

KING'S COLLEGE
The William G. McGowan School of Business
Department of Accounting and Finance

Course Number: Fin 491

Course Title: Special Topics

Date Prepared: Spring Semester, 2003

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COMPENTENCIES

Effective Writing
Critical Thinking
Information Literacy
Computers
Effective Oral Communication
Quantitative Reasoning

TERM PROJECT

Each student will be assigned one firm that is publicly traded and a component of the Dow Jones Industrials. The student will be responsible for conducting an analysis of that firm per the requirements below. **I expect that your report will be professionally prepared. To insure that you write properly and understand the style I require please read *The Elements of Style*, by William Strunk, Jr., and E.B. White.**

This project is truly a term project. Plan on working on it throughout the semester and be prepared to discuss this in class as we cover the relevant areas. Please bring *The Value-Line* report to class after your firm has been assigned.

Students may wonder why I assign a term project, especially one of this nature. Let me assure you that it is not because I love reading term projects at the end of a busy semester. No, it is because I have the following objectives in mind for the student:

- A). This project increases student's exposure to financial statements that are important for business majors to understand.
- B). **This project helps students to learn how to prepare and present reports and to analyze in an ambiguous environment.**
- C). **This project will strengthen the writing skills of students.**
- D). This project will help students prepare for their Business Policy requirement.
- E). **The presentation will help students with their oral presentation skills.**
- E). This project will improve the grades of students who work diligently on the project by increasing their understanding of the material presented.

In terms of project format, please turn in one word-processed and double spaced report to me on May 1, 2003 and answer each requirement in order. Do not encase your report pages in plastic because those are difficult for me to write upon. Please rewrite the requirement in its entirety at the top of a new page. Any mathematical information (for example, ratios) should follow directly after the text of the requirement. Any late projects will be docked 10 points for each day the project is late. A grading sheet is attached for your information regarding the relative

weights of each requirement. Students will be required to make an oral presentation regarding your project late in the semester. The project due date is April 29, 2003.

I want students to feel free to use the annual report, *The Value-Line*, and online sources such as Zack's as sources of information. But, please cite the document when you do so. If you plagiarize the report, you will be assigned the grade of zero for the project. Also, do not turn in a report that is all citation because I am looking for your analytical abilities to come through. If you have any questions, feel **free to consult with me**.

TERM PROJECT REQUIREMENTS

1. **A copy of the *The Value-Line Investment Survey* must accompany your project. Provide the electronic address for your firm's annual report. Cite web-based sources that you have used such as Zack's, Multex, Stocksheets.com, Yahoo.com, Quicken.com, etc.**
2. **Give an overview of the company. In this overview describe the product markets of the company, the number of employees, and stock performance over the past year as well as its involvement in international business. Using a web-based source, show "Broker's Picks" for at least ten weeks. Explain why the pick's have changed over time.**
3. **Using the company's annual report (or 10-K) create a common-size income statement and balance sheet for the last five fiscal years. Compare the performance of your firm relative to its industry (please show industry data) as found at www.zacks.com.**
4. **Using Zack's, AOL, *The Value-Line Investment Survey*, Yahoo.com the company's annual report (or 10-K) compute for the last five years all ratios as found on page 120 of the text. Using the appropriate ratios, compare the performance of your firm relative to its industry as found in the various sites. In narrative form, comment on the historical performance of the firm. Please take a view that integrates all the ratios so a picture develops of the overall financial performance.**
5. **Construct Pro Forma financial statements for your firm for the next fiscal year. You will assume that sales will increase equal to the average change in sales over the last five years. Assume that the dividend payout ratio remains constant. Further, assume that fixed assets are being utilized 100% now. Determine and show what dividends are expected to be. The Balance Sheet need not be balanced since I want you to determine and show what additional funds needed (AFN) is (see page 146 of the text) and determine the source of that financing (debt or equity). See requirement 7 for direction. If you make assumptions, please state them clearly at the beginning of your response.**
6. **Calculate the projected free cash flow for your firm (page 352 of the text). How will free cash flow add to shareholder wealth. Using other liquidity and cash measures indicate whether the firm's cash position is sufficient.**
7. **Estimate the firm's weighted average cost of capital. Use *The Value-Line* estimates of capital component weights as proxies for the market value weights. Please show all calculations.**
8. **Compute beta for your company and compare it to the Value-Line's estimate of the firm's beta. Please keep in mind that your calculated beta has confidence intervals that may contain Value-Line's beta. You must provide a minimum of fifty weekly return observations for the stock and the market. Use data for this from Yahoo.com. You will be shown how to access this information. Use the *Standard & Poor's 500 Index*(^SPX) as the proxy for the market portfolio. Discuss the results for the hypothesis that your calculated beta is equal to zero. The data must be included in your report. Students must use Excel to compute beta. All data must be presented.**
9. **The student should determine, using the skills the student has learned in the eight requirements above, the strengths and weaknesses of the firm. Discuss what opportunities the student believes the firm has and the potential threats to the firm. Please take an integrated view when answering this question.**

FIN 491 TERM PROJECT GRADING SHEET

Name _____

Company _____

		POINTS	
		POSSIBLE	ACTUAL
1.	Copy of the annual report & Value-Line	5	_____
2.	Overview of the company	5	_____
3.	Common-size statements	10	_____
4.	Ratio analysis	10	_____
5.	Pro forma statements	10	_____
6.	Free cash flow	5	_____
7.	WACC	15	_____
8.	Beta Analysis	15	_____
9.	SWOT analysis	10	_____
10.	Oral presentation	10	_____
11.	Overall presentation	5	_____