

Group Classroom Exercise #4

Preparing A Peer Company Analysis

ACCT 416, Spring 2026

Prepared by Professor Tony Aaron

Due Date, Grading : Your **Word Answer Sheet** and Excel spreadsheet must be turned in as attachments via email to aarona@marshall.usc.edu prior to the start of class, (Either 8:00am or 10:00am Pacific, for 14106 or 14107, respectively) on the date set forth in the syllabus. Each group classroom exercise will be graded, based upon a maximum score of 40 points (4% of your ultimate grade). There will be a total of five classroom exercises, plus a group presentation of your cumulative findings for the company you have chosen for your group, based upon the results of your work on the five classroom exercises.

Instructions: Please answer each question in a narrative fashion using a **Word file**. Do not convert the file to PDF or any other format. Include your group number and the names of your group members at the beginning of your deliverable(s). Prepare the exercise portion of the classroom exercise in an Excel spreadsheet. Use the following naming conventions, for the Word and Excel files, respectively:

ACCT 416 Classroom Exercise 4 Group X 8am S26 Narrative.docx

ACCT 416 Classroom Exercise 4 Group X 8am S26 Analysis.xlsx

Or...

ACCT 416 Classroom Exercise 4 Group X 10am S26 Narrative.docx

ACCT 416 Classroom Exercise 4 Group X 10am S26 Analysis.xlsx

Questions:

1. List the steps necessary for revenue recognition under ASC 606 and discuss some of the issues companies face when applying the revenue recognition rules.
2. Provide a listing of concerns that lenders/credit rating agencies may have with particular borrowers, that might affect either the risk premium charged (lenders) or credit rating assigned (credit rating agencies).

- Briefly explain the concepts of “authorized shares”, “issued shares” and “outstanding shares” in the equity section of a company’s balance sheet.

Exercise:

For the publicly traded company which you have utilized in prior Classroom Exercises (the “Subject Company”), please select a group of Peer Companies (3 to 5 companies should be sufficient) to further analyze, as described below. Use your Subject Company’s M,D&A discussion, press releases, industry data, or data aggregator screens to identify potential peer companies.

For each peer company which you have selected, download five years of financial statement history (Income Statements, Balance Sheets and Statements of Cash Flow) from a data aggregator and prepare a **comparative analysis** (i.e. growth rates), a **common size analysis** and a **ratio analysis** as you did for your Subject Company in Classroom Exercise #3. It would be best to merge your five years of income statement data, balance sheet data and statement of cash flows data for your selected peer companies into a single spreadsheet (use separate tabs for each, if you would like), as it will make it easier to perform your calculations. In your spreadsheet, using the five years of dollar-based balance sheet and income statements, respectively, calculate and present the common size balance sheet and income statements for each of the five years. For the comparative analysis, you will be showing growth rates on key accounts for four years (as you will not be able to calculate the growth rates for the first year of your series). The same will be true for certain ratios that require “average” amounts (i.e. beginning of year account balance, plus end of year account balance, divided by two). In such cases, either put “NA” in the first year’s cell or a dashed line “-“. Your formulas must be in your spreadsheet cells. Do not copy ratio presentations from the data aggregator! Also, feel free to use tabs to separate the analyses and peer companies, if you would like.

For the ratio analysis and for each peer company (as you have already calculated for your Subject Company), please calculate the following ratios for each of the five years (or four years if averaged data is required):

Profitability	Efficiency/Activity	Liquidity	Solvency
Gross Margin	Total Asset Turnover	Current Ratio	Debt to Equity Ratio
(Net) Profit Margin	Net Fixed Assets Turnover	Quick (Acid test) Ratio	Debt Percentage Ratio
Income from Operations Margin	Accounts Receivable Turnover	Times Interest Earned Coverage Ratio	
Return on Assets	Inventory Turnover	Cash Times Interest Earned Coverage Ratio	
Return on Equity	Accounts Payable Turnover		
Return on Net Operating Assets			

Be aware that, due to the nature of the operations and financial reporting of some companies, some ratios may not be subject to calculation, or may not provide meaningful results (e.g. if a company has no interest-bearing debt and thus no interest expense, you will be unable to calculate certain of the Solvency ratios). If that is the case, indicate that in your analysis, rather than attempting to calculate a non-meaningful ratio, using “NMF” in place of the calculated ratio and provide a footnote explanation. Be mindful that you will need to impute interest expense on operating leases, if they are significant part of the company’s capital structure.