Project 1  
Financial Statement Analysis and Option Strategies for XYZ Company

A. Introduction

B. Financial Analysis of XYZ Company

a. Overview of the companies

Based upon the annual reports of the companies, briefly describe the companies’ business lines and their financial statement structure. The information from this section will be used for subsection B where you are going to calculate financial ratios and degrees of leverage.

b. Calculate 16 financial ratios and three degrees of leverage

By using information from four financial statements of your company in 2017, please calculate 16 financial ratios and the three degrees of leverage using either Excel or a financial calculator.

The definition of 16 financial ratios can be found in Chapter 2 on page 42. The definition of degrees of leverage can be defined as follows:  
 i. Degree of operation leverage (DOL) = (This formula can be found in Chapter on page 55.  
 ii. Degree of financial leverage (DFL) =   
 iii. Degree of combined leverage (DCL) =

c. Financial Statement Analysis   
Discuss the implications of 16 financial ratios and the three degrees of leverage which you obtained in subsection B.

C. Alternative Option Strategies

1. Long Straddle 2. Short Straddle

3. Long Vertical (Bull) Spread 4. Short Vertical (Bear) Spread

5. Protective Put 6. Covered Call

7. Collar

D. Summary and Concluding Remarks

References