

Firm Study Project

What is this project?

This project provides an opportunity for students to get some hands-on experience applying finance theory and models to real firms. In the process, participants will get a chance to

- Collect corporate data and information from various sources
- Use the data collected to conduct financial analysis, forecasting and corporate valuation.
- Examine and assess the firm's working capital management.

Where do you get information?

- The firm's own website
- EDGAR.gov, or Secfilings.com
- Yahoo! Finance, CNN Money, Hoovers.com, or other finance websites

Requirements on the reports

- Submit the **two reports**, on or before their respective due days, to the Blackboard.
- The main body of the report should be in **12-font Times New Roman**, and **double-spaced**.
- List references at the end of the reports.

Initial report:

- The main body should be no shorter than one page and no longer than four pages.
- Present the firm's profile and financial information in the three recent years (Part I, see "Issues for Analysis" on the last page.)

Final report:

- The main body should be no shorter than five pages and no longer than ten pages.
- Use the initial report as the first part.
- Analyze and assess the firm's financing and distribution activities as well as working capital policy, both qualitatively and quantitatively (Part II and Part III, see "Issues for Analysis" on the last page.)

How will the project be graded?

	No credit	Inadequate	Adequate	Competent	Excellent
Profile 	0 (0%) Not covered	1.35 (15%) Fail to cover all specified aspects with minimum information	2.02 (22.5%) Cover all specified aspects with minimum information	2.43 (27%) Cover all required content with focus on certain interesting aspects	2.7 (30%) Adequate information to support solid analysis and/or in-depth assessment and/or insightful comments
Financing 	0 (0%) Not covered	1.35 (15%) Fail to cover all specified aspects with minimum information	2.02 (22.5%) Cover all specified aspects with minimum information	2.43 (27%) Cover all required content with focus on certain interesting aspects	2.7 (30%) Adequate information to support solid analysis and/or in-depth assessment and/or insightful comments
Working Capital 	0 (0%) Not covered	1.35 (15%) Fail to cover all specified aspects with minimum information	2.02 (22.5%) Cover all specified aspects with minimum information	2.43 (27%) Cover all required content with focus on certain interesting aspects	2.7 (30%) Adequate information to support solid analysis and/or in-depth assessment and/or insightful comments
Writing 	0 (0%)	.45 (5%) Badly organized; poorly written with many grammatical errors	.68 (7.5%) Writing that conveys the information	.81 (9%) Writing that enables smooth reading	.9 (10%) Writing that enables smooth and pleasant reading

Issues for Analysis

I. Firm Profile

- The firm's history, industry, products, management team, anecdotes, and so on -- not necessarily all of the above.
- Anything about the firm that interests you and would help people know the firm better.
- *In a separate section*, provide basic financial information like assets, capital structure, and profitability in the past three fiscal years. Compare the firm's net income and free cash flow in the recent fiscal year.
- Absolutely no longer than four pages.

II. Financing and Distribution

- During the past three fiscal years, did the firm raise capital by issue equity? Or bonds? Or hybrid instruments? When? How? For what purpose? Why equity (or bonds or hybrids)? And more.
- How did the firm use its free cash flow? Did it pay cash dividends? Or repurchase shares? When? Why? And more.
- Did the firm use leasing? Why? How does it treat leased assets in the financial statements?
- Concisely assess the firm's financing and distribution policies.

III. Working Capital Policy

- Analyze and assess the firm's working capital policy in the past three fiscal years. Answer questions like the following:
 - Does the firm follow a tight or relaxed working capital policy? How do you know?
 - Analyze the change in the firm's cash conversion cycle in the past three years and explain the reason and effects.
 - Did the firm maintain a line of credit? Did it borrow against the line of credit?
 - Did the firm use trade credit and/or extend trade credit? How costly are the trade credit(s)? Concisely assess the firm's credit policy.