

I-04.07

Identify three companies with shares of stock that are publicly traded on an organized stock exchange. Obtain their most recent annual reports.

For USA companies, those reports are required to be filed with the Securities and Exchange Commission. The annual filing is known as the 10-K. The SEC website allows you to readily search for and download the filings of specific companies. As an alternative, it has become common practice for public companies to have an investor relations section on their own websites, with links to annual reports.

Using the information included in the balance sheet of the annual report, calculate each company's working capital, current ratio, and quick ratio. Evaluate your calculations and discuss implications.

Frequently, management will comment on liquidity in the MD&A (management's discussion and analysis) section of the annual SEC filing. Is the MD&A discussion consistent with your observations?