

**FIN 377: Investments**

**Project Instructions**

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The project for this course will familiarize you with the CRSP/Compustat database and how to use it for financial analysis. Instructions on the use of this database were provided during class, and the resource page is [here](http://larryschrenk.com/Compustat.htm). The project is to be done as a group and, except in unusual circumstances, all group members will receive the same grade for the assignment. The project must be submitted in D2L as an Excel spreadsheet (following the course [Excel guidelines](http://larryschrenk.com/Common/Excel%20Guidelines.doc)), and the due date is listed on the course [schedule page](http://larryschrenk.com/FIN377/FIN377-Schedule.htm).

**Steps**:

**1. Firm Selection**: Select a firm that your group would like to study. Use the following guidelines:

* Choose a firm from the S&P 500 ([List of S&P 500 Companies](https://en.wikipedia.org/wiki/List_of_S%26P_500_companies)).
* Make sure the financial statements are not too complicated.
* Do not choose a financial institution or a utility.
* The firm should have issued long-term corporate debt and currently be paying dividends.
* The firm should be solvent, i.e., have positive earnings.

**2. Peer Group Selection:** Select the 5-10 firms (also following the guidelines above–except that these firms need not be in the S&P 500) that are most like your firm. These will form a ‘peer group’ against which you will compare your firm.

**3. Ratio Selection:** Use ten financial ratios in your financial analysis. Five of these should be those listed below, and you should choose another five that reflect important issues for the firms you are analyzing. (For example, if the firms were in retail, then inventory ratios might be important).

* Current Ratio
* Total Assets Turnover Ratio
* Total Debt to Total Assets
* Return on Total Assets
* Return on Common Equity

**4. Ratio Calculations**: Use the CRSP/Compustat database to download the data required to calculate the ten ratios, and then calculate the ten ratios for your firm and the ten ratio averages for the peer group.

**5. Financial Analysis**: Using these ratios (and any other relevant information) compare your firm to the industry peer group. Consider such questions as: How does your firm do in comparison with the peer group? What are the strengths and weaknesses of your firm? Which of your firm’s ratios are significantly different from the peer average? Why are they different and is this a positive or negative sign for the firm? There may also be questions that are specific to the industry in which these firms operate. ***NOTE****: You need to give an integrated analysis of the firm. Do not just make comments on individual ratios, and fail to bring those together in a comprehensive analysis of the firm.*