Overview

In preparation for your report in Project Two, you will need to calculate the financial ratios needed to determine your chosen business’s current financial health. Once you’ve calculated these ratios, the results will be used to analyze the business’s current financial position and help them make decisions about how to improve or maintain their financial health. Pay particular attention to working capital management. If liquidity is an issue, consider how the

company will meet its short-term obligations.

Prompt

Using the Project Two Financial Formulas spreadsheet and the balance sheet, income statement, and cash flow

statement from Mergent Online for your chosen company (Tesla), calculate the financial ratios for the most recent

fiscal quarter. Then, compare those ratios with the same ratios for the same fiscal quarter from one year prior in

Mergent Online, and analyze your results.

Specifically, you must address the following rubric criteria:

Financial Calculations: Calculate accurate financial ratios to assess the business’s current financial health.

Specifically, calculate the following ratios:

Working capital

Current ratio

Debt ratio

Earnings per share

Price/earnings ratio

Total asset turnover ratio

Financial leverage

Net profit margin

Return on assets

Return on equity

Fiscal Quarter Comparison: Using Mergent Online, summarize the differences between the results from your

financial calculations of the most recent fiscal quarter and the results of the same financial calculations of the same

fiscal quarter from a year before for your chosen business.

For example, if the most recent fiscal quarter available is the 3rd quarter in 2020, then you will compare those results

to the same financial calculations from the 3rd quarter in 2019.

Comparison Analysis: Explain what the results of your calculations and your comparison indicate about the

business’s current financial health, providing examples to support your explanation. You might consider the following

questions:

Do the results indicate the business is financially healthy or financially unhealthy? Which results indicate this?

What might be the cause(s) of the business’s financial success or failure?

Is more information needed to determine the business’s financial health? If so, which pieces of information might still

be needed?

Short-Term Financing: Explain how potential short-term financing sources could help the business raise needed

funds to improve its financial health. Base your response on the business’s current financial information.

The following resources can help you complete this milestone:

Video: Mergent Online: Public Company Financials (4:46)

Watch this video from the Shapiro Library to learn more about how to access and use Mergent Online.

Shapiro Library FAQ: How Do I Cite a Company Profile From Mergent Online?

Use this resource to help answer any questions you have about citing from Mergent Online.

Guidelines for Submission

Your submission should be a 2 to 3 page Word document with 12-point Times New Roman font, double spacing, and

one-inch margins. You must also submit the Project Two Financial Formulas spreadsheet (which you will fill in

completely as part of your Project Two submission) and the Excel files for your downloaded balance sheet, income

statement, and cash flow statement from Mergent Online.