

## FIN 550 Final Project Guidelines and Rubric

### Overview

Financial analysis involves examining historical data to gain information about the current and future financial health of a company. Financial analysis can be applied in a wide variety of situations to give business managers the information they need to make critical decisions. The ability to understand financial data is essential for any business manager.

The final project for this course is the creation of a **financial analysis report**. For this assessment, you will provide a financial analysis report for United Parcel Service (UPS) based on the data in the **2017 UPS Annual Report** provided. You will be asked to take the topics that you have covered throughout the course and display your mathematical and conceptual mastery of them. You will conduct background calculations and provide managerial analysis for the following topics: time value of money, stock valuation, bond valuation, and capital budgeting.

The project is divided into **four milestones**, which will be submitted at various points throughout the course to scaffold learning and ensure quality final submissions. These milestones will be submitted in **Modules Two, Four, Six, and Seven**. The final project submission will be in **Module Nine**.

In this assignment, you will demonstrate your mastery of the following course outcomes:

- Predict the effects of the time value of money on potential investments for ensuring an effective portfolio balance between risk and return
- Assess the stock valuation process as a viable financing and investment option for maximizing shareholder value
- Assess the bond issuance process for its viability as a financing option for raising adequate capital
- Forecast the feasibility of corporate investment opportunities by utilizing capital budgeting estimates for ensuring effective decision making
- Analyze macroeconomic variables that impact corporate financial decision making for ensuring alignment with strategic objectives

### Prompt

Using [the 2017 UPS Annual Report](#), prepare a financial analysis report for UPS. For your calculations, use the [Final Project Excel Workbook](#) which includes tabs specific to each milestone. Be sure to include in your analysis the background calculations and managerial analysis for each of the following topics: time value of money, stock and bond valuation, and capital budgeting. Also, include a discussion of macroeconomic variables that might impact the company's financial decision making and strategic objectives. Note that while these elements may seem separate and unrelated, together they will present a well-rounded view of the company's finances with regard to the topics.

Specifically, you must address the **critical elements** listed below. Most of the critical elements align with a particular course outcome (shown in brackets).

I. **Time Value of Money**

- A. Using the Final Project Excel Workbook, calculate the following time value of money **figures**:
  - 1. Calculate the present value of the company based on the given interest rate and provided Free Cash Flows for the years 2015, 2016, and 2017.
  - 2. Suppose the risk of the company changes based on an unanticipated decrease in the Free Cash Flows by 10% annually during the years 2015, 2016, and 2017. Recalculate the present value of the company.
  - 3. Suppose that a potential buyer has offered to buy this company in three years. Based on the initial present value you calculated above in A1, what would be a reasonable amount for the buyer to pay for the company in three years' time?
- B. What are the **implications** of the change in present value based on risk? In other words, what does the change mean to the company, and how would you, as a financial manager, interpret it? Be sure to justify your reasoning with appropriate references/sources.
- C. Based on the present **value** of the company that you calculated, and being mindful of the need to effectively balance portfolio risk with return, what recommendation would you make about purchasing the company as an investment at that price? Be sure to substantiate your reasoning with appropriate references/sources.

II. **Stock Valuation**

- A. Based on the figures provided, **calculate** each of the following:
  - 1. The new dividend yield if the company increased its dividend per share by 1.75
  - 2. The dividend yield if the firm doubled its outstanding shares
  - 3. The rate of return on equity (i.e., the cost of stock) based on the new dividend yield you calculated above
- B. What effect would you expect each of the calculations you performed to have in terms of **shareholder value**? In other words, suppose the company's goal is to maximize shareholder value. How will each of the situations support or inhibit that goal? Be sure to justify your reasoning.
- C. To what extent do you feel the company's **dividend policies** support or hinder their strategies? For example, if the company is attempting to grow, are they retaining and reinvesting their earnings rather than distributing them to investors through dividends? Be sure to substantiate your claims.

III. **Bond Issuance**

- A. Assuming this company already has **bonds** outstanding, calculate the following:
  - 1. The new value of the bond if overall rates in the market increased by 5%
  - 2. The new value of the bond if overall rates in the market decreased by 5%
  - 3. The value of the bond if overall rates in the market stayed exactly the same
- B. What effect would you expect each of the calculations you performed to have in terms of the company's decision to **raise capital** in this manner? In other words, for each situation, would you consider bond valuation to be a viable option for increasing capital? Be sure to justify your reasoning.
- C. To what extent do you feel the company's **bond issuance policies** support or hinder their strategies? For example, if the company is attempting to fund operating expenses, refinance old debt, or change its capital structure, are they issuing sufficient bonds to achieve these goals? Be sure to substantiate your claims.

IV. **Capital Budgeting Data**

- A. Suppose the company is considering a **potential investment** project to add to its portfolio. Calculate the following items:
  1. The net present value (NPV) of the project
  2. The internal rate of return (IRR) of the project
- B. What are the implications of these calculations? In other words, based on each of the calculations, and being mindful of the need to balance portfolio risk with return, would you recommend that the company **pursue the investment**? Why or why not? Be sure to substantiate your claims.
- C. What is the **difference** between NPV and IRR? Which one would you choose for evaluating a potential investment and why? Be sure to support your reasoning with evidence.

V. **Macroeconomic Items:** The CEO of the company is convinced that financial analysis should hinge only on what is happening internally within the company. Convince him otherwise based on the following:

- A. Analyze the **implications** of interest rate changes on any of the calculations you performed. Be sure to substantiate your claims.
- B. Explain how an issue (negative or positive) within the overall **stock market** might impact the company's stock valuation numbers, other financial variables, or its overall portfolio management? Be sure your response is supported by evidence.
- C. Analyze the impact of any **external factor** (i.e., external to the company) discussed throughout the course on the company's financial position. Be sure to justify your reasoning.

## Milestones

Milestone One: Time Value of Money (Section I)

In **Module Two**, you will submit a draft of the Time Value of Money section of the final project, along with your supporting explanations. Submit your calculations on the designated tab of the Final Project Student Workbook and your supporting explanations as a Microsoft Word document. This milestone will be graded with the **Milestone One Rubric**.

Milestone Two: Stock Valuation and Bond Issuance (Sections II and III)

In **Module Four**, you will submit a draft of the Stock Valuation and Bond Issuance sections of the final project, along with your supporting explanations. Submit your calculations on the designated tab of the Final Project Student Workbook and your supporting explanations as a Microsoft Word document. This milestone will be graded with the **Milestone Two Rubric**.

Milestone Three: Capital Budgeting Data (Section IV)

In **Module Six**, you will submit a draft of the Capital Budgeting Data section of the final project, along with your supporting explanations. Submit your calculations on the designated tab of the Final Project Student Workbook and your supporting explanations as a Microsoft Word document. This milestone will be graded with the **Milestone Three Rubric**.

Milestone Four: Macroeconomic Items (Section V)

In **Module Seven**, you will submit a draft of the Macroeconomic Items section of the final project, along with your supporting explanations. Submit your

calculations on the designated tab of the Final Project Student Workbook and your supporting explanations as a Microsoft Word document. This milestone will be graded with the **Milestone Four Rubric**.

Final Project Submission: Financial Analysis Report

In **Module Nine**, you will submit your **financial analysis report** along with your completed Final Project Student Workbook. It should be a complete, polished artifact containing **all** of the critical elements of the final project. It should reflect the incorporation of feedback gained throughout the course. This submission will be graded with the **Final Project Rubric**.

### Deliverables

Milestone	Deliverable	Module Due	Grading
One	Time Value of Money (Section I)	Two	Graded separately; Milestone One Rubric
Two	Stock Valuation and Bond Issuance (Sections II and III)	Four	Graded separately; Milestone Two Rubric
Three	Capital Budgeting Data (Section IV)	Six	Graded separately; Milestone Three Rubric
Four	Macroeconomic Items (Section V)	Seven	Graded separately; Milestone Four Rubric
	Final Project Submission: Financial Analysis Report	Nine	Graded separately; Final Project Rubric

### Final Project Rubric

**Guidelines for Submission:** Your financial analysis report should be 7 to 12 pages, not including a title page and references page. It should use 12-point Times New Roman font, double spacing, and one-inch margins. All citations and references should be formatted according to APA style. Also submit your completed Final Project Student Workbook.

Critical Elements	Exemplary	Proficient	Needs Improvement	Not Evident	Value
<b>Time Value of Money: Figures</b> [FIN-550-01]		Accurately calculates requested figures (100%)	Calculates figures, but with gaps in accuracy or detail (70%)	Does not calculate figures (0%)	6.33
<b>Time Value of Money: Implications</b> [FIN-550-01]	Meets “Proficient” criteria and demonstrates keen insight into the interrelationship between risk and present value (100%)	Analyzes implications of change in present value based on risk, justifying reasoning (90%)	Analyzes implications of change in present value based on risk, but response or reasoning is cursory or illogical (70%)	Does not analyze implications of change in present value based on risk (0%)	6.33

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<b>Time Value of Money: Value</b> [FIN-550-01]	Meets “Proficient” criteria and demonstrates keen insight into using time value of money for recommending investments (100%)	Makes recommendation about purchasing the company, substantiating claims (90%)	Makes recommendation about purchasing company, but response or substantiation is cursory or illogical (70%)	Does not make recommendation about purchasing company (0%)	6.33
<b>Stock Valuation: Calculations</b> [FIN-550-02]		Accurately calculates requested figures (100%)	Calculates figures, but with gaps in accuracy or detail (70%)	Does not calculate figures (0%)	6.33
<b>Stock Valuation: Shareholder Value</b> [FIN-550-02]	Meets “Proficient” criteria and demonstrates keen insight into the effects of changing financial variables on shareholder value (100%)	Analyzes the effects of each calculation on shareholder value, justifying reasoning (90%)	Analyzes the effects of each calculation on shareholder value, but response or reasoning is cursory or illogical (70%)	Does not analyze the effects of each calculation on shareholder value (0%)	6.33
<b>Stock Valuation: Dividend Policies</b> [FIN-550-02]	Meets “Proficient” criteria and demonstrates keen insight into the relationship between dividend policies and strategies for increasing shareholder value (100%)	Assesses the extent to which dividend policies support or hinder company strategies, justifying reasoning (90%)	Assesses the extent to which dividend policies support or hinder company strategies, but response or reasoning is cursory or illogical (70%)	Does not assess the extent to which dividend policies support or hinder company strategies (0%)	6.33
<b>Bond Issuance: Bonds</b> [FIN-550-03]		Accurately calculates requested figures (100%)	Calculates figures, but with gaps in accuracy or detail (70%)	Does not calculate figures (0%)	6.33
<b>Bond Issuance: Raising Capital</b> [FIN-550-03]	Meets “Proficient” criteria and demonstrates keen insight into the effects of changing market conditions on decisions to raise capital (100%)	Analyzes the effects of each calculation on the company’s decision to raise capital, justifying reasoning (90%)	Analyzes the effects of each calculation on the company’s decision to raise capital, but response or reasoning is cursory or illogical (70%)	Does not analyze the effects of each calculation on the company’s decision to raise capital (0%)	6.33
<b>Bond Issuance: Bond Issuance Policies</b> [FIN-550-03]	Meets “Proficient” criteria and demonstrates keen insight into the relationship between bond issuance policies and strategies for raising capital (100%)	Assesses the extent to which bond issuance policies support or hinder company strategies, justifying reasoning (90%)	Assesses the extent to which bond issuance policies support or hinder company strategies, but response or reasoning is cursory or illogical (70%)	Does not assess the extent to which bond issuance policies support or hinder company strategies (0%)	6.33
<b>Capital Budgeting Data: Potential Investment</b> [FIN-550-04]		Accurately calculates requested figures (100%)	Calculates figures, but with gaps in accuracy or detail (70%)	Does not calculate figures (0%)	6.33
<b>Capital Budgeting Data: Pursuing the Investment</b> [FIN-550-04]	Meets “Proficient” criteria and demonstrates keen insight into using NPV and IRR to judge potential investment opportunities (100%)	Analyzes the implications of each calculation on the recommendation to pursue the investment, substantiating claims (90%)	Analyzes the implications of each calculation on the recommendation to pursue the investment, but response or substantiation is cursory or illogical (70%)	Does not analyze the implications of each calculation on the recommendation to pursue the investment (0%)	6.33

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<b>Capital Budgeting Data: Difference</b> [FIN-550-04]	Meets "Proficient" criteria and demonstrates keen insight into using NPV and IRR to judge potential investment opportunities (100%)	Accurately characterizes the difference between NPV and IRR and explains which would be chosen for evaluating a potential investment and why, supporting reasoning with evidence (90%)	Characterizes the difference between NPV and IRR and explains which would be chosen for evaluating a potential investment and why, but response is cursory or inaccurate or evidence is not supportive (70%)	Does not characterize the difference between NPV and IRR and does not explain which would be chosen for evaluating a potential investment and why (0%)	6.33
<b>Macroeconomic Items: Implications</b> [FIN-550-05]	Meets "Proficient" criteria and demonstrates keen insight into the relationship between interest rate changes and financial variables in a company (100%)	Analyzes implications of interest rate changes, substantiating claims (90%)	Analyzes implications of interest rate changes, but response or substantiation is cursory or illogical (70%)	Does not analyze implications of interest rate changes (0%)	6.33
<b>Macroeconomic Items: Stock Market</b> [FIN-550-05]	Meets "Proficient" criteria and demonstrates keen insight into the relationship between stock market fluctuations and financial variables in a company (100%)	Assesses the impact of an issue within the overall stock market on the company's stock valuation numbers or any other financial variable, supporting response with evidence (90%)	Assesses the impact of an issue within the overall stock market on the company's stock valuation numbers or any other financial variable, but response is cursory, illogical, or weakly supported (70%)	Does not assess the impact of an issue within the overall stock market on the company's stock valuation numbers or any other financial variable (0%)	6.33
<b>Macroeconomic Items: External Factor</b> [FIN-550-05]	Meets "Proficient" criteria and demonstrates keen insight into the relationship between external factors and a company's financial position (100%)	Analyzes the impact of a factor external to the company on the company's financial position, justifying reasoning (90%)	Analyzes the impact of a factor external to the company on the company's financial position, but response is cursory, illogical, or weakly supported (70%)	Does not analyze the impact of a factor external to the company on the company's financial position (0%)	6.33
<b>Articulation of Response</b>	Submission is free of errors related to citations, grammar, spelling, syntax, and organization and is presented in a professional and easy to read format (100%)	Submission has no major errors related to citations, grammar, spelling, syntax, or organization (90%)	Submission has major errors related to citations, grammar, spelling, syntax, or organization that negatively impact readability and articulation of main ideas (70%)	Submission has critical errors related to citations, grammar, spelling, syntax, or organization that prevent understanding of ideas (0%)	5.05
<b>Earned Total</b>					<b>100%</b>