



**CAREER CLUSTER**

Finance

**CAREER PATHWAY**

Corporate Finance

**INSTRUCTIONAL AREA**

Financial Analysis

**FINANCIAL STATEMENT ANALYSIS EVENT**

**PARTICIPANT INSTRUCTIONS**

- The event will be presented to you through your reading of the General Performance Indicators, Specific Performance Indicators and Case Study Situation. You will have up to 60 minutes to review this information and prepare your presentation. You may make notes to use during your presentation.
- You will have up to 15 minutes to make your presentation to the judge (you may have more than one judge).
- Turn in all of your notes and event materials when you have completed the event.

**GENERAL PERFORMANCE INDICATORS**

- Communications skills—the ability to exchange information and ideas with others through writing, speaking, reading or listening
- Analytical skills—the ability to derive facts from data, findings from facts, conclusions from findings and recommendations from conclusions
- Production skills—the ability to take a concept from an idea and make it real
- Priorities/time management—the ability to determine priorities and manage time commitments
- Economic competencies

**SPECIFIC PERFORMANCE INDICATORS**

1. Calculate financial ratios.
2. Explain information that can be obtained from financial statements.
3. Discuss the nature of annual reports.
4. Describe common management accounting performance measures (e.g. balanced scorecard, ROI, customer profitability analysis, etc.).
5. Describe the nature of diversification strategies.

## CASE STUDY SITUATION

You are senior accountants for a U.S. property and casualty insurance company, working specifically in their investments department. The assistant controller has asked you for due diligence on certain investments the ultimate parent company is looking to make in the near future. There has been a lot of talk about investing in the technology sector, specifically the FAANG stocks.

FAANG is an acronym for the five most popular and best performing technology stocks in the market today. They consist of Facebook, Amazon, Apple, Netflix, and Alphabet (aka Google). All of these companies are giants in the tech industry and their growth spurts are increasingly alluring to many investment firms and money managers.

Below are the annual 10-K consolidated balance sheets for each of the 5 FAANG companies:

<b>FACEBOOK, INC.</b>		
<b>CONSOLIDATED BALANCE SHEETS</b>		
<i>(In millions, except for number of shares and par value)</i>		
	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	8,079	8,903
Marketable securities	33,632	20,546
Accounts receivable, net of allowances of \$189 and \$94 as of December 31, 2017 and 2016, respectively	5,832	3,993
Prepaid expenses and other current assets	1,020	959
Total current assets	48,563	34,401
Property and equipment, net	13,721	8,591
Intangible assets, net	1,884	2,535
Goodwill	18,221	18,122
Other assets	2,135	1,312
<b>Total Assets</b>	<b>84,524</b>	<b>64,961</b>
<b>Liabilities and Stockholders' Equity</b>		

Current liabilities:		
Accounts payable	380	302
Partners payable	390	280
Accrued expenses and other current liabilities	2,892	2,203
Deferred revenue and deposits	98	90
Total current liabilities	3,760	2,875
Other liabilities	6,417	2,892
Total liabilities	10,177	5,767
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.000006 par value; 5,000 million Class A shares authorized, 2,397 million and 2,354 million shares issued and outstanding, as of December 31, 2017 and December 31, 2016, respectively; 4,141 million Class B shares authorized, 509 million and 538 million shares issued and outstanding, as of December 31, 2017 and December 31, 2016, respectively.	-	-
Additional paid-in capital	40,584	38,227
Accumulated other comprehensive loss	(227)	(703)
Retained earnings	33,990	21,670
Total stockholders' equity	74,347	59,194
<b>Total Liabilities and Stockholders' Equity</b>	<b>84,524</b>	<b>64,961</b>

<b>AMAZON.COM, INC.</b>		
<b>CONSOLIDATED BALANCE SHEETS</b>		
<i>(in millions, except per share data)</i>		
	<b>December 31,</b>	
	<b>2016</b>	<b>2017</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	19,334	20,522
Marketable securities	6,647	10,464
Inventories	11,461	16,047
Accounts receivable, net and other	8,339	13,164
Total current assets	45,781	60,197
Property and equipment, net	29,114	48,866
Goodwill	3,784	13,350
Other assets	4,723	8,897
Total assets	83,402	131,310
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	25,309	34,616
Accrued expenses and other	13,739	18,170
Unearned revenue	4,768	5,097
Total current liabilities	43,816	57,883
Long-term debt	7,694	24,743
Other liabilities	12,607	20,975
Commitments and contingencies		

Stockholders' equity:		
Preferred stock, \$0.01 par value:		
Authorized shares - 500		
Issued and outstanding shares - none		
Common stock, \$0.01 par value:		
Authorized shares - 5,000		
Issued shares - 500 and 507		
Outstanding shares - 477 and 484	5	5
Treasury stock, at cost	(1,837)	(1,837)
Additional paid-in capital	17,186	21,389
Accumulated other comprehensive loss	(985)	(484)
Retained earnings	4,916	8,636
Total stockholders' equity	19,285	27,709
<b>Total Liabilities and Stockholders' Equity</b>	<b>83,402</b>	<b>131,310</b>

<b>APPLE, INC.</b>		
<b>CONSOLIDATED BALANCE SHEETS</b>		
<i>(in millions, except number of shares which are reflected in thousands and par value)</i>		
	<b>September 30, 2017</b>	<b>September 24, 2016</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	20,289	20,484
Short-term marketable securities	53,892	46,671
Accounts receivable, less allowances of \$58 and \$53, respectively	17,874	15,754
Inventories	4,855	2,132
Vendor non-trade receivables	17,799	13,545
Other current assets	13,936	8,283
Total current assets	128,645	106,869
Long-term marketable securities	194,714	170,430
Property, plant and equipment, net	33,783	27,010
Goodwill	5,717	5,414
Acquired intangible assets, net	2,298	3,206
Other assets	10,162	8,757
Total assets	375,319	321,686
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	49,049	37,294
Accrued expenses	25,744	22,027

Deferred revenue	7,548	8,080
Commercial paper	11,977	8,105
Current portion of long-term debt	6,496	3,500
Total current liabilities	100,814	79,006
Deferred revenue, non-current	2,836	2,930
Long-term debt	97,207	75,427
Other non-current liabilities	40,415	36,074
Total liabilities	241,272	193,437
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 5,126,201 and 5,336,166 shares issued and outstanding, respectively	35,867	31,251
Retained earnings	98,330	96,364
Accumulated other comprehensive loss	(150)	634
Total stockholders' equity	134,047	128,249
<b>Total Liabilities and Stockholders' Equity</b>	<b>375,319</b>	<b>321,686</b>

<b>NETFLIX, INC.</b>		
<b>CONSOLIDATED BALANCE SHEETS</b>		
<i>(in thousands, except share and per share data)</i>		
	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	2,822,795	1,467,576
Short-term investments	-	266,206
Current content assets, net	4,310,934	3,726,307
Other current assets	536,245	260,202
Total current assets	7,669,974	5,720,291
Non-current content assets, net	10,371,055	7,274,501
Property and equipment, net	319,404	250,395
Other non-current assets	652,309	341,423
Total assets	19,012,742	13,586,610
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current content liabilities	4,173,041	3,632,711
Accounts payable	359,555	312,842
Accrued expenses	315,094	197,632
Deferred revenue	618,622	443,472
Total current liabilities	5,466,312	4,586,657
Non-current content liabilities	3,329,796	2,894,654
Long-term debt	6,499,432	3,364,311



Other non-current liabilities	135,246	61,188
Total liabilities	15,430,786	10,906,810
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized at December 31, 2017 and 2016; no shares issued and outstanding at December 31, 2017 and 2016	-	-
Common stock, \$0.001 par value; 4,990,000,000 shares authorized at December 31, 2017 and December 31, 2016, respectively; 433,392,686 and 430,054,212 issued and outstanding at December 31, 2017 and December 31, 2016, respectively	1,871,396	1,599,762
Accumulated other comprehensive loss	(20,557)	(48,565)
Retained earnings	1,731,117	1,128,603
Total stockholders' equity	3,581,956	2,679,800
<b>Total Liabilities and Stockholders' Equity</b>	<b>19,012,742</b>	<b>13,586,610</b>

<b>ALPHABET, INC.</b>		
<b>CONSOLIDATED BALANCE SHEETS</b>		
<i>(In millions, except share and par value amounts which are reflected in thousands, and par value per share amounts)</i>		
	<b>December 31,</b>	
	<b>2016</b>	<b>2017</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	12,918	10,715
Marketable securities	73,415	91,156
Total cash, cash equivalents, and marketable securities	86,333	101,871
Accounts receivable, net of allowance of \$467 and \$674	14,137	18,336
Income taxes receivable, net	95	369
Inventory	268	749
Other current assets	4,575	2,983
Total current assets	105,408	124,308
Non-marketable investments	5,878	7,813
Deferred income taxes	383	680
Property and equipment, net	34,234	42,383
Intangible assets, net	3,307	2,692
Goodwill	16,468	16,747
Other non-current assets	1,819	2,672
Total assets	167,497	197,295
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	2,041	3,137

Accrued compensation and benefits	3,976	4,581
Accrued expenses and other current liabilities	6,144	10,177
Accrued revenue share	2,942	3,975
Deferred revenue	1,099	1,432
Income taxes payable, net	554	881
<b>Total current liabilities</b>	<b>16,756</b>	<b>24,183</b>
Long-term debt	3,935	3,969
Deferred revenue, non-current	202	340
Income taxes payable, non-current	4,677	12,812
Deferred income taxes	226	430
Other long-term liabilities	2,665	3,059
<b>Total liabilities</b>	<b>28,461</b>	<b>44,793</b>
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, \$0.001 par value per share, 100,000 shares authorized; no shares issued and outstanding	-	-
Class A and Class B common stock, and Class C capital stock and additional paid-in capital, \$0.001 par value per share: 15,000,000 shares authorized (Class A 9,000,000, Class B 3,000,000, Class C 3,000,000); 691,293 (Class A 296,992, Class B 47,437, Class C 346,864) and 694,783 (Class A 298,470, Class B 46,972, Class C 349,341) shares issued and outstanding	36,307	40,247
Accumulated other comprehensive loss	(2,402)	(992)
Retained earnings	105,131	113,247
<b>Total stockholders' equity</b>	<b>139,036</b>	<b>152,502</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>167,497</b>	<b>197,295</b>

## YOUR CHALLENGE

You will present your findings to your assistant controller. Be prepared to discuss the following calculations:

- Quick Ratio
- Current Ratio
- Working Capital
- Total Debt/Equity Ratio

In addition, it would be pertinent to include explanations and analysis on the following topics:

- Side-by-side analysis on the performance ratios of all five companies
- Return-on-investment discussion
- Diversification both focused on FAANG and externally



**FINANCIAL STATEMENT ANALYSIS, 2018**

Participant: \_\_\_\_\_

Participant: \_\_\_\_\_

**JUDGE EVALUATION FORM**  
ICDC Final

I.D. Number: \_\_\_\_\_

**INSTRUCTIONAL AREA**  
Financial Analysis

Did the participant:

		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
<b>PERFORMANCE INDICATORS</b>						
1.	Calculate financial ratios?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
2.	Explain information that can be obtained from financial statements?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
3.	Discuss the nature of annual reports?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
4.	Describe common management accounting performance measures?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
5.	Describe the nature of diversification strategies?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
<b>PRESENTATION</b>						
6.	Demonstrate clarity of expression?	0-1	2-3	4	5	
7.	Organize ideas?	0-1	2-3	4	5	
8.	Show evidence of mature judgment?	0-1	2-3	4	5	
9.	Overall performance: appropriate appearance, poise, confidence, presentation, technique and responses to judge's questions?	0-1-2	3-4-5	6-7-8	9-10	
<b>TOTAL SCORE</b>						