

## Performance/Assessment Report II

Your final report will be more comprehensive. It will consist of a report on your performance for all Real Years (1-4) throughout the game and, more importantly, assess how your company has performed in implementing an effective strategy over the timeframe of the game.

A cover letter of one page will provide a succinct review of both your company's performance and your management from the inception of the game through the last year.

The next section should review your strategy during the simulation and describe your current (end of game) overall strategy for managing the company in the future. This should include an evaluation of how your company is positioned to compete with other companies in your industry in the next year and several years. This section is not to exceed one single-spaced page.

Each of the remaining sections should not exceed one single-spaced page in length, not including supporting exhibits and graphs. The sections include:

1. Cash management. This includes an evaluation of liquidity management with special attention to excess balances and stock outs and your evaluation on the quality of your management of an optimal cash balance. A supporting table contains (for years 1 through the end of the game) the actual year end cash balance, marketable securities balance and short term penalty loan balance (not penalty interest!). Special circumstances giving rise to given yearly inappropriate balances should be described in footnotes to the table.
2. Research and Development project analysis: Discuss briefly how you made these decisions; a table would be very useful in showing the actual decisions for each year of the game played.
3. Production strategy and operating leverage analysis. Describe your combination of inventory and production strategy in this section. If the strategy changed during the game, indicate why the change was made and explain the objective of the new strategy. The discussion in this section needs to evaluate your management of inventory and plant/shift capacity over the game. A table contains unit inventory balance, plant and/or shift capacity, units sold, units demanded and units stocked out for each year of the game.
4. Unit pricing strategy. Describe and evaluate your pricing policy and price trend of your product.
5. Capital structure and financial leverage analysis. This section contains a presentation of your strategy in determining both the debt-equity mix and the maturity structure of your debt. The required table contains dollar debt and equity issues each year by type of security (short-term, two-year ... preferred, common). The debt-equity ratios derived with both book value and market value of equity weights are required.
6. Dividend policy. Provide a discussion of both your dividend payout ratio decision and dividend stability policy over the simulation. You should provide a table that contains the cash dividends paid per year and the yearly average payout ratio.

7. Performance evaluation. Provide an analysis of your performance over the game. This analysis examines both performance over time by your company and an analysis of your company's performance relative to other companies playing the game. You should provide a table that contains accumulated wealth, share price, ROI, ROE, and EPS per year over the game should be included. Value-based measure such as EVA and MVA should also be included. Some measure(s) of the relative performance of other companies is also required.

8. Recommendations. Based on your experience to date, your reading of the course materials and external research, propose changes in financial policies and the role of your CFO team in making non-financial decisions.

For Report II, the limit is 10 pages. The objective is to be clear, forthright, and informative (remember, the SEC is watching you closely). Your grade will reflect your disclosure of required information, the clarity and completeness of your description of your financial management of the company, the quality of your actual management of the company, and the accuracy of your critical evaluation of your management of the company. "Lessons learned" are an important part of your critical evaluation.