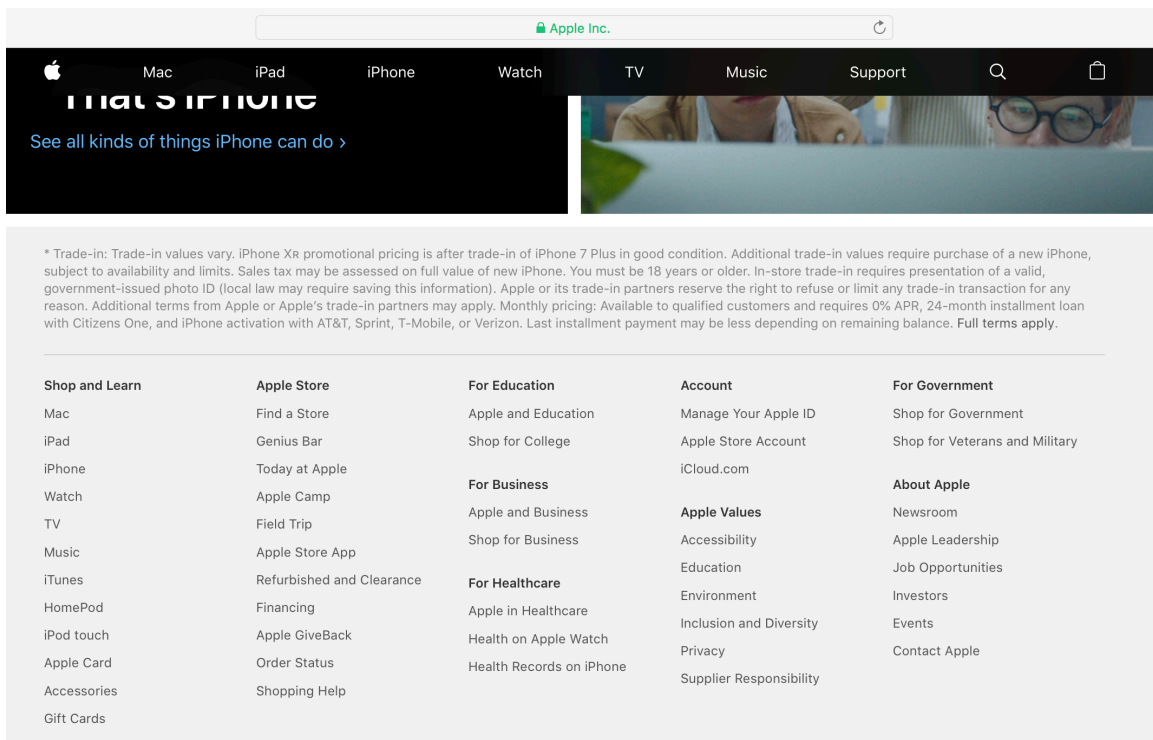


You can work as a group (up to 4 students). One submission per group. Make sure all group member names appear clearly on the submitted document. No additions to the group will be accepted after you submit your HW. ONLINE SUBMISSIONS ONLY.

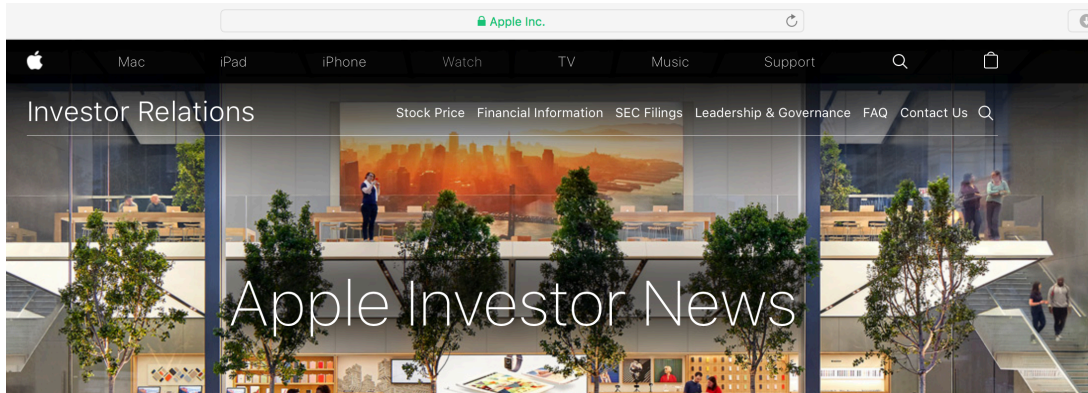
Please submit your HW early, do not wait until the last moment. It is our experience that last minute tech glitches happen. If this is the case, we cannot accept your hw once the deadline passes. It may be a good idea to get into the habit of doing this for the current class and for future obligations.

We will use yahoo.finance as the source of data for the solution set. If you use a source other than yahoo.finance, your numbers may be different as different financial data sites may update their numbers at different times. No points should be taken off due to using alternative sources. Examples of financial data sources: google finance, yahoo finance, company's own site. Each publicly traded company has to publish their financials on their webpage. Typically, a link named "investors" or "financials" will take you to the current and past financial statements.

EXAMPLE: The following page is the main webpage of APPLE:



Clicking on "investors" link takes you to the following page, where you can see the "Financial Information" link on the top menu. From there, you can get the 10K report. 10K refers to the "annual report". 10Q refers to the "quarterly report".



STATE YOUR SOURCE CLEARLY. Points will be taken off if you do not include your data source.

Mel's Office Hours THIS WEEK: Wed: 1:15-2:15, Thu: 9:30-10:30. Let me know if these times are not good for you should you want to meet. Afterhours SKYPE meeting is also possible. Please do not hesitate to ask for a meeting.

1. (20 points) Find two companies (of your choice) whose financial statements are publicly available. Fill out the following table using the latest available annual numbers:

	Current Assets	Long Term Debt	Equity	Revenue	Net income
Company I					
Company II					

Can you compare the financial health of these companies by looking at the above numbers? Why or why not? Provide at least three criteria to be able to compare financial numbers of these two companies.

2. (20 points) Following are the account entries for Company X. Organize company's Balance Sheet and Income Statement.

Cash 250
 Plant&Equipment 600
 Owners' Equity 500
 Long Term Debt 400
 Net Income 227.5
 Tax 122.5
 Interest 50
 Cost of Goods Sold 700
 Inventory 200
 Revenue 1,100
 Accounts Payable 150

3. (10 points) Profit margins tend to differ in different industries. An example is that grocery stores have notoriously low profit margins. Albertson's Profit Margin is 1.2% compared to Pfizer's Profit Margin of 15.6%, a pharmaceutical company.

Then, why invest on grocery stores instead of pharmaceutical companies?

4. (25 points) Pull out the Income Statement and the Balance Sheet for Dec 31, 2018 for Alcoa Inc., one of the major aluminum companies in the world. Answer the following questions:

- a) What is the Quick Ratio for 2013?
- b) What is the Equity Multiplier for 2013?
- c) What is the Cash Coverage Ratio for 2013?
- d) What is the Return on Equity for 2013?
- e) How did the NWC (Net Working Capital) change from 2017 to 2018 (you need Balance Sheet for 2017) ?
- f) How did the Debt/Equity ratio change from 2017 to 2018?
- g) What was the ADDITION to retained earnings for 2018?

5. (25 points) LinkedIn is a professional networking service. It is a relatively young company that filed for an initial public offering(IPO) in January 2011 and traded its first shares on May 19, 2011, under the NYSE symbol "LNKD". It was purchased by Microsoft in June 2016 and continues to trade under LKDN symbol.

Find the latest P/E ratio of LNKD and compare it to an average P/E ratio (You can use the average P/E ratio of S&P 500, which includes selected 500 companies whose shares are traded in NYSE or NASDAQ, two of the major exchanges where stocks are traded). How did the P/E ratio changed since 2011 compared to the average P/E.

Do you see a difference? What maybe the explanation?