Reports

Proformas & Annual Reports

Proformas and annual reports are specific to your company. Proformas are projections for the upcoming year. Annual reports are the results from the previous year. The proformas will help you envision the impacts of your pending decisions and sales forecasts. The annual reports will help you analyze last year's results. Proformas are only available inside the simulation. They can be accessed through the top menu bar by clicking the Reports tab and then Proforma. The annual reports can be accessed inside the simulation at the bottom of the Capstone 2.0 Courier report, or through the dashboard's left-hand navigation, by clicking Reports, and then Simulation Reports.

Proformas and Annual Reports

Proformas and annual reports include:

- Balance Sheet
- Cash Flow Statement
- Income Statement

Proformas are projections of results for the upcoming year. Annual reports are the results from the previous year. The proformas allow you to assess the projected financial outcomes of your company decisions entered in the Capstone Spreadsheet.

The proforma reports are only as accurate as the marketing sales forecasts. If you enter a Forecast that is unrealistically high, the proformas will take that forecast and project unrealistic revenue.

Balance Sheet

The balance sheet lists the dollar value of what the company owns (assets), what it owes to creditors (liabilities) and the amount contributed by investors (equity). Assets always equal liabilities and equity.

Assets = Liabilities + Equity

Assets are divided into two categories, current and fixed. Current assets are those that can be quickly converted, generally in less than a year. These include inventory, accounts receivable and cash. Fixed assets are those that cannot be easily converted. In the simulation, fixed assets are limited to the value of the plant and equipment.

Liabilities include accounts payable, current debt and long-term debt. In the simulation, current debt is comprised of one-year bank notes; long term debt is comprised of 10-year bond issues. Equity is divided into common stock and retained earnings.

Retained earnings are a portion of shareholders' equity. They are not an asset.

Common stock represents the money received from the sale of shares; retained earnings is the portion of profits that was not distributed back to shareholders as dividends, but was instead reinvested in the company.

Depreciation is an accounting principle that allows companies to reduce the value of their fixed assets. Each year some of the value is "used up." Depreciation decreases the firm's tax liability by reducing net profits while providing a more accurate picture of the company's plant and equipment value.

Depreciation is expensed, product by product, on the income statement. Total depreciation for the period is reflected as a gain on the cash flow statement. On the balance sheet, accumulated depreciation is subtracted from the value of the plant and equipment. The simulation uses a straight line depreciation method calculated over fifteen years.

Cash Flow Statement

The cash flow statement indicates the movement of cash through the organization, including operating, investing and financing activities. The annual report's cash flow statement shows the change in the amount of cash from the previous year. The proforma cash flow statement indicates the expected change at the end of the upcoming year.

Income Statement

Your company can use the income statement to diagnose problems on a product-by-product basis. Sales for each product are reported in dollars (not the number of products). Subtracting variable costs from sales determines the contribution margin. Inventory carrying costs are driven by the number of products in the warehouse. If your company has $0 inventory carrying costs, you stocked out of the product and most likely missed sales opportunities. If your company has excessive inventory, your carrying costs will be high. Sound sales forecasts matched to reasonable production schedules will result in modest inventory carrying costs.

Period costs are depreciation added to sales, general and administrative (SG&A) costs, which include R&D, promotion, sales and administration expenses. Period costs are subtracted from the contribution margin to determine the net margin. The net margin for all products is totaled then subtracted from other expenses, which in the simulation include fees, write-offs and, if the module is enabled, TQM/Sustainability costs. This determines earnings before interest and taxes, or EBIT. Finally, interest, taxes and profit sharing costs are subtracted to determine net profit.

Once your decisions are final, you can print your proforma income statement (click the printer icon). When the simulation advances to the next year, you can compare the results to your proforma projections.

The Capstone Courier

Customer purchases and sensor company financial results are reported in an industry newsletter called the Capstone 2.0 Courier.

The Courier is available from two locations:

- From the dashboard, click Simulation Reports
- From the Capstone 2.0 simulation interface, click the Reports menu

The Courier displays the previous year's results. The Courier available at the start of Round 1 displays last year's results for Round 0, when all companies have equal standing. The Courier available at the start of Round 2 will display the results for Round 1.

Successful companies will study the Courier to understand the marketplace and find opportunities. As the simulation progresses and strategies are implemented, company results will begin to vary.

Front Page

Use the first page of the Courier to see a snapshot of last year's results. Be sure to compare your company's sales, profits and cumulative profits with your competitors'.

Stock & Bond Summaries

The Stock and Bond Summaries (page 2) report stock prices and bond ratings for all companies. The page also reports the prime interest rate for the upcoming year.

Financial Summary

The Financial Summary (page 3) surveys each company's cash flow, balance sheet and income statements. This will give you an idea of your competitors' financial health. In-depth financial reports for your company are also available.

Production Analysis

The Production Analysis (page 4) reports detailed information about each product in the market, including sales and inventory levels, price, material and labor costs. Are you or your competitors building excess inventory? Excess inventory puts pressure on profits.

The Production Analysis also reports product revision dates. Does a competitor have a product with a revision date in the year after the year of the report? This indicates a long repositioning project that will possibly put that product into another segment.

If a revision date has yet to conclude, the Courier will report the product's current Performance, Size and MTBF. The new coordinates and MTBF will not be revealed until after the completion of the project.

Check your competitors' automation, capacity and plant utilization. Increases in automation reduce labor costs, and this could indicate competitors might drop prices for those products. Did a competitor reduce capacity? Selling capacity reduces assets. Running the remaining capacity at 150% to 200% can improve Return on Assets (ROA).

The Production Analysis will report the release date (but not the coordinates) of a new product if:

- Production capacity is purchased
- A promotion budget is entered
- A sales budget is entered.

Are your competitors investing in capacity and automation? The Production Analysis reports capacity and automation ratings for the upcoming round. The Financial Summary reports the cost of plant improvements for all companies.

Segment Analysis Reports

The Segment Analysis reports review each market segment in detail.

The Statistics box in the upper-left corner reports Total Industry Unit Demand, Actual Industry Unit Sales, Segment Percent of Total Industry and Next Year's Growth Rate. The Customer Buying Criteria box ranks the customer criteria within each segment:

- Ideal Position: The preferred product location, also called the ideal spot, as of December 31 of the previous year– ideal spots drift with the segments, moving a little each month;
- Price: Every year on January 1, price ranges drop by $0.50– this is the price range from last year;
- Age: Age preferences stay the same year after year; and
- Reliability: MTBF requirements stay the same year after year.

Are your products meeting your buyers' expectations? The perceptual map shows the position of each product in the segment as of December 31 of the previous year. The Accessibility chart rates each company's level of Accessibility. Accessibility is determined by the Marketing Department's Sales Budget– the higher the budget, the higher the Accessibility. Accessibility is measured by percentage; 100% means every customer can easily interact with your company– sales, customer support, etc.

The Market Share Actual vs. Potential Chart displays two bars per company. The actual bar reports the market percentage each company attained in the segment. The potential bar indicates what the company deserved to sell in the segment. If the potential bar is higher than the actual, the company under produced and missed sales opportunities. If the potential is lower than the actual, the company picked up sales because other companies under produced and stocked out (ran out of inventory).

The Top Products in Segment area reports, in order of total sales:

- Market Share
- Units Sold to Segment
- Revision Date
- Stock Out (This tells you whether the product ran out of inventory.)
- Performance and Size Coordinates
- Price
- MTBF