

Michelle Boguslavsky
Reigh Abaoag
Warren Kim
David Petrosian

Question 1

Stock options were introduced to incentivize principals (shareholders) to align their interests and goals with the agents (management). If principals have stock options, they are now incentivized to grow the stock price which is now in both the principals and agents' best interests: both principals and agents benefit from the growth in stock price because they own a portion.

Question 2

Note: All values in USD Millions except for % change.

	Current Assets	Current Liabilities	Equity	Net Working Capital
Raytheon 2021	42,050	35,448	74,699	6,601
Raytheon 2022	42,443	39,114	71,178	3,329
% Change	0.9346	10.34	0.6493	49.57
N. G. 2021	12,244	9,530	12,926	2,714
N. G. 2022	12,308	11,587	15,312	721
% Change	0.5221	21.58	18.46	73.43

We can see that the financial health of these companies are declining since the net working capital for both companies had a significant decrease from 2021 to 2022.

Question 3

Balance Sheet for 2021 and 2022 (as of December 31st)

Note: Amounts in USD (\$).

Assets			Liabilities & Equity		
Current Assets			Current Liabilities		
	2021	2022		2021	2022
Cash	300	800	Accounts Payable	500	300
Accounts Receivable	250	310	Notes Payable	450	317
Inventory	600	640			
Total Current Assets	1,150	1,750	Total Current Liabilities	950	617
Fixed Assets			Long-term Liabilities		
	2021	2022		2021	2022
Gross Fixed Assets	8,000	8,000	Long-term Debt	1,800	2,000
Accumulated Depreciation	(2,500)	(3,000)			
Total Fixed Assets	5,500	5,000	Total Long-term Liabilities	1,800	2,000
			Equity & Retained Earnings		
			Retained Earnings	3,900	4,133
			Total Equity	3,900	4,133
Total Assets	6,650	6,750	Total Liabilities & Shareholder's Equity	6,650	6,750