Performance Evaluation

Introduction

This portfolio work project will help you complete a thorough review of an organization’s financial performance as well as their level of risk for lending. Your recommendation will help leadership create a loan portfolio, and your executive summary will clearly and concisely communicate your review to others in the organization.

Scenario

You work for an organization that provides loans to businesses. You are working with a client who is requesting a loan that will require a review of financial and related performance documents. You have been asked to review the documents and summarize your findings in a loan recommendation for your management team.

You may apply this scenario to either Option 1 or Option 2, described in Requirements below.

Your Role

You are a loan manager for a lending organization, and your responsibilities include reviewing loan requests and providing recommendations in regard to whether the loan requests should be funded.

Requirements

Option 1:

Your client works for Ace Company. Assume Ace Company requested a $3 million 10-year loan to purchase production equipment and develop accompanying software.

The Ace Company Data document provided in the Resources contains financial statements for Ace Company.

Option 2:

Use a firm or scenario of your choosing.

Before choosing a company, read the assignment thoroughly to ensure:

* The company fits the assignment requirements.
* You have access to the financial statements and related performance documents needed to assess risk and make a loan recommendation. You will need information for this year and last year.
* You can distribute the financial statements and related performance documents without disclosing confidential company information.

Contact your instructor with questions.

Loan Recommendation

To arrive at your recommendation, analyze the financial performance of the requesting company and present it to your organization’s upper-management team. The management team will take your recommendation into consideration as they finalize loan requests.

Analyze the company's performance and performance trends. Include the following in your analysis:

1. Analyze the trend for accounts receivable collections.
   1. Identify the trend.
   2. Explain the relevance of the trend.
   3. Determine if the trend is improving or getting worse.
2. Compare the company's average inventory turnover to the industry average inventory turnover rate. Note that the average industry turnover rate for Ace Company is 10 times per year.
   1. Consider whether the company’s average inventory turnover is higher or lower than the industry average.
   2. Explain whether a higher or lower average is better.
   3. Determine whether the trend is improving or getting worse.
3. Evaluate the company's short-term and long-term credit worthiness based on financial performance and trend (comparing this year to last year). Include in your evaluation:
   1. Information about performance and trends.
   2. Information about other relevant financial information you consider important to the decision.
   3. Your recommendation regarding whether the bank should grant the loan based on the financial data.

Deliverable Format

The management team of your organization requests this information in the form of a 1–2 page executive summary along with a title page, references page, and appendix of supporting information. The executive summary must highlight the key findings from your review and will provide your recommendation and rationale. The appendix must include data used in your analysis for others to review. Assume that this document is the only communication in regard to your analysis and recommendation and that you will not be with the team to explain anything as it deliberates. In other words, the documentation you provide must be well organized and include information for the management team to clearly see your recommendation and rationale.

Related company report standards:

* The executive summary is a professional document and should therefore follow the corresponding MBA Academic and Professional Document Guidelines, including single-spaced paragraphs.
* In addition to the executive summary, include:
  + A title page.
  + A references page.
  + Appendix with supporting materials. If you are using a firm or scenario of your choosing, ensure your instructor has sufficient information to understand how you reached your recommendation.
  + At least two APA-formatted references.