financial performance will be presented. “How did the company perform with regards to Liquidity?”, for example. Within the overall context of the ratio analysis, there must be a logical integration of the significant accounts identified in the financial statement review to the selected ratios. In the overall presentation, the key concept to remember is that you should focus on the “why”, or “how come” or “what caused”, and not the “what was” of the ratio trend results. D. The student will then present an overall conclusion based solely on the overall financial performance presented, on the relative financial strength of the company. Also, based solely on the financial performance of the company, as presented in the ratio analysis, the student will recommend to sell, hold or buy stock in the company. OUTLINE The following outline is simply an example of how the Case could be organized and presented (note that this is merely a suggestion; the student is encouraged to present the material how he/she wishes, as long as the material presented is logical, orderly and flows): 1. Introduction and Brief History of the Company Selected 2. Key Account(s) Identification from the Financial Statements (Balance Sheet & Income Statement) 3. Detailed Ratio Analysis, by Ratio Class 4. Overall Summary and Conclusion, with reason