

Doing Due Diligence

Worksheets for Principle #6 – Do Due Diligence

Company Name / Ticker Symbol _____

Website _____

Description of Business

Enter your understanding of the company's operations, products or services, type of customers, locations, scale and scope.

Opportunities, Risks and Strategies

Enter your understanding of its competitive strengths, the risks and challenges facing the company and its strategies for growth.

Quality of Management

Enter what you know about the management, chiefly the CEO's background, length of service, compensation arrangement, and your general impression of him or her from annual letter to shareholder, performance on conference calls, etc.

10-K Financial Highlights

	Year	Year	Year	Year
<i>from Income Statements</i>				
Net Sales				
Cost of Sales/Goods Sold				
Gross Profit				
Net Earnings				
Net Earnings per Share				
Diluted Shares Outstanding				
Annual Dividend Amount				

<i>from Balance Sheets</i>				
Cash Assets*				
Accounts Receivable				
Inventory				
Total Current Assets				
Total Assets				
Accounts Payable				
Short-term Borrowings**				
Total Current Liabilities				
Long-term Debt				
Total Long-term Liabilities				
Stockholders' Equity				

* Cash Assets include Cash, Marketable Securities, Short-term Investments, etc.

** Short Term Borrowings include Notes Payable, Current Portion of Long-term Debt, etc.

Market Acceptance

	Year	Year	Year	Year
<i>Trends</i>				
Net Sales				
Gross Profit Margin (%)				
Net Profit Margin (%)				

Comments

Efficiency and Liquidity

To calculate Return on Equity for each of the years, divide Net Earnings by Stockholders' Equity and express as a percent.

To calculate Return on Assets for each of the years, divide Net Earnings by Total Assets and express as a percent.

	Year	Year	Year	Year
<i>Trends</i>				
Return on Equity (%)				
Return on Assets (%)				

	Year	Year	Year	Year
<i>Trends</i>				
Days Sales Outstanding (days)				
Days Inventory Outstanding (days)				
Days Payables Outstanding (days)				
Cash Conversion Cycle (days)				
Fixed Asset Turnover (times)				

Comments

Solvency and Sustainability – Financial Leverage

	Year	Year	Year	Year
<i>Trends</i>				
Current Liabilities				
+ Long-term Liabilities				
Total Liabilities				
÷ Stockholder's Equity				
Debt to Equity Ratio				

Comments

Solvency and Sustainability – Sustainability Income

	Year	Year	Year	Year
<i>Trends</i>				
Net Earnings				
– Change in Long-term Assets				
– Change in Non-cash Current Assets				
Sustainability Income				

Comments

Debt Payback Period

	Year	Year	Year	Year
<i>Trends</i>				
Short-term Borrowings				
+ Long-term Debt				
Total Interest-bearing Debt				
÷ Sustainability Income				
Debt Payback Period (years)				

Comments

Dividend Coverage Ratio

	Year	Year	Year	Year
<i>Trends</i>				
Sustainability Income Per Share				
÷ Annual Dividend Amount				
Dividend Coverage Ratio				

Comments

Selected Recent 10-Q Financial Highlights

	_____ Months Ending	
	_____, 20____	_____, 20____
<i>from Income Statements</i>		
Net Sales		
Cost of Sales/Goods Sold		
Gross Profit		
Net Earnings		
Net Earnings per Share		

from Balance Sheets

Cash Assets*		
Accounts Receivable		
Inventory		
Total Current Assets		
Total Assets		
Accounts Payable		
Short-term Borrowings**		
Total Current Liabilities		
Long-term Debt		
Total Long-term Liabilities		
Stockholders' Equity		

* Cash Assets include Cash, Marketable Securities, Short-term Investments, etc.

** Short Term Borrowings include Notes Payable, Current Portion of Long-term Debt, etc.

Summary and Conclusions

Using the information you have learned about the company and its current market price in relation to its potential future earnings, record your conclusions about its suitability as a long-term investment in helping you reach your financial goals and objectives.

Investment Decision _____

Date _____