

Financial Statement Analysis Summative Assessment: Outline & Rubric

Summative Assessment Outline

Financial Statement Analysis

Competency Name: Financial Statement Analysis

Competency Statement: Analyze the financial performance of a business using financial statement analysis.

Summative Assessment Submission Title: Preparing a Financial Statement Analysis

Competency Objectives:

1. Understand the purpose and the five step process of financial analysis: (1) understand a business's model and strategy; (2) understand the business environment; (3) analyze the content of the Annual Report; (4) analyze business operations; and (5) use financial analysis to make decisions.
2. Apply the techniques of financial analysis (i.e., vertical analysis; horizontal and trend analysis; ratio analysis and industry comparisons) to evaluate the performance of a business.

Program Learning Outcomes: N/A

Institutional Learning Outcomes: N/A

Purpose of this Assessment

The final assessment for this competency is to prepare a Financial Statement Analysis paper that demonstrates an understanding of a business's model and strategy and environment, skillful analysis of the content of the business's annual report and business operations, and application of financial analysis techniques (including vertical, horizontal, trend analysis) to evaluate business performance, including ratio analysis and industry comparisons. This Financial Statement Analysis is to be of sufficient detail to decide if one should invest a selected company (listed on the U.S. Stock Exchange).

Item Required for Submission

The item required for submission is a:

- Seven- to 15-page Financial Statement Analysis Paper in APA format with a minimum of three references.

Completing the Assessment:

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In order to complete the assessment, follow these steps:

Step ONE: Preparation

Select a company listed on the U.S. Stock Exchange. Research the selected company and use the following perspectives to guide your research:

- **Business strategy:** What do we know about the business, the industry, and the company's business model?
- **Accounting perspective:** Are there any potential issues here that can be gleaned from the annual report, including the footnotes?
- **Profitability perspective:** How is the company doing from a profitability perspective and compared with its competitor(s) and the industry?
- **Investor perspective:** As an independent investor, how would you analyze this company, its competitor(s), and the industry? Why would you invest in this company (or not)?

Step TWO: Synthesis Paper

Synthesize the information you have gathered into a financial analysis paper that analyzes the company's business operations. Use financial analysis (including vertical analysis, horizontal and trend analysis, ratio analysis, and industry comparisons) to make a decision about whether this company should be invested in. Your paper should include the following sections:

1. **Business Strategy:** *Briefly* describe the company's industry and specific lines of business. Discuss its strategy for success and, most importantly, the sustainability of profits generated by the strategy. Define its business model. Refer especially to the business description and risk factors of your company's most recent 10-K. Why do you think the firm's return on equity will or will not revert to its cost of capital?
2. **Accounting:** Assess the degree to which the firm's accounting reflects the underlying business reality. Identify accounting distortions and their impact on the sustainability of profits. For instance, R&D is expensed when incurred, but most likely creates an economic asset. How will this play out in your forecasts? Also assess whether your company has value-relevant off-balance sheet risks or current obligations (such as contingent claims related to employee stock option plans) or ones that may manifest in the future (such as those related to corporate social responsibility issues). This part of the project is more about generating insightful questions for management than it is about generating answers.

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3. Financial Analysis:

A. Profitability: Overview - You will use ratio analysis to evaluate the current and past performance of the business and assess its sustainability from a profitability perspective. You should compare your company to an industry average and at least one peer in the same industry. Identify the key ratios that your firm must maintain or improve in order to successfully implement its business strategy and its profitability.

This will include profitability ratios and financial analysis including at least three ratios here for this company for at least two years (note the calculations) including comparing it to one of its competitors (list all the ratios for the competitor also) for two years and the industry ratios for the last year.

Company = 3 ratios for 2 years

Competitor = same 3 ratios for 2 years

Industry = same 2 ratios for 1 year (ratios must be the same as for the Company and the Competitor)

Include calculations and link to web address for industry ratios.

Explain why, for each of the ratios, the company selected did better or worse than its competitor and the industry.

B. From an Investor Perspective: Use ratio analysis to evaluate the current and past performance of the business and assess its sustainability from an independent investor perspective. You should compare your company to an industry average and at least one peer in the same industry. There should be at least two ratios here for company (for two years), competitor (for two years) and industry (may only be for one year). Include calculations and link to web address for industry ratios.

C. Why? Explain why you would invest in this company versus other investing options. Detail the other investing options and your reasoning as to which alternative you would choose and why.

Step THREE: Formatting & Proofreading

- Proofread your paper and make sure it is in APA format, and is coherent, comprehensive, and logical.
- Your Financial Statement Analysis paper should be seven- to 15- pages and include at least three references.

Step FOUR: Complete Checklist for Submission

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Before you submit, check to see if you believe you have met the criteria noted below.

Did you....

- ✓ Include a complete and thorough description of the company's industry, business success strategy, and sustainability of profits?
- ✓ Define a business model and focus on business inclusion and risk factors as well as the firm's return on equity related to its cost of capital?
- ✓ Analyze how a firm's accounting strategies reflect the underlying reality?
- ✓ Identify and analyze forward-looking accounting concepts such as found in the 10-K or other potential accounting risks?


- ✓ Provide a clear and accurate financial profitability analysis for a company, including three profitability ratios for two years, trends, and industry comparisons?
- ✓ Provide a clear and accurate financial analysis for a competitor, including three profitability ratios for two years, trends, and industry comparisons?
- ✓ Provide a clear and accurate financial analysis for the industry, including two profitability ratios for one year, trends, and industry comparisons?
- ✓ Provide a clear and accurate financial analysis from the investor perspective including two investor ratios, trends, and industry comparisons?
- ✓ Clearly and correctly describe the reasons for investing in this company versus other investing options?
- ✓ Detail other investing options and provide insightful reasoning as to which alternative should be selected?

- ✓ Display clear, concise, complete and correct presentation of all material, including calculations, using APA style?

Step FIVE: Submit Your Work

- Your completed final assessment documents should be submitted through the Final Assessment page of your competency.
- Please note, for files smaller than 10MB (i.e., most Word documents), use the corresponding "+UPLOAD STUDENT FILE" button to upload your final assessment assignments. For larger files of any type (i.e., voice-over PowerPoint files, videos, or image-heavy documents), please use the optional TEXT EDITOR to provide a URL where your grader can download your file.

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Competencies

Learning Journal

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 Upload additional files to this assignment. This is optional

Assignment 5
5. A 10- to 15-slide PowerPoint presentation with supporting voice-over

Use File Uploader

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Download URL for Assignment 5: <https://fwk.box.com/s/2nwjgkwooz6pa7wm8uzojjwerzb7sl2>

Comments (Optional)

- How you create a download URL is up to you, but various free online providers, including Google Drive, Box.com, or Dropbox, offer this service. Please make sure that the URL you provide can be accessed by anyone with the link. For further instructions on how to create public links for uploaded files, consult the support pages for your chosen provider.

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Scoring Rubric for Summative Assessment

<i>Criterion</i>	EMERGING (1)	DEVELOPING (2)	PROFICIENT (3)	EXEMPLARY (4)
Business Strategy	Does not include one or more of the following: a description of the company's industry, business strategy, and sustainability of profits; or a business model is incorrectly defined and there is no focus on business inclusion and risk factors or the firm's return on equity related to its cost of capital.	Includes a limited description of the company's industry, business strategy, and sustainability of profits; or a business model is incorrectly defined and there is little to no focus on business inclusion and risk factors or the firm's return on equity related to its cost of capital.	Includes a description of the company's industry, business strategy, and sustainability of profits. A business model is correctly defined, but there is limited focus on business inclusion and risk factors as well as the firm's return on equity related to its cost of capital.	Includes a complete and thorough description of the company's industry, business success strategy, and sustainability of profits. A business model is correctly defined and there is a focus on business inclusion and risk factors as well as the firm's return on equity related to its cost of capital.
Accounting	Provides an incomplete analysis of how a firm's accounting strategies reflect the underlying reality. Forward-looking accounting concepts or other potential accounting risks are incomplete and are not clearly identified and analyzed.	Provides a partially complete analysis of how a firm's accounting strategies reflect the underlying reality. Forward-looking accounting concepts or other potential accounting risks are somewhat identified and analyzed.	Provides a mostly complete analysis of how a firm's accounting strategies reflect the underlying reality is almost complete. Forward-looking accounting concepts or other potential accounting risks are mostly identified and analyzed.	Provides comprehensive and insightful analysis of how a firm's accounting strategies reflect the underlying reality. Forward-looking accounting concepts such as found in the 10-K or other potential accounting risks are clearly identified and analyzed.
Financial Analysis – Profitability- Company	Provides an incomplete or inaccurate financial profitability analysis for a company, including three profitability ratios for two years, trends, and industry comparisons.	Provides a partially clear and accurate financial profitability analysis for a company, including three profitability ratios for two years, trends, and industry comparisons.	Provides a mostly clear and accurate financial profitability analysis for a company, including three profitability ratios for two years, trends, and industry comparisons.	Provides a clear and accurate financial profitability analysis for a company, including three profitability ratios for two years, trends, and industry comparisons.

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Financial Analysis – Competitor	Provides an incomplete or inaccurate financial analysis for a competitor, including three profitability ratios for two years, trends, and industry comparison.	Provides a partially clear and accurate financial analysis for a competitor, including three profitability ratios for two years, trends, and industry comparison.	Provides a mostly clear and accurate financial analysis for a competitor, including three profitability ratios for two years, trends, and industry comparison.	Provides a clear and accurate financial analysis for a competitor, including three profitability ratios for two years, trends, and industry comparison.
Financial Analysis – Industry	Provides an incomplete or inaccurate financial analysis for the industry, including two profitability ratios for one year, trends, and industry comparisons.	Provides a partially clear and accurate financial analysis for the industry, including two profitability ratios for one year, trends, and industry comparisons.	Provides a mostly clear and accurate financial analysis for the industry, including two profitability ratios for one year, trends, and industry comparisons.	Provides a clear and accurate financial analysis for the industry, including two profitability ratios for one year, trends, and industry comparisons.
Financial Analysis – Investor Perspective	Provides an incomplete or inaccurate financial analysis from the investor perspective, including two investor ratios, trends, and industry comparisons.	Provides a partially clear and accurate financial analysis from the investor perspective, including two investor ratios, trends, and industry comparisons.	Provides a mostly clear and accurate financial analysis from the investor perspective, including two investor ratios, trends, and industry comparisons.	Provides a clear and accurate financial analysis from the investor perspective, including two investor ratios, trends, and industry comparisons.
Evaluation	Inadequately describes the reasons for investing in this company versus other investing options. Details other investing options and provides poor reasoning as to which alternative should be selected.	Partially describes the reasons for investing in this company versus other investing options. Details other investing options and provides limited reasoning as to which alternative should be selected.	Clearly describes the reasons for investing in this company versus other investing options. Details other investing options and provides reasoning as to which alternative should be selected.	Clearly and correctly describes the reasons for investing in this company versus other investing options. Details other investing options and provides insightful reasoning as to which alternative should be selected.
Writing Mechanics	Does not display clear, concise, complete, and correct presentation of all material, including calculations, using APA style.	Displays partially clear, concise, complete, and correct presentation of all material, including calculations, using APA style.	Displays mostly clear, concise, complete, and correct presentation of all material, including calculations, using APA style.	Displays clear, concise, complete, and correct presentation of all material, including calculations, using APA style.