

New Venture Finance - Financial Analysis - Assessment Activity - MGT 481

Write group member name(s) here: _____

Instructions

1. Remind me to go over the instructions before you start.
2. This is a Google doc. Open this document in a new tab. (Help: Hover your browser anywhere over this document and click on the diagonal arrow in the upper right corner of the section)



3. Click on “**File**” and “**Download**” to convert it into an editable Word document or other editable text file ([click here if you want a visual cue for how to do this](#)). I strongly suggest you include your own name (one person from your group) in the filename you create; **for example**, I would download this Google doc into Word as “**Armstrong Craig New Venture Finance - Financial Analysis - Assessment Activity.docx**” This approach means all you have to do is enter your last and first name in front of the already given filename¹.
4. Write your responses to each question under each question. Please do not delete the questions. I’m looking for a paragraph-length answer to each question at a minimum.
5. It’s OK to delete this “instructions” section from your document before you finalize it.
6. **Save your completed document as a Word or PDF file and share your final document (e.g., Word or PDF) [using this google form](#).**

Questions

You are going to evaluate some financial analyses of the specialty retail toy industry. You’ll look at financial ratios for Autoshop, Build-A-Bear Workshop, and Vermont Teddy Bear Company.

[This google sheet has the income statements, balance sheets, and select ratios for these companies](#). Open it and refer to it as you answer the following questions - I do not need you to send me a sheet file, just this doc file. **Answer all three questions!**

1. Look at the liquidity ratios for the three companies. Recall that Autoshop wants to convince investors that they are very much like Build-A-Bear Workshop in terms of their value proposition, customer relationships, channels, and revenue models. Vermont Teddy Bear Company is a mail order business model, so you can expect them to have perhaps different ratios involving their fixed assets (or not; you decide).

¹ This is an example of “who’s the audience for my product?” I am the audience for your assignment; make it easier for me to manage what I do with your assignment.

- a. Is Autoshop perhaps being TOO optimistic about its liquidity?
 - b. What are the reasons why they would feel they could justify their liquidity ratios?
OR... what are the reasons why you would question and doubt their forecasted liquidity ratios? **Write a couple of sentences and use data from the sheets to support your answers.**

2. I have a favorite ratio that I like to use when I'm analyzing financial statements. It's the **ratio of operating income to current liabilities (operating income for the year/current liabilities)**.
 - a. What am I looking for in terms of financial health by calculating this ratio?
 - b. What do the values for this ratio across the three toy companies say about the financial condition of these three companies? **Looking for 2-3 sentences here.**

3. Look at the activity ratios for inventory turns. Do the numbers surprise you? Autoshop **plans to** and Build-A-Bear **does** operate out of mostly high-end shopping malls with thousands of people visiting each week. **What could you tell a potential investor in either of these companies about "why" these inventory turn numbers are what they are? Looking for a few sentences here.**