

Guidelines for the Use of Financial Information

All of the information used to conduct an analysis and develop the presentation for this event is public information available in the corporations' 10-K filing or in their annual report on their Web site. However, it is not uncommon for adjustments to be made in a company's annual report after its initial public filing, resulting in amended reports. Therefore, to ensure that all participants are working with the same financial information, the public financial statements to be used for this event must be those that have been made available in the Competitive Events section of the Web site (www.deltaepsilonchi.org/compevents/FSA.html). The Web site also includes the Fiscal Year End (FYE) date and 10-K filing date for the statements to be used in the event.

Judge(s) will receive copies of these exact reports, and will be given time to review them prior to student presentations. No additional financial reports will be provided to the judge(s), either by the conference/event managers or by the participants themselves.

Participants may NOT make reference to any additional financial statements, either from the companies themselves or from third-party information providers. Therefore, participants are prohibited from requesting additional information from the companies themselves, or from any third-party provider of information such as a financial consulting company. Failure to follow either the letter or the intent of these restrictions may result in disqualification. Participants may only make use of or reference public information available through financial or general newspapers, Internet resources, journals, etc. This type of information that does not deal directly with financial statements would be used primarily in Sections 1 and 6.

Guidelines for the Format of the Written Prospectus

The teams must prepare a written report of their analysis and recommendations. Read carefully and follow instructions for: Title Page, Format for the Prospectus and Evaluation of the Prospectus, Checklist Standards, and Written Entry Checklist. Refer also to the Evaluation Form. Nowhere in the written entry should the judge be able to determine where the team is from (school, city, state/province/territory or country).

Title Page

The first page of the prospectus in the title page, which lists the following:

FINANCIAL STATEMENT ANALYSIS

Name of Your Consulting Firm

Analysts' (Participants') Names

Chapter Advisor's Name

Date

A page number will not appear on the title page; however, the title page does count as one of the maximum fifteen (15) pages allowed. The page following the title page will be numbered "2"—all pages thereafter are to be numbered in sequential order.

The written prospectus will not include copies of the financial statements. These will already be provided to the judges. Participants may, however, bring copies of the financial statements to the presentation for reference.

Format for Prospectus and Evaluation of the Prospectus

The body of the prospectus must consist of the following six (6) sections. Use the prospectus for support and documentation of the presentation. Refer to the Written Entry and Presentation Evaluation Form.

Additional Resources/Appendix for Calculations

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, tips for competing, and ideas for using this event as a classroom project. While the written prospectus only needs to show answers, the calculations used to arrive at the answers must be shown in an appendix. (Details provided on the Web site.)

Section 1: Executive Summary

In this section provide a brief overview of each of the two corporations. Participants are not limited but, at a minimum, should provide the following information for both companies:

- Official name of the corporation
- Location of the corporate headquarters
- The state in which the company is incorporated
- Company Internet address
- Stock symbol of the corporation and the exchange on which it is traded
- Fiscal year-end of the corporation
- Date of the 10-K filing according to the financial statements provided
- The company's independent accountant/auditor
- The primary products(s) and/or services (s) of the corporation

Section 2: Horizontal Analysis

Horizontal Analysis is used as a tool to evaluate data and trends over time. Most financial statements will have at least three years of data on their Income Statement and two years worth of data on their Balance Sheet. Horizontal Analysis is used to do intra-company analysis and expresses information as a percentage change.

The calculations used to determine the answers for the horizontal analysis must be included in the appendix.

For EACH of the two corporations complete a horizontal analysis for the last two years in order to determine the trend in the data over time. The analysis must include the following:

- Revenue
- Gross Profit
- Net Income
- Income from Continuing Operations
- Net Cash from Operating Activities
- Assets

Which Company is experiencing the most growth?

Where is the growth coming from?

Graph your results in order to demonstrate the trend.

Section 3: Vertical Analysis (Common-Size Analysis)

Vertical/Common-size analysis expresses items in a financial statement as a percentage of a single or base amount. This allows analysis of two or more corporations of varying sizes.

The calculations used to determine the answers for the vertical analysis must be included in the appendix.

- I. For an Income Statement, items are usually expressed as a percentage of revenue. Perform vertical analysis in relation to revenue for the following items in the Income Statement for the current year for each of the two corporations.

	Current Year
Revenue	100%
COGS	
Operating Expense	
Interest Expense	
Income Tax Expense	
Net Income	

Based on the analysis, how have each of the companies performed relative to the following:

- Product or Service Cost Control
- Operating Cost Control
- Debt Servicing
- Tax burden
- Profitability

- II. For a Balance Sheet, vertical analysis is performed by expressing amounts as a percentage of total assets. These percentages are then compared to percentages calculated for another corporation (inter-company analysis). Perform common-size analysis of the following for each of the two corporations.

	Current Year
Current Assets	
Property, Plant & Equipment	
All Other Assets	
TOTAL ASSETS	100%
Current Liabilities	
Total Liabilities	
Stockholder's Equity	

Based on this analysis, what conclusions can be drawn about the two companies?

Section 4: Ratio Analysis

Compute the ratios for the following categories:

- Liquidity
- Solvency or Financial Strength
- Activity or Efficiency
- Profitability
- Market or Valuation

A description of each category, the exact ratios to be calculated for each category, and the industry averages to be used in your ratio analysis, are available in the competitive events section of the Web site (<http://www.deltapsilonchi.org/compevents/FSA.html>).

Teams must calculate the ratio for the most current year, as well as use the industry standards provided. Present, in chart or graph format, each ratio for each of the corporations along with the industry standard. For example:

Category: Short-Term Liquidity			
Ratio	Company 1	Company 2	Industry Standard
Current Ratio	1.1	1.4	1.3

The calculations used to determine the answers for the ratio analysis must be included in the appendix.

For each ratio, comment on:

- What is the relative position of each of the corporations?
- What is being measured?
- What does it mean?

At the end of each category/section, comment on:

- As a category, what is being measured?
- Who are the users of this information?
- Which company is in the best overall position?

Section 5: Public Perception

Regardless of the “on paper” financial strength of a company, decisions are often made based on the public perception of a company. A rumor within the financial industry may make it difficult for a company to obtain a loan. Negative publicity may force other companies and private citizens to “stop doing business” with a company. Even a company who performed well, but just slightly lower than projected, may see a drop in public confidence resulting in a significant reduction of stock value.

Answer the following questions:

- What is the general sentiment toward each company?
- What is the sentiment toward each company specifically from the financial industry?

NOTE:

Participants are prohibited from requesting or obtaining additional information from the companies themselves, or from any third-party provider of information such as a financial consulting company, other than what is available to the public (such as the company’s public Web site).

In addition, participants may not conduct or use of any research conducted for the purpose of this project (such as soliciting opinions from others through ANY means). Participants may only make use of or reference public information available through financial or general newspapers, Internet resources, journals, etc. Failure to follow either the letter or the intent of these restrictions may result in disqualification.

Based on the findings:

- How has it (or how could it) positively or negatively affect the companies?
- What, if anything, has the company done to counter any negative sentiment that may exist?
- How, if at all, has the company capitalized on any positive sentiment that may exist?
- Has any positive or negative sentiment been reflected in the companies’ financial statements or stock performance?

Section 6: Conclusions/Recommendations

Draw conclusions from the data that has been gathered, and determine the relevant position of each of the corporations in all of the analyses.

The conclusions/recommendations must address the following as a comparison between the two companies. The thoughtfulness of the analysis will be the most important factor in the evaluation of this section.

1. What are the overall strengths and weaknesses of each corporation?
2. What recommendation would you make to current investors in the two corporations?
3. What recommendation would you make to potential private or organizational investors regarding these two corporations?
4. What recommendation would you make to lenders regarding the credit-worthiness of the corporations?
5. Position, salary and benefits being equal, which company would you prefer to work for?

Checklist Standards

In addition to the items outlined above, participants must observe the following rules. The purpose of these rules is to make the competition as fair as possible among all participants. Points will be deducted for each violation. Refer to the Written Entry Checklist.

1. Two “official” prospectuses must be submitted. Both of these must be submitted in official Delta Epsilon Chi (or DECA) folios. Folios are available from DECA Images (catalog # FOLIO). No markings, tape or other materials should be attached to the folios.
2. Both prospectuses must be brought to the participant briefing session to be turned in for evaluation according to the Written Entry Checklist. These will be kept by the event director and will be given to the judge(s) prior to the presentation.
 - The participants may retain other copies (or photocopies) for their personal reference during the presentation. These do not have to be in official folios, will not be evaluated, and may not be shown to judges.
3. The prospectus must be limited to fifteen (15) pages, including the title page, which is not numbered. The pages must be numbered in sequence; however, a page number will not appear on the title page. The title page does count as one of the maximum fifteen (15) pages allowed. The page following the title page will be numbered “2”.

One page will be counted for each 8.5 x 11-inch panel or fraction thereof (foldouts, brochures, etc.). Extra pages added as dividers or additional title pages (even if blank) are included in the maximum fifteen (15) pages.

4. Body copy of the prospectus must be at least double-spaced (not space-and-a-half). Title page, bibliographical references, appendix content, footnotes, long quotes, material in tables, figures, exhibits, lists, headings, sample letters, forms, charts, graphs, etc. may be single-spaced. Material may appear on one side of the page only.
5. Entry must be typed/word processed. Handwritten corrections will be penalized. Charts, graphs, exhibits may be handwritten.
6. Colored paper, ink, pictures, etc. are allowed. Divider tabs, page borders, artwork, attachments, foldouts, paste-ups, photographs, etc. may also be used, but are still subject to the number of pages and page size restrictions.
7. Guidelines for the appendix (used to show financial calculations) were followed. The appendix does not count as one of the fifteen (15) pages.

Reminder: The event guidelines, financial statements and additional information provided to participants will also be given to judges to review prior to competition and for reference during the competition process.