



ACC 700 Milestone One Guidelines and Rubric

The first milestone is a rough draft of the first artifact for your professional portfolio, financial statements and analysis. You will complete a set of financials as described in the appendix section of the prompt below for a fictitious company called Chester Inc. You will then submit a report of your findings and recommendations. This will be graded using the rubric at the end of this document and is an opportunity for you to organize your thoughts and receive feedback from your instructor for the final submission. You should note that the submission guidelines for this milestone are less demanding than those for the final submission. Once you have submitted this milestone and received feedback from your instructor, it is up to you to incorporate this feedback and complete the artifact by meeting the submission guidelines found in the Final Project Guidelines and Rubric document.

Client One – Chester, Inc. (Financial Statements and Analysis)

Chester, Inc. is a large, publicly traded client at S.N.H.U., LLC. Your task is to develop a comprehensive, professional report for the board of directors. To do this, you will use Chester, Inc.'s trial balance to compose comparative financial statements, analyze data, and interpret results. These financial statements must be in good form in accordance with Generally Accepted Accounting Principles (GAAP). Next, you will assess the performance of Chester, Inc. using the financial statements that you created, along with industry performance data and the financial statements of a competitor. In addition, Chester, Inc. is considering expanding into the global market. They would like you to highlight key areas of the financial statements you have prepared and identify how they would be reported differently if composed under International Financial Reporting Standards (IFRS) rather than GAAP.

Background and Financial Information

Chester, Inc. is a large, publicly traded client operating in athletic wear including clothing, shoes, and accessories. Direct competitors include Columbia Sportswear Company (COLM – NYSE) and Under Armour, Inc. (UA – NYSE). All of these companies operate in the textile-apparel clothing industry. Chester Inc. operates on a calendar year.

Reference the [Milestone One Chester Inc. Trial Balance spreadsheet](#) for the past three years' financials (2013, 2014, and 2015).

Additional information:

- Land with the land improvements were sold at book value (no gain or loss) in 2014. (Note: To evaluate the sale, use the following accounts: land, building and land improvements, and Other Noncurrent Assets)
- New equipment purchased with cash for \$2,739,067 in 2014
- New storage building purchased with cash for \$135,000 in 2015
- No investments have been sold or purchased in 2014 or 2015

There are currently 8,275,000 shares of common stock outstanding. No additional common stock has been sold or repurchased in any of the aforementioned years.

Artifact One: Financial Statements and Analysis

The first artifact that you will include in your portfolio is the comprehensive, professional report that you create for the board of directors of Chester, Inc.—a large publicly traded client at S.N.H.U., LLC. The report should contain your findings with the financial statements package as an appendix (Excel attachment). Incorporate the feedback that you receive from your instructor during the development of this artifact.

Appendix: These sections should be completed first, before you write your report. Use the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP) and note and explain differences under International Financial Reporting Standards (IFRS) where appropriate:

- Income statement
- Balance sheet
- Statement of retained earnings
- Statement of cash flows (indirect method)
- Ratio analysis
 - Liquidity – minimum of three key ratios with supporting calculations with a minimum of three years of data
 - Profitability – minimum of three key ratios with supporting calculations with a minimum of three years of data
 - Solvency – minimum of three key ratios with supporting calculations with a minimum of three years of data
- Vertical and horizontal analysis
 - Both vertical and horizontal for the income statement with a minimum of three years of data
 - Both vertical and horizontal for the balance sheet with a minimum of three years of data

Report of Findings and Recommendations: The report is the key section of this artifact and will be written after you complete the analysis in the sections in the appendix above. The report will demonstrate your understanding of financial statements, what they contain, what they mean, and how they are used in strategic decision making.

As you know, numbers are useless if we do not know what they mean and how to use them. The financial statements, ratios, and vertical/horizontal analysis should be analyzed and interpreted in order to assess and explain the performance of the organization. In your report, you must:

- Address all three key ratios in each ratio category. Include what each ratio indicates and how the organization performed against its key competitor and industry averages.
- Address all key findings in the vertical and horizontal analysis of the income statement and balance sheet. As a general rule, anything over 10% warrants addressing.

Guidelines for Submission: All financial calculations should be complete. Your paper must be submitted as a four- to five-page Microsoft Word document with double spacing, 12-point Times New Roman font, one-inch margins, and two to three sources cited in APA format. Round all answers up to the nearest dollar value in any calculations.

Note that this milestone is a rough draft and the submission guidelines are different for the final project. The final paper will be 8–10 pages in length with at least five sources. Refer to the guidelines for submission in the Final Project Guidelines and Rubric document.

Instructor Feedback: This activity uses an integrated rubric in Blackboard. Students can view instructor feedback in the Grade Center. For more information, review [these instructions](#).

Critical Elements	Proficient (100%)	Not Proficient (0%)	Value
Income Statement	Completes the income statement using the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP) and notes and explains differences under International Financial Reporting Standards (IFRS) where appropriate	Does not complete the income statement using the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP); differences under International Financial Reporting Standards (IFRS) are not noted or explained	5
Balance Sheet	Completes the balance sheet using the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP) and notes and explains differences under International Financial Reporting Standards (IFRS) where appropriate	Does not complete the balance sheet using the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP); differences under International Financial Reporting Standards (IFRS) are not noted or explained	10
Statement of Retained Earnings	Completes the statement of retained earnings using the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP) and notes and explains differences under International Financial Reporting Standards (IFRS) where appropriate	Does not complete the statement of retained earnings using the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP); differences under International Financial Reporting Standards (IFRS) are not noted or explained	10
Statement of Cash Flows	Completes the statement of cash flows using the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP) and notes and explains differences under International Financial Reporting Standards (IFRS) where appropriate	Does not complete the statement of cash flows using the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP); differences under International Financial Reporting Standards (IFRS) are not noted or explained	10
Ratio Analysis	Performs a ratio analysis for liquidity, profitability, and solvency with a minimum of three years of data using the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP) and notes and explains differences under International Financial Reporting Standards (IFRS) where appropriate	Does not perform a ratio analysis for liquidity, profitability, and solvency with a minimum of three years of data using the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP); differences under International Financial Reporting Standards (IFRS) are not noted or explained	10
Vertical and Horizontal Analysis	Performs a vertical and horizontal analysis of the income statement and balance sheet using the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP) and notes and explains differences under International Financial Reporting Standards (IFRS) where appropriate	Does not perform a vertical and horizontal analysis of the income statement and balance sheet using the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP); differences under International Financial Reporting Standards (IFRS) are not noted or explained	10

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Key Ratios	Addresses all three key ratios in each ratio category; includes what each ratio indicates and how the organization performed against its key competitor and industry averages	Does not address all three key ratios in each ratio category or include what each ratio indicates and how the organization performed against its key competitor and industry averages	20
Vertical and Horizontal Analysis	Addresses all key findings in the vertical and horizontal analysis of the income statement and balance sheet	Does not address all key findings in the vertical and horizontal analysis of the income statement and balance sheet	20
Articulation of Response	Submission has no major errors related to citations, grammar, spelling, syntax, or organization	Submission has critical errors related to citations, grammar, spelling, syntax, or organization that prevent understanding of ideas	5
Earned Total			100%