# Transcript: EP 156 - C928 Using the 10Q to Complete the Assessment with Lavender Boyles and Jerry Geiser

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Speaker #1 (Narrator):

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Speaker #2 (Lavender Boyles):

Hey, this is Lavender. I'm program mentor in the MSITM program and today with me is Jerry Geiser.

Speaker #3 (Jerry Geiser):

Hello, Lavender. How are you?

Speaker #2 (Lavender Boyles):

Good. Thanks. We're going to continue from our last podcast where we learned about the 10Q’s and we're going to learn how to analyze that information for our task.

Speaker #3 (Jerry Geiser):

Last time we had downloaded 10Q, use the example of the most recent Walmart. In this process I download it when I said okay, we're going to be looking at the first six tabs to starting off which one I wanted to go to was Chapter 14 of the book which takes a look at the financial statement analysis. There are three areas that we want you to analyze of a company. One is its liquidity, one is solvency, and the last one is profitability. Each of these have a particular role or responsibility to discuss how the company's current financial position is to be attained or taken into consideration and the whole importance of it. Liquidity is this short-term for creditors such as banks financial institutions and they're primarily concerned whether the company has the ability to repay its short-term borrowings, such as loans or notes. Anything that's liquid or current would be in that current period. If it's a 10k, it would be a net current year, if it's liquid for 10Q would be in that current quarter. One of the ratios that we're going to look at is called the current ratio. The current ratio analyses current assets over current liabilities. The whole concept it could be industry specific, it could be driven by economics as we know there can be multiple reasons why that could be impacting the current ratio. In this case, how we would go and find it in our expansive 10Q is we'd go over and look at the consolidated statement and balance sheet. On the balance sheet that you downloaded, you would look for current assets. Depending on whichever one you downloaded usually remember that the accounting equation and looking at Chapter 1 says assets equal liabilities plus stockholders equity. The first thing that's listed in a balance sheet is going to be assets, the next thing is going to be liabilities, the last thing is going to be stockholder equity. What would be looking at, we'll be looking at the top of the balance sheet. We'd be looking for current assets, we'd look for total current assets. That number we would take and that would be our top number, and then we would go and continue to look for total current liabilities. Well, that would be the next grouping. Then we would just divide the current assets by the current liabilities to get the current ratio. That number, whatever that percentage this turns out to be, has a meaning. There's a justification behind it. We want to be able to say, why do we have this number? If it's above one, is that good or is that bad? Based on the industry, is that good or is that bad? What does it mean if the company is very liquid? Does that mean that it can pay its short-term debts? Well, remember when you're doing this task, you're interested in paying for your project. If the company does have good liquidity, you might figure out later on when you're explaining your position or developing your executive summary that if the ratio is good, that we should have no problem securing short-term debt and paying for this project. That's it for this section. Lavender, do you have any other questions?

Speaker #2 (Lavender Boyles):

No. That sounds really great, Jerry. You've explained it really well. It's defined very clearly in the textbook. I know it's going to be different for every industry, but we're focusing on Walmart. I think that that helps to keep the sample a little more simple. Any other questions students can definitely reach out to you or their course instructor. Thank you for this explanation today, I really appreciate it, Jerry.

Speaker #3 (Jerry Geiser):

Thank you for having me and I look forward to our next podcast.

Speaker #2 (Lavender Boyles):

Thank you.

Speaker #1 (Narrator):

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