**UCLA Labor Research Conference – 2023**

**Financial Analysis Assignment**

**Part I – Financial Summary**

In this first part of the Financial Analysis Assignment, use the 10-K to build a financial summary of the company by filling in the Financial Analysis Worksheet for your company. The Worksheets are on Canvas. You will find the required data in the financial statements or the notes to the financial statements. The Worksheets have page numbers indicating where to look in the 10-K.

You must fill in two sheets: 1) Consolidated; and 2) Segments.

* Some cells on the work sheet are already filled with formulas, indicated by italics. Those cells will automatically fill when you fill the related cells. For your reference, here are the formulas:
* Gross profit margin = gross profit/revenue
* Operating profit margin = operating profit/revenue
* Net profit margin = net profit/revenue
* Current Ratio = Current Assets/Current Liabilities
* ROA = Net Income/Average Assets[[1]](#footnote-1)
* ROE = Net Income/Average Shareholders’ Equity[[2]](#footnote-2)
* Total Debt/Equity = (Long-Term Debt + Current Portion of Debt)/Shareholders’ Equity
* Interest Coverage = Operating Income/Interest Expense
* Fill Trend/Comment cells based on the size and direction of the line item over time, e.g. “up a lot,” “down a little,” etc.
* Repeat the exercise for each segment of your company using the Segments sheet in the worksheet. If your company does not report segments, leave the sheet blank.

Group instructions:

* Be sure to share the work by assigning different students to get different data points.
* If you are familiar with Excel and/or Google Sheets, let others do more of the work.
* If you feel ambitious, you can add cells to calculate the amount of change over time.

**Part II – Financial Assessment (time permitting)**

Use your Financial Summary to prepare a one- or two-page Financial Assessment of your company.

Step 1.

Read 10-K Item 7 – Management’s Discussion and Analysis (MD&A). The MD&A will provide information about the numbers in the financial statements.

Step 2.

Using your Financial Summary and the MD&A, write a one- or two-page Financial Assessment of the company. Structure your report by summarizing your key conclusions for each of the following areas.

* Income Statement: Sales, Expenses, and Profits (Gross, Operating, Net)
* Margins: Gross Profit Margin, Operating Profit Margin, Net Profit Margin
* Balance Sheet: Debt and Equity
* Financial Ratios: Current Ratio, ROE, Debt/Equity, Interest Coverage
* Segment Analysis: Which has most sales? Which has highest margin? Which is growing fastest?

Step 3.

To conclude your Financial Assessment, answer these questions:

* From which segments do the company’s profits originate?
* Where is the company trying to grow?
* Does your financial analysis suggest the company is meeting, exceeding, or falling short of its growth goals?
1. Average Assets = (Total Assets Period 1 + Total Assets Period 2)/2 [↑](#footnote-ref-1)
2. Average Shareholders’ Equity = (Equity Period 1 + Equity Period 2)/2 [↑](#footnote-ref-2)