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# Accounting 212

## Financial Statement Analysis Assignment

Use MS Word (double spacing) & Excel for all Answers

### Part I – General Information Contents

How to Read Annual Reports:

[http://www.ibm.com/investor/help/reports/index.html?tab=tab\\_BB](http://www.ibm.com/investor/help/reports/index.html?tab=tab_BB)

**Read** the information provided above and answer the following questions:

1. What are the optional and required (by SEC, Securities & Exchange Committee) elements required in an annual report?
2. Describe the contents of the Management Discussion and Auditor's Report.

Download PepsiCo 2015 Annual Report from Sakai and answer following questions:

#### A. Management's Discussion and Analysis (MD&A)

Identify two primary drivers/issues that explain current and future results of operations discussed in the MD&A. For example, the gross profit percentage increased because of improved buyer/supplier relationship resulting in greater overall operating performance.

#### B. Independent Auditor's Report

- a. Who was the company's auditor and where is it located?
- b. What is responsibility of the auditor?
- c. Who is responsible for the preparation of and information within the company's financial statement?
- d. The audit was conducted in accordance with what?
- e. What was the opinion of the auditor?

### Part II – Financial Data

\*\* Use Excel or Table function in MS Word to create a table for every data that you used in your analyses and the page number where they can be located. For example:

Data	Page Number
Net Revenue	63
Accounts Receivable	98

You may use *Table* function in Word or Excel for data analysis.

#### C. Trend Analysis:

- a. Make a 3-year trend analysis, using 2013 as the base year, of [1] net sales and [2] net income.
- b. Comment on the significance of the trend analysis results.

Due on April 13, 2017

D. Ratios Analysis (Include Formulas):

- a. Compute for 2015 and 2014 the [1] profit margin, [2] asset turnover, [3] return on assets, and [4] return on common stockholders' equity. **Comment on PepsiCo's profitability.**
- b. Compute for 2015 and 2014 the [1] debt to total assets and [2] times interests earned ratio. ***How would you evaluate PepsiCo's long-term solvency?***

E. Other Resources:

- a. Use the internet to search for THREE other resources that may assist you in analyzing PepsiCo's financial statements.

Submit a hard copy (printout) of the homepage (1<sup>st</sup> page only), including its URL (only the homepage). State the reasons that they were selected.

- b. For each of the sources, state how you would use the information obtained to analyze the PepsiCo's financial statements.
- c. State whether the additional information confirms or contradicts your previous assessments.

F. Based on the information collected and analyses, state your reasons why a potential should / should not invest in PepsiCo. Be specific.

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