

S-8.1 Since the Enron debacle, energy companies have been viewed cautiously by investors. Research sources show that Duke Energy's stock prices have been more stable than most, with a beta of 0.32, but their post-Enron bond rating of BBB has become much lower than the pre-Enron value. Their effective income tax rate is 0.35. As of 2003, Duke's balance sheet shows \$20 billion in debt and roughly \$15 billion in equity. But there are 900 million shares outstanding, and the price per share is approximately \$20, resulting in a market value of the equity of \$18 billion. Long-term bonds rated BBB currently earn 6% per year. What is the wacc for Duke energy?

S-8.2 The Securities and Exchange Commission (SEC) is an agency of the U.S. government. Its primary responsibility is the regulation of the markets for stocks and bonds. The SEC requires that companies whose shares are publicly traded file a variety of reports in electronic format. These reports are available to the public through the SEC's EDGAR (Electronic Data Gathering and Reporting) system. There are many types of required filings, but the ones of most interest to us are the 10-K and 10-Q reports. The 10-K is the primary form that carries a company's annual financial statements prepared in accordance with generally accepted accounting principles (GAAP). The 10-Q contains the company's quarterly GAAP-based financial statements.

Choose one of the following companies:

- Dell Computer
- Booz Allen Hamilton
- Wal-Mart
- Perrigo

Find the company's most recent 10-K on the EDGAR [website](#). Then view the financial reports to answer the following (do not printout the entire document.).

- a. Who are the company's auditors
- b. Are there any unusual statements in the auditors' report?
- c. What does the company call its balance sheet? For example, is it a balance sheet, statement of financial position, or some other name?
- d. What is the date of the company's most recent balance sheet?
- e. What does the company call its income statement?
- f. What period is covered by the company's most recent income statement?
- g. What does the company call its statement of cash flows?
- h. What period is covered by the company's most recent statement of cash flows?
- i. What are the company's major reported assets?
- j. What are the major reported liabilities?
- k. What are the major sources of revenues?
- l. What are the major sources of expenses?
- m. What was the amount of the company's total assets at the beginning of the year?
- n. What was the amount of the total assets at the end of the year?
- o. What was the amount of the net income for the year?