

Week 1 Model Assignment

Section 1: Financial Statement Analysis

First and Last Name

The University of Arizona Global Campus

BUS 401: Principles of Finance

Instructor Name

Due Date

This model has many helpful tips in it to illustrate best practices in APA, tables, and writing. In keeping with UAGC's Academic Integrity policies, be sure to construct your own assignment with originality in writing and content. If you need help writing your assignment **in your own words**, reach out to the Writing Center. As always, your instructor is available to answer questions about this assignment.

Consider using [level headings](#) to help organize your paper into the required parts.

Section 1: Financial Statement Analysis

Overview of the Company

Provide some background information on your company.

The Procter & Gamble Company (“PG”) is a worldwide provider of brand consumer packaged goods. PG’s business is organized into five segments: Beauty, Grooming, Healthcare, Fabric & Home Care, and Baby. PG distributes its products through mass retailers, grocery stores, retailers, membership clubs, and a wide variety of other retail channels. PG recorded just over \$70 billion in revenue for the year ending June 30, 2020 (Procter & Gamble Company, 2017-2020), and its market price per share as of November 19, 2020 was \$142.15 per share. PG has 2.48 billion shares outstanding and a market capitalization of \$352.5 billion (Yahoo! Finance, n.d.).

Clearly state your chosen company.

Be sure to mention the current market price per share.

Provide [in-text citations](#) for your financial information.

Income Statements

According to the information provided in the financial statements for the year ending June 30, 2020) on PG’s financial information, PG’s revenues for the year ending June 30, 2018 (as shown on Appendix A). The revenues grew to \$67.7 billion in 2019 and continued to grow to \$70.0 billion in 2020. Operating income was \$13.7 billion in 2018 and \$15.7 billion in 2019. In 2020, operating income recovered to \$15.7 billion. In 2018, PG’s net earnings stood at \$9.75 billion. The net earnings declined to \$3.9 billion in 2019 (due to the goodwill impairment charge) and increased to \$13.0 billion in 2020. Overall, PG has shown an upward trend in revenue and operating income, which has helped to offset the impact of the impairment charge.

Discuss your company’s revenue trends. How have **revenues** changed over the years?

Discuss the trend in your company’s **operating income**.

At some point in your paper, reference the financial information you gathered for **Appendix A**.

Be sure to mention the trend in your company’s **net profit margin**.

For large numbers like this, write them as \$2.9 billion rather than 3,900,000,000.

Common Size Income Statement

Use the percent symbol % for percentages attached to numerals.

PG's gross margin stood at 48.7% in 2018, and declined slightly to 48.6% in 2019. In 2020, PG's gross margin increased to 50.3%. It is important to note that the fiscal year ending

June 30, 2020, was significantly impacted by the COVID-19 pandemic. PG's operating margin stood at 20.5% in 2018, and decreased to 8.1% in 2019. Again, without the impairment charge,

the 2019 operating margin would have been 20.4 percent.

PG's net profit margin increased to 22.1 percent. PG's net profit margin was 14.6 percent in 2018, decreased to 5.8 percent in 2019, and increased to 22.1 percent in 2020. PG's operating margins have been

trending upwards, after taking into account the impairment charge.

Discuss trends in your company's **gross margin**.

Provide trend information on your company's **operating income margin**.

Mention your company's **net profit margin** trend as well.

Balance Sheet

In this section, summarize key trends in **total assets, total current assets, total current liabilities, long-term debt, and total shareholders' equity** over the past three years.

PG's total assets stood at \$119.3 billion in 2018, and decreased to \$115.1 billion in 2019. PG's total assets decreased to \$115.1 billion in 2019. PG's current assets followed the same trend. In 2018, current assets stood at \$28.2 billion and decreased to 22.5 billion in 2019. In 2020, current assets increased to \$28.0 billion. PG's current liabilities stood at \$28.2 billion in 2018 and

increased to \$30.0 billion in 2019. Current liabilities increased again in 2020 to \$33.0 billion.

Long-term debt stood at 20.9 billion in 2018, decreased slightly to 20.4 billion in 2020 and increased to 23.5 billion in 2020. Finally, PG's total shareholders' equity was \$52.9 billion in

2018, decreased to \$47.6 billion in 2019, and decreased to \$46.9 billion in 2020. PG's total assets increased over the three-year period, while current assets, current liabilities, and long-term debt all decreased over the same time period, indicated increased leverage.

When discussing trends mention if they **increased, decreased, or remain the same** over the past three years.

Common Size Balance Sheet

Appendix B illustrates PG's common size balances sheet

Both **Appendix A** and **Appendix B** should both be mentioned in this assignment.

In this section, evaluate the trends (over the past three years) in...

- 1) total current assets as a percent (%) of total assets,
- 2) total current liabilities as a percent (%) of total assets,
- 3) long-term debt as percent (%) of total assets, and
- 4) total shareholders' equity as a percent (%) of total assets.

total assets. Current assets increased from 2018 to 2020. PG's current assets increased from 2018 to 2020.

PG's current liabilities were 23.9% of total, and increased to 26.1% of total assets in 2020.

to 27.3% of total assets in 2020. PG's long-term debt was 17.6% of total assets in 2018, 18.1% in 2019, and 19.5% in 2020, illustrating increased leverage over the past three years.

shareholders' equity stood at 44.7% of total assets in 2018, decreased to 43.8% in 2019, and decreased again to 38.8% of total assets in 2020. In summary, PG's balance sheet illustrates growth in total assets and in liabilities, which resulted in a decrease in total shareholders' equity as a percent of total assets over the past three years.

It's a good writing practice, to end your paragraphs with a concluding sentence.

Cash Flow

Over the past three years, PG's simple cash flow has increased. As shown in the Table 1,

PG's simple cash flow increased from \$14.8 billion in 2018 to \$15.8 billion in 2020. PG's simple cash flow, as reported on the statement of cash flows, followed a similar trend (as shown in Table 2). Net cash flow from operating activities was \$9.5 billion in 2018, increased to \$15.2 billion in 2019, and increased further to \$17.1 billion in 2020. The increase in net cash flow from operating activities was due to positive cash flow from working capital.

Mention the trend in your company's **simple cash flow**.

Be sure to introduce and/or explain your tables, if you include them.

Compare the simple cash flow to the net operating cash flow from the statement of cash flows for the past three years.

Table 1*PG Simple Cash Flow*

Numbers in \$ millions	2020	2019	2018
Net Income	12,764		
Depreciation	3,013		
Simple Cash Flow	15,777		

Tables are a great way to show your **calculations**. If you need help creating a table in Microsoft Word, review this guide: [Format a Table](#).

Note. 2019 depreciation includes Goodwill impairment of \$8.345 billion. (Procter & Gamble Company, 2017-2019)

Table 2*PG Net cash flows from operating activities (as reported)*

Numbers in \$ millions	2020	2019	2018
Net Cash flows from operating activities	17,403	15,242	14,867

If you need help formatting your table according to APA guidelines, check out this resource: [Tables, Images, and Appendices](#).

Note. 2019 depreciation includes Goodwill impairment of \$8.345 billion. (Procter & Gamble Company, 2017-2019)

Financial Analysis Conclusion: Strengths and Weaknesses

On the financial statements, PG's 2020 fiscal year illustrates that revenues, operating income, and net income all increased compared to 2019. In addition, PG's gross, operating, and net margins all improved in 2020. These trends are echoed in the growth in PG's growth in total assets and equity. A primary weakness is the increase in long term debt, both on a nominal and percentage basis. The increase in long term debt contributes to the decrease in equity in 2020. These trends are illustrated on Table 3.

In this section, determine the strengths and weaknesses of the company based primarily on the items discussed from the...

- 1) income statements,
- 2) balance sheets,
- 3) common size income statements,
- 4) common size balance sheets, and
- 5) the comments on cash flow.

Your table can be constructed in any original way that is clear and pleasing to the eye. The requirement states you need to indicate the strength or weakness of each financial fact.

Your table in your financial analysis section should indicate whether each financial fact is a strength or a weakness.

Table 3

Strengths and Weaknesses

Line Item	Trend	Strength or Weakness
Revenues	Increasing	Strength
Operating income	Be sure to include the most important financial facts from the income statements, balance sheets, common size income statements, common size balance sheets, and cash flow.	Strength
Net income		Strength
Gross margin		Strength
Operating Margin		Strength
Net profit margin	Increasing	Strength
Total assets	Increasing	Strength
Current assets	Increasing	Strength
Current liabilities	Increasing	Weakness
Long-term debt	Increasing	Weakness
Shareholders' equity	Decreasing	Weakness
Current assets as % of total assets	Increasing	Strength
Current liabilities as % of Total	Increasing	Weakness
Long-term debt as % of total assets	Increasing	Weakness
Shareholders' equity as % of total assets	Decreasing	Weakness
Simple Cash Flow	Increasing	Strength
Net cash flow from operating activities	Increasing	Strength

Overall, PG's financial performance is strong. The increasing revenues, earnings, margins, and cash flow are all signals of strong performance. The company has increased its long-term debt, the increasing cash flow should be able to cover the debt payments.

Categorize the overall financial performance of the company as **strong**, **neutral**, or **weak**. You can determine this based on the trends in the financial information for your company.

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References

Procter & Gamble Company. (2017-2019). *Procter & Gamble Company (NMS:PG): As reported annual balance sheet* [Data set]. Mergent Online.

Yahoo! Finance (n.d.). *The Procter & Gamble Company (PG)*. Retrieved on December 3, 2020, from <https://finance.yahoo.com/quote/PG/>

Be sure to include a [references list](#) that cites where you got your information from.

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