



FINANCIAL STATEMENT ANALYSIS

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The **Financial Statement Analysis** event involves a team of 2 to 3 participants analyzing financial statements of two (2) companies from the same industry, preparing a written analysis and then presenting their findings and recommendations. For 2023-2024, participants will analyze financial statements for The Coca-Cola Company and PepsiCo., Inc. using the December 31, 2022 Form 10-K for each organization.

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.

\$ FINANCE

EVENT OVERVIEW

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 "résumé" 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.

LEARNING OUTCOMES

In addition to developing and demonstrating specific knowledge, through the development and presentation of a financial statement analysis project to the judge, the students will:

- Utilize a company's financial statements to analyze its financial situation.
- Discuss the analysis of a company's financial situation using its financial statements.
- Interpret financial statements
- Apply Generally Accepted Accounting Principles (GAAP)
- Interpret correlations for investment decision making
- Translate findings into actionable investment recommendations
- Preparing effective written communications
- Present findings and conclusions in an interactive situation.

21ST CENTURY SKILLS

Students will also develop many 21st Century Skills, in the following categories, desired by today's employers:

- Communication and Collaboration
- Creativity and Innovation
- Critical Thinking and Problem Solving
- Flexibility and Adaptability
- Information Literacy
- Initiative and Self-direction
- Leadership and Responsibility
- Media Literacy
- Productivity and Accountability
- Social and Cross-cultural Skills

FORMAT GUIDELINES FOR THE WRITTEN ENTRY

The student(s)/team must prepare a written entry. Read carefully and follow the instructions for: Title Page, Format for the Written Entry, Checklist Standards and Written Entry Checklist.

WRITTEN STATEMENT OF ASSURANCES. This must be signed and submitted with the entry. Do **not** include it in the page numbering.

TITLE PAGE. The first page of the written entry is the title page which lists the following:

FINANCIAL STATEMENT ANALYSIS
Title of the Project
Name of Chapter/School
Name of Chapter Advisor
Chapter Advisor's Address
City, Association, ZIP/Postal Code
Country
Students Name(s) and Address(es)
City, Association, ZIP/Postal Code
Country
Date

A page number will not appear on the title page; however, the title page does count as one of the maximum 15 pages allowed. The page following the title page will be numbered "2."

FORMAT FOR WRITTEN ENTRY

The body of the written entry should include:

I. 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:

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

II. 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:

- A. Revenue
- B. Gross Profit
- C. Net Income
- D. Income from Continuing Operations
- E. Net Cash from Operating Activities
- F. Assets
- G. Growth Comparison
 - Which company is experiencing the most growth?
 - Where is the growth coming from?
 - Graph your results in order to demonstrate the trend.



2-3 PARTICIPANTS



15 PAGES
ALLOWED



PRESENT PROJECT



15 MINUTES
PRESENTATION TIME

III. 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.

- A. 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

- B. 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 and 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?

IV. RATIO ANALYSIS

Compute the ratios for the following categories:

- Profitability ratios:
 - Gross profit margin
 - Profit margin
 - Return on sales
 - Return on assets
 - Return on equity
- Performance metrics:
 - Price-to-earnings
 - Dividend payout
 - Asset turnover
- Liquidity ratios:
 - Current ratio
 - Quick ratio
 - Accounts receivable turnover
 - Inventory turnover
 - Accounts payable turnover
- Solvency ratios:
 - Debt-to-assets
 - Debt-to-equity
 - Total debt
 - Times interest earned

Teams must calculate the ratio for the most current year. Present, in chart or graph format, each ratio for each of the corporations. For example:

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

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?

V. CONCLUSIONS AND RECOMMENDATIONS

Draw conclusions from the data that was gathered in Sections 2 - 4, 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.

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

VI. PUBLIC PERCEPTION AND RECENT RESULTS

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 that performed well, but missed analyst projections, may see a drop in public confidence and a reduction in stock value. Based on current research, answer the following questions:

- A. Based on Current Research:
 - What is the general sentiment toward each company?
 - How does the financial industry currently perceive each company?
- B. Based on Findings:
 - How has public perception positively or negatively affected 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 perceptions that may exist?
- C. Evaluate Recent Performance:
 - Obtain the most recent financial reports filed with the SEC by each of the two companies and evaluate recent performance.
 - Since the 10-K filing analyzed in Sections 2-4, how have each of the two companies generally performed?
 - Were there any noteworthy disclosures in the most recent filings?
 - How has each of the companies’ stock performed over the last 24 months?
 - Would you say the company has positive or negative momentum moving in to the close of its next fiscal year?
 - Would you change any of your conclusions or recommendations from the previous section based on current financial information?

VI. BIBLIOGRAPHY

VII. APPENDIX

An appendix is optional. Include in an appendix any exhibits appropriate to the written entry, but not important enough to include in the body. These might include sample questionnaires used, letters sent and received, general background data, minutes of meetings, etc. Provided that the appendix includes such “exhibits” and is NOT used for “content” that should be included under previous sections, **the appendix does NOT count as one of the maximum 15 pages.** Any such misuse of the appendix may result in penalties under the Written Entry Checklist.

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 Website). 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.

CHECKLIST STANDARDS

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

1. All written entries must be submitted through the online competition submission portal April 1-10, 2024.
2. The Written Statement of Assurances must be signed and submitted with the entry.
3. The written entry must be limited to 15 pages, including the title page, which is not numbered. The pages must be numbered in sequence, except for the title page, which is not numbered. The title page does count as one of the maximum 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 15 pages.
4. The title page information has been provided as requested in the guidelines.
5. The body of the written entry follows the sequence outlined in the guidelines. Additional subsections are permitted.
6. Body copy of the written entry must be at least double-spaced (not space-and-a-half). Title page, executive summary, 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.
7. Entry must be typed/word processed.
8. The appendix (if applicable) only includes appropriate content for the appendix.

GUIDELINES FOR THE PRESENTATION

- Students will have up to **15 minutes** to set up in the presentation area, present their analysis and recommendations; and answer questions from the judge(s).
- Only materials (computer equipment, visual aids, etc.) that can be easily carried to and from the competition areas will be permitted. Only the students may handle and set up their materials. No outside assistance will be allowed.
- Self-contained, state-of-the-art technology (personal or laptop computers/hand-held digital organizers) may be used. However, students must use battery power even if electrical outlets are available in the room.
- Visual aids (poster paper, flip charts) may be used.
- When using a presentation aid, sound may be used, as long as the volume is kept at a conversational level. If this guideline is not followed, the presentation will be interrupted and the students will be asked to follow the sound policy.
- All materials, equipment, supplies, etc. must be provided by the students. DECA assumes no responsibility for damage/loss of materials, equipment, supplies, etc.
- All presentation materials must be prepared by the students with the exception of sample materials related to the topic developed by the business or organization that is the focus of the research project.
- Materials appropriate to the situation may be handed to or left with the judge. Items of monetary value may be handed to, but may not be left with, the judges. Items such as flyers, brochures, pamphlets and business cards may be handed to or left with the judge. No food or drinks allowed.
- Students may bring copies of the written report to the presentation.
- Competitors are also responsible for following the information provided in the Collegiate DECA General Rules and Regulations for competition.
- Failure to follow guidelines may result in disqualification.

WRITTEN ENTRY JUDGING

Students have analyzed the financial statements of two companies from the same industry. Each team is to prepare a written prospectus prior to the conference.

Acting as financial consultants, the team will be analyzing each company's annual report (10-K filing), which serves as a "résumé" 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.

Judges are given copies of the identical financial statements used by the students, as well as the answers to the required calculations. As the judge(s), you are NOT acting as representatives of either company being analyzed.

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 the financial story is a critical skill in business. Therefore, each team's main responsibility in making their presentation is to draw conclusions from the data that they have gathered, determine the relevant position of each of the corporations in all of the analyses that they perform, and do so in a way that is understandable to you as the judge(s).

Please familiarize yourself with all of the guidelines before reading any of the written entry. Penalty points (see Written Entry Checklist) have already been assessed. Your job is to evaluate the written entry based on the Written Entry Evaluation Form.

- On the score sheet provided, please mark the appropriate score and verify accuracy. Please make sure not to exceed the maximum score possible for each item.
- Please make sure to score all categories and verify the total score. The maximum score for the written entry is 50 points.

PRESENTATION JUDGING

- Please familiarize yourself with all of the guidelines before interacting with students. Your job is to evaluate the presentation based on the Presentation Evaluation Form.
- Students will be scheduled for presentations at 20-minute intervals.
- Students will have up to **15 minutes** to outline their prospectuses and answer questions.
- You may ask questions of the students to determine their ability to think spontaneously. To ensure fairness, you must ask all students the same standard questions. After asking the standard questions, you may ask other questions for clarification specific to the current students.
- To ensure fairness, at no time should students be asked where they are from (school, state, country, etc.).
- Following their interaction with you, please thank the students for their presentation but give no indication of their performance/score.
- During the last **5 minutes**, after the students are excused from the judging area, you may score the students. Refer to the Evaluation Criteria section for guidelines. On the bubble sheet provided, please bubble in the appropriate score and write the score on the corresponding line to verify accuracy. Please make sure not to exceed the maximum score possible for each item.
- Please make sure to record a score for all categories, add them for the total score and then initial the total score. The maximum score for the presentation is 50 points.

During the presentation, ask yourself, "Do the results seem reasonable? Are the ratios what you would expect of successful publicly traded companies in the beverage industry? Do the students sound knowledgeable and do they explain the ratios accurately? Are the students communicating clearly?" Ultimately, you must decide, "would I hire this team to conduct a financial analysis of my company and trust the information is useful for making financial decisions?"

JUDGING SUMMARY

Maximum score is 100 points. A score of 70 or better will earn the students a Certificate of Excellence.

Thank you for volunteering your time to evaluate our emerging leaders and entrepreneurs.

EVALUATION CRITERIA

A score under the heading

Exceeds Expectations in any category means that, in your opinion, the information is presented in an effective, creative way; in effect, nothing more could be expected of the students, and the decisions/recommendations have been presented well.

A score under the heading **Meets Expectations** in any category means that, in your opinion, the information is presented well. There may be a few minor problems or omissions, but they are not significant. Decisions/Recommendations that earn this level in every category for the presentation would probably receive strong consideration for implementation.

A score under the heading **Below Expectations** or **Little/No Demonstration** in any category means that some major flaw has been noted which damages the effectiveness of the presentation. This may be a major omission, a serious misstatement or any other major flaw.



FINANCIAL STATEMENT ANALYSIS

WRITTEN ENTRY EVALUATION FORM

EXECUTIVE SUMMARY	LITTLE/ NO VALUE	BELOW EXPECTATIONS	MEETS EXPECTATIONS	EXCEEDS EXPECTATIONS	JUDGED SCORE
1. Introduction of companies	0-1	2-3	4	5	

HORIZONTAL ANALYSIS	LITTLE/ NO VALUE	BELOW EXPECTATIONS	MEETS EXPECTATIONS	EXCEEDS EXPECTATIONS	JUDGED SCORE
2. Consider: accuracy of financial computations, thoroughness of report, knowledge of material, quality of analysis and ability to answer questions	0-1-2	3-4-5	6-7-8	9-10	

VERTICAL ANALYSIS	LITTLE/ NO VALUE	BELOW EXPECTATIONS	MEETS EXPECTATIONS	EXCEEDS EXPECTATIONS	JUDGED SCORE
3. Consider: accuracy of financial computations, thoroughness of report, knowledge of material, quality of analysis and ability to answer questions	0-1-2	3-4-5	6-7-8	9-10	

RATIO ANALYSIS	LITTLE/ NO VALUE	BELOW EXPECTATIONS	MEETS EXPECTATIONS	EXCEEDS EXPECTATIONS	JUDGED SCORE
4. Consider: accuracy of financial computations, thoroughness of report, knowledge of material, quality of analysis and ability to answer questions	0-1-2	3-4-5	6-7-8	9-10	

CONCLUSIONS/RECOMMENDATIONS	LITTLE/ NO VALUE	BELOW EXPECTATIONS	MEETS EXPECTATIONS	EXCEEDS EXPECTATIONS	JUDGED SCORE
5. Consider: quality of conclusions and recommendations and ability to answer questions	0-1-2	3-4-5	6-7-8	9-10	

PUBLIC PERCEPTION AND RECENT RESULTS	LITTLE/ NO VALUE	BELOW EXPECTATIONS	MEETS EXPECTATIONS	EXCEEDS EXPECTATIONS	JUDGED SCORE
6. Consider: thoroughness of report, quality of analysis and ability to answer questions	0-1	2-3	4	5	

WRITTEN ENTRY TOTAL POINTS (50)	
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JUDGE _____



FINANCIAL STATEMENT ANALYSIS

PRESENTATION EVALUATION FORM

	LITTLE/ NO VALUE	BELOW EXPECTATIONS	MEETS EXPECTATIONS	EXCEEDS EXPECTATIONS	JUDGED SCORE
1. Horizontal analysis: Logical summary of the trending financial results, specifically areas of growth or decline.	0-1-2	3-4-5	6-7-8	9-10	
2. Vertical analysis: Identification of changes in accounts and the implication of organizational processes associated with the increase or decrease of specific accounts.	0-1-2	3-4-5	6-7-8	9-10	
3. Ratio analysis: Overall comparison of the two companies and how they are performing in relation to each other and the overall industry.	0-1-2	3-4-5	6-7-8	9-10	
4. Public perception and recommendations: Appropriate summary of public perception of each company and a recommendation as to which company's stock would make a better investment.	0-1-2	3-4-5	6-7-8	9-10	
5. Overall performance: Appropriate appearance, poise, confidence, presentation, technique, etc.	0-1-2	3-4-5	6-7-8	9-10	

PRESENTATION TOTAL POINTS (50)	
WRITTEN ENTRY (50)	
PRESENTATION (50)	
SUBTOTAL (100)	
LESS PENALTY POINTS	
TOTAL SCORE	

A score of 70 or better will earn the student a Certificate of Excellence.

For tie-breaking purposes, the following evaluation form ranking process will be used. Beginning with the Presentation Evaluation Form, the students with the highest score for item #1 wins the tie-break. If this does not break the tie, the process will continue for the remaining presentation items in the following order: 2, 3, 4, 5. If this does not break the tie, the process will continue using the Written Evaluation Form, beginning with item #5. If this does not break the tie, the process will continue for the remaining written entry items in the following order: 1, 5, 4, 3, 2, 6.

JUDGE _____