Applied Case Assignment #7 (Chapters 10 and 11)

Answer the following questions based on the provided excerpts from a selection of greater Washington area public companies' recent 10-Ks.

Part I: Booz Allen Hamilton Holding Corporation (NYSE: BAH; McLean, VA)

Founded in 1914, Booz Allen Hamilton describes itself as "a leading provider of management consulting, technology, and engineering services to the U.S. government in the defense, intelligence, and civil markets." Booz Allen Hamilton Holding serves as the top-level holding company for the consolidated Booz Allen Hamilton U.S. government consulting business. Answer the following questions based on the Company's Consolidated Balance Sheets for March 31, 2015 and 2014 (hereafter, FY15 and FY14), which are excerpted and presented on the next page:

1. During FY15, the decreases in Class B, Class C, and Class E shares are because those shares were converted to Class A shares. Assume that the remaining increase in Class A share is due to new share issuances for cash. What journal entry would the Company have recorded for the issuance of those new shares?

2. There were no sales of Treasury Stock during FY15. What was the average share price at which the Company repurchased additional Treasury Stock shares during FY15?

3. There were no usual transactions affecting the Company's Retained Earnings during FY15. If Net Income for FY2015 was \$232,569 thousand, what was the value of dividends declared during the year?

EXCERPT FROM BOOZ ALLEN HAMILTON HOLDING CORPORATION'S 2015 10K

BOOZ ALLEN HAMILTON HOLDING CORPORATION

CONSOLIDATED BALANCE SHEETS

	March 31, 2015		March 31, 2014
	(Amounts in the share and p		
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 207,217	\$	259,994
Accounts receivable, net of allowance	857,310		916,737
Deferred income taxes	14,539		29,687
Prepaid expenses and other current assets	 84,142		49,559
Total current assets	1,163,208		1,255,977
Property and equipment, net of accumulated depreciation	111,367		129,427
Deferred income taxes	14,758		_
Intangible assets, net of accumulated amortization	219,382		220,887
Goodwill	1,304,231		1,273,789
Other long-term assets	64,547		60,738
Total assets	\$ 2,877,493	\$	2,940,818
LIABILITIES AND STOCKHOLDERS' EQUITY		_	
Current liabilities:			
Current portion of long-term debt	\$ 57,063	\$	73,688
Accounts payable and other accrued expenses	481,815		488,807
Accrued compensation and benefits	279,239		331,440
Other current liabilities	30,877		23,169
Total current liabilities	848,994		917,104
Long-term debt, net of current portion	1,569,272		1,585,231
Income tax reserve	58,444		57,406
Deferred income taxes	_		8,231
Other long-term liabilities	214,285		201,210
Total liabilities	2,690,995		2,769,182
Commitments and contingencies (Note 20)			
Stockholders' equity:			
Common stock, Class A — \$0.01 par value — authorized, 600,000,000 shares; issued, 150,237,675 shares at March 31, 2015 and 143,962,073 shares at March 31, 2014; outstanding, 147,238,282 shares at March 31, 2015 and 143,352,448 shares at March 31, 2014	1,502		1,440
Non-voting common stock, Class B — \$0.01 par value — authorized, 16,000,000 shares; issued and outstanding, 0 shares at March 31, 2015 and 582,080 shares at March 31, 2014	_		6
Restricted common stock, Class C — \$0.01 par value — authorized, 5,000,000 shares; issued and outstanding, 0 shares at March 31, 2015 and 935,871 shares at March 31, 2014	_		9
Special voting common stock, Class E — \$0.003 par value — authorized, 25,000,000 shares; issued and outstanding, 1,851,589 shares at March 31, 2015 and 4,424,814 shares at March 31, 2014	6		13
Treasury stock, at cost — 2,999,393 shares at March 31, 2015 and 609,625 shares at March 31, 2014	(72,293)		(10,153)
Additional paid-in capital	174,985		144,269
Retained earnings	104,457		42,688
Accumulated other comprehensive loss	(22,159)		(6,636)
Total stockholders' equity	186,498		171,636
Total liabilities and stockholders' equity	\$ 2,877,493	\$	2,940,818

The accompanying notes are an integral part of these Consolidated Financial Statements.

Part II: Under Armour, Inc. (NYSE: UA; Baltimore, MD)

4. Incorporated in Maryland in 1996, Under Armour, Inc. describes itself as "developing, marketing and distributing branded performance apparel, footwear and accessories for men, women and youth."

On June 15, 2015, Under Armour announced the creation of a new class of non-voting common stock, the Class C common stock. The press release stated that:

Under Armour expects to issue Class C stock through a stock dividend to all existing holders of Under Armour's Class A and Class B common stock, which will have the same effect as a two-for-one stock split. Each holder of a share of Class A or Class B stock will receive one share of the new Class C stock.

Do you agree or disagree that the effect of the Class C stock dividend will be the same as a two-for-one stock split? As an example, assume the transaction would have occurred on January 1, 2015. On the basis of the information on Under Armour's Consolidated Balance Sheet for December 31, 2014 (excerpted and presented on the next page of this assignment), what journal entry would be required to record (a) a two-for-one stock split, and (b) the Class C stock dividend?

(excerpted and presented on the next page of this assignment), what journal entry would be required to record (a) a two-for-one stock split, and (b) the Class C stock dividend?
(a) Two-for-one stock split:
(b) Class C stock dividend:
Do you agree or disagree that the effect of the Class C stock dividend will be the same as a two-for-one stock split?

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EXCERPT FROM UNDER ARMOUR, INC.'S 2015 10K

Under Armour, Inc. and Subsidiaries Consolidated Balance Sheets (In thousands, except share data)

	Dec	ember 31, 2014	Dec	ember 31, 2013
Assets				
Current assets				
Cash and cash equivalents	\$	593,175	\$	347,489
Accounts receivable, net		279,835		209,952
Inventories		536,714		469,006
Prepaid expenses and other current assets		87,177		63,987
Deferred income taxes		52,498		38,377
Total current assets		1,549,399		1,128,811
Property and equipment, net		305,564		223,952
Goodwill		123,256		122,244
Intangible assets, net		26,230		24,097
Deferred income taxes		33,570		31,094
Other long term assets		57,064		47,543
Total assets	\$	2,095,083	\$	1,577,741
Liabilities and Stockholders' Equity				
Current liabilities				
Revolving credit facility	\$	_	\$	100,000
Accounts payable		210,432		165,456
Accrued expenses		147,681		133,729
Current maturities of long term debt		28,951		4,972
Other current liabilities		34,563		22,473
Total current liabilities		421,627		426,630
Long term debt, net of current maturities		255,250		47,951
Other long term liabilities		67,906		49,806
Total liabilities		744,783		524,387
Commitments and contingencies (see Note 7)				
Stockholders' equity				
Class A Common Stock, \$0.0003 1/3 par value; 400,000,000 shares authorized as of December 31, 2014 and 2013; 177,295,988 shares issued and outstanding as of December 31, 2014 and 171,628,708 shares issued and outstanding as of December 31, 2013.		59		57
Class B Convertible Common Stock, \$0.0003 1/3 par value; 36,600,000 shares authorized, issued and outstanding as of December 31, 2014 and 40,000,000 shares authorized, issued and outstanding as of December 31, 2013.		12		13
Additional paid-in capital		508,350		397,248
Retained earnings		856,687		653,842
Accumulated other comprehensive income (loss)		(14,808)		2,194
Total stockholders' equity		1,350,300		1,053,354
Total liabilities and stockholders' equity	\$	2,095,083	s	1,577,741
Total naturates and stockholders equity	9	2,093,003	9	1,577,771

See accompanying notes.

Part III: Lockheed Martin Corporation (NYSE: LMT; Bethesda, MD)

Lockheed Martin Corporation describes itself as "a global security and aerospace company principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services," with its principal customers being agencies of the U.S. Government. On the next two pages are Lockheed Martin's Consolidated Statements of Earnings, Comprehensive Income, and Balance Sheets, along with the Long-Term Debt footnote, excerpted from the its 2014 10-K.

the	its 2014 10-K.
5.	What is the principal or face value of Lockheed Martin's long-term debt?
6.	(a) To what covenant(s) is Lockheed Martin subject under the terms of their revolving credit facility?
	(b) How is the covenant ratio described differently from what we might compute as part of the ROE decomposition?
7.	The footnote states that "In April 2013, [Lockheed Martin] repaid \$150 million of long-term notes with a fixed interest rate of 7.38% due to their scheduled maturities." At the time of repayment, did the net carrying value of these long-term notes reflect at a premium, a discount, or par value? Explain.
8.	Has Lockheed Martin's solvency improved or deteriorated in 2014 relative to 2013? Explain your response, and identify the primary cause for that change.

EXCERPTS FROM LOCKHEED MARTIN CORPORATION'S 2014 10K

Lockheed Martin Corporation Consolidated Statements of Earnings (in millions, except per share data)

	Years Ended December 31,		
	2014	2013	2012
Net sales			
Products	\$ 36,093	\$ 35,691	\$ 37,817
Services	9,507	9,667	9,365
Total net sales	45,600	45,358	47,182
Cost of sales			
Products	(31,965)	(31,346)	(33,495)
Services	(8,393)	(8,588)	(8,383)
Goodwill impairment charges	(119)	(195)	_
Severance charges		(201)	(48)
Other unallocated, net	132	(841)	(1,060)
Total cost of sales	(40,345)	(41,171)	(42,986)
Gross profit	5,255	4,187	4,196
Other income, net	337	318	238
Operating profit	5,592	4,505	4,434
Interest expense	(340)	(350)	(383)
Other non-operating income, net	6	_	21
Earnings from continuing operations before income taxes	5,258	4,155	4,072
Income tax expense	(1,644)	(1,205)	(1,327)
Net earnings from continuing operations	3,614	2,950	2,745
Net earnings from discontinued operations		31	_
Net earnings	\$ 3,614	\$ 2,981	\$ 2,745
Earnings per common share			
Basic			
Continuing operations	\$ 11.41	\$ 9.19	\$ 8.48
Discontinued operations	_	.10	
Basic earnings per common share	\$ 11.41	\$ 9.29	\$ 8.48
Diluted			
Continuing operations	\$ 11.21	\$ 9.04	\$ 8.36
Discontinued operations		.09	***************************************
Diluted earnings per common share	\$ 11.21	\$ 9.13	\$ 8.36

The accompanying notes are an integral part of these consolidated financial statements.

Lockheed Martin Corporation Consolidated Statements of Comprehensive Income (in millions)

	Years Ended December 31,		
	2014	2013	2012
Net earnings	\$ 3,614	\$ 2,981	\$ 2,745
Other comprehensive (loss) income, net of tax			
Postretirement benefit plans			
Net other comprehensive (loss) income recognized during the period, net of tax benefit (expense) of \$1.5			
billion in 2014, \$(1.6) billion in 2013 and \$1.8 billion in 2012	(2,870)	2,868	(3,204)
Amounts reclassified from accumulated other comprehensive loss, net of tax expense of \$386 million in			
2014, \$555 million in 2013 and \$469 million in 2012	706	1,015	858
Other, net	(105)	9	110
Other comprehensive (loss) income, net of tax	(2,269)	3,892	(2,236)
Comprehensive income	\$ 1,345	\$ 6,873	\$ 509

The accompanying notes are an integral part of these consolidated financial statements.

Lockheed Martin Corporation Consolidated Balance Sheets (in millions, except par value)

	December 31,	
	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 1,446	\$ 2,617
Receivables, net	5,884	5,834
Inventories, net	2,882	2,977
Deferred income taxes	1,451	1,088
Other current assets	666	813
Total current assets	12,329	13,329
Property, plant and equipment, net	4,755	4,706
Goodwill	10,862	10,348
Deferred income taxes	4,013	2,850
Other noncurrent assets	5,114	4,955
Total assets	\$ 37,073	\$ 36,188
Accounts payable Customer advances and amounts in excess of costs incurred	\$ 1,570 5,790	\$ 1,397 6,349
Salaries, benefits and payroll taxes	1,826	1,809
Other current liabilities	1,926	1,565
Total current liabilities	11,112	11,120
Accrued pension liabilities	11,413	9,361
Other postretirement benefit liabilities	1,102	902
Long-term debt, net	6,169	6,152
Other noncurrent liabilities	3,877	3,735
Total liabilities	33,673	31,270
Stockholders' equity		
Common stock, \$1 par value per share	314	319
Additional paid-in capital	_	_
Retained earnings	14,956	14,200
Accumulated other comprehensive loss	(11,870)	(9,601)
Total stockholders' equity	3,400	4,918
Total liabilities and stockholders' equity	\$ 37,073	\$ 36,188

The accompanying notes are an integral part of these consolidated financial statements.

Note 8 - Debt

Our long-term debt consisted of the following (in millions):

	2014	2013
Notes with rates from 2.13% to 6.15%, due 2016 to 2042	\$5,642	\$5,642
Notes with rates from 7.00% to 7.75%, due 2016 to 2036	916	916
Other debt	483	476
Total long-term debt	7,041	7,034
Less: unamortized discounts	(872)	(882)
Total long-term debt, net	\$6,169	\$6,152

In August 2014, we entered into a new \$1.5 billion revolving credit facility with a syndicate of banks and concurrently terminated our existing \$1.5 billion revolving credit facility which was scheduled to expire in August 2016. The new credit facility expires August 2019 and we may request and the banks may grant, at their discretion, an increase to the new credit facility of up to an additional \$500 million. The credit facility also includes a sublimit of up to \$300 million available for the issuance of letters of credit. There were no borrowings outstanding under the new facility through December 31, 2014. Borrowings under the new credit facility would be unsecured and bear interest at rates based, at our option, on a Eurodollar Rate or a Base Rate, as defined in the new credit facility. Each bank's obligation to make loans under the credit facility is subject to, among other things, our compliance with various representations, warranties and covenants, including covenants limiting our ability and certain of our subsidiaries' ability to encumber assets and a covenant not to exceed a maximum leverage ratio, as defined in the credit facility. The leverage ratio covenant excludes the adjustments recognized in stockholders' equity related to postretirement benefit plans. As of December 31, 2014, we were in compliance with all covenants contained in the credit facility, as well as in our debt agreements.

We have agreements in place with financial institutions to provide for the issuance of commercial paper. There were no commercial paper borrowings outstanding during 2014 or 2013. If we were to issue commercial paper, the borrowings would be supported by the credit facility.

In April 2013, we repaid \$150 million of long-term notes with a fixed interest rate of 7.38% due to their scheduled maturities. During the next five years, we have scheduled long-term debt maturities of \$952 million due in 2016 and \$900 million due in 2019. Interest payments were \$326 million in 2014, \$340 million in 2013 and \$378 million in 2012. All of our existing unsecured and unsubordinated indebtedness rank equally in right of payment.