

Financial Statement Analysis

Objective

The Financial Statement Analysis event involves a team of 2-3 participants analyzing financial statements of two (2) companies from the same industry, preparing a written analysis, and then presenting their findings and recommendations.

This event was created in response to the career opportunities available for college graduates in the accounting and financial services fields. Upon completion of the written prospectus and presentation, participants will be very familiar with the two corporations that were analyzed. This event will help participants develop the ability to understand, analyze, and make decisions based on financial information—these skills are essential to every professional business career. Students will also learn how to work effectively as a team.

Additional Resources

In addition to these guidelines, additional information is provided on the Web site (<http://www.deltaepsilonchi.org/compevents/FSA.html>) including: formulas and guidelines for calculations, information about the two (2) companies being analyzed, any special considerations related to the specific companies or current economic conditions, tips for competing, and ideas for using this event as a classroom project.

Description

In the Financial Statement Analysis event, teams are given the task of reviewing the annual reports of two companies whose primary operations are within the same industry. The teams will be acting as financial consultants.

The team will be analyzing each company's annual report (10-K filing), which serves as a "resume" of a corporation. Much of the information provided in corporate annual reports and in the 10-K is dictated by Generally Accepted Accounting Principles (GAAP) and by the Securities and Exchange Commission (SEC). Specifically, GAAP requires annual reports to disclose four financial statements: a Balance Sheet, a Statement of Cash Flows, an Income Statement and a Statement of Retained Earnings.

The average person may not even know where to locate a company's financial statements. Even a seasoned business professional may not be able to analyze "raw" financial data and make competent decisions based on that data. This is why even high-level executives rely on specialists in the areas of finance and accounting. Determining the best way to tell a financial story is a critical skill in business.

Therefore, the main responsibility in making this presentation is to draw conclusions from the data that has been gathered, determine the relevant position of each of the corporations in all of the analyses performed, and do so in a way that is understandable to others.

The presentation will be given to a business and/or financial professional (judge) who is NOT a representative of either company being analyzed.

In addition to the presentation, the team must prepare a prospectus of not more than fifteen (15) pages, including title page, that describes the team's analysis and recommendations, and which will be used to direct and reinforce the presentation to the judges(s).

A prospectus is a short description of the analysis and must include the following sections:

1. Executive Summary
2. Horizontal Analysis
3. Vertical Analysis
4. Ratio Analysis
5. Public Perception
6. Conclusions/Recommendations

Learning Outcomes

In addition to developing and demonstrating specific knowledge through the development and presentation of a financial analysis to business and/or financial professionals (judges), the participants will develop or reinforce the following areas in relation to financial analysis, accounting principles, and the analysis of corporate financial statements:

- Demonstrating knowledge of corporate financial statements
- Interpreting financial statements, organizing thoughts and making recommendations
- Applying Generally Accepted Accounting Principles (GAAP) to corporate finances
- Evaluating the performance of your own corporation, or your competitors
- Examining financial statements to decide whether to extend credit to a particular corporation
- Choosing between alternatives for an organization's investment portfolio
- Analyzing business opportunities from a financial standpoint
- Selecting your personal investments
- Preparing effective written communications
- Organizing and communicating ideas and recommendations effectively
- Accomplishing objectives as a team

For international competition, the content to be evaluated is found in the standard Evaluation Form located in these Guidelines. Preliminary round competition will consist of an evaluation of the prospectus (minus deductions for the Written Entry Checklist) and one presentation for a possible one hundred (100) points. Teams will be ranked by section and a predetermined number of teams will be named finalists. Finalists will again be evaluated based on their prospectus (minus deductions) and presentation to determine final rankings. The following guidelines will be applied to the presentation at the International Career Development Conference.

Read carefully the Guidelines for the Format of the Prospectus, Guidelines for the Presentation, Written Entry Checklist, Written Statement of Assurances and Evaluation Form.