Create your own Standardized Financials[5]

INTRODUCTION

To use *eVal* you need standardized financial data. That is, you need someone to take the "as reported" financial statements and sort the different line items into pre-defined line items, preferably the ones used in *eVal*. For this case, you are the person doing the standardizing. Follow the instructions below to create standardized data for General Mills (ticker = GIS).

The spreadsheet "datamaker.xls" found at www.lundholmandsloan.com is designed to translate from any excel-based set of financials to the standardized yellow block of data that *eVal* accepts as input. If you don't already have it, get a copy of 'datamaker.xls' and proceed as follows:

1) Go to www.morningstar.com, enter GIS as the ticker, then hit the "financials" link in the middle of the page.
2) Select the statement type to be Annual, the period to be 5 years, and the show report dates to be in Descending order, then hit the 'export' button on the right. Do this for the income statement, the balance sheet and the cash flow statements.
3) Pile all three excel outputs from step 2 on top of one another in a single Excel spreadsheet. The order and format doesn't matter, as long as the most recent period is in the column closest to the line item name.

If you want to skip steps 1 to 3 the case files (found at www.lundholmandsloan.com) includes a file named 'GIS financials raw from Morningstar.xls'. This is the General Mills data for the year ended in May 2009.

4) Open datamaker.xls and go to the 'create standardized data' tab. In the red box, paste your raw financials created in step 3. It doesn't matter exactly where you paste them.
5) Here is the main task. For each line item that contains unique data, go to the yellow column and select the appropriate standardized data label from the drop-down menu. For instance, for a line titled 'revenue' select 'Sales.' For all other line items (such as labels of sums), make sure the value in the yellow column is blank. Note that you can use the same line item label more than once – the spreadsheet will add them together. For instance, there will be three different lines labeled 'Non-operating income (loss).' Continue with this process until you have captured all the unique data from the income statement and the balance sheet.
6) As you completed step 5, a set of financial statements is created in the middle of the spreadsheet. Use this to check that all the subtotals are correct. Is the Net Income correct? Is the Total Common Equity correct? In the case of GIS, they won't be. This is because each data service has different line items and sign conventions. In the case of GIS, the signs on two of the three 'Non-operating income (loss)' items are wrong. Correct these by changing the formula in the financial statements in the middle of the page.
7) GIS does not list Depreciation and Amortization as a separate line item on their income statement; instead, it is probably included as part of SG&A expense. However, you can find the depreciation and amortization amount on the statement of cash flows. Using the yellow column, label the depreciation and amortization found on the cash flow statement. because

this amount was already included in SG&A expense, this will result in double-counting. You will therefore need to subtract an equivalent amount out of SG&A. Do this correction on the financial statements in the middle of the page.

8) If you have done all the steps correctly, the subtotals and totals shown in the middle of the sheet should match the "as reported" values from your raw Morningstar data. If not, work backwards from net income, or total common equity, to find your error.

9) That's it! The solid yellow block of data at the far right can be copied and pasted onto the bottom of the financial statements sheet in *eVal*. If you used the data from the case (for the year ended in May 2009), the data block will look like this:

Company Name and Ticker	General Mills	GIS			
Common Shares Outstanding	663,700				
Fiscal Year End (YYYY-MM-DD)	1904-01-01	1904-01-01	2007-05-01	2008-05-01	2009-05-01
Sales (Net)	0	0	12,441,500	13,652,100	14,691,300
Cost of Goods Sold	0	0	(7,955,100)	(8,778,300)	(9,457,800)
R&D Expense	0	0	0	0	0
SG&A Expense	0	0	(1,971,500)	(2,165,800)	(2,498,200)
Depreciation & Amortization	0	0	(417,800)	(459,200)	(453,600)
Interest Expense	0	0	(426,500)	(421,700)	0
Non-Operating Income (Loss)	0	0	(39,300)	(21,000)	(339,500)
Income Taxes	0	0	(560,100)	(622,200)	(720,400)
Minority Interest in Earnings	0	0	0	0	0
Other Income (Loss)	0	0	72,700	110,800	82,600
Ext. Items & Disc. Ops.	0	0	0	0	0
Preferred Dividends	0	0	0	0	0
Operating Cash and Market. Sec.	0	0	423,600	661,000	749,800
Receivables	0	0	952,900	1,081,600	953,400
Inventories	0	0	1,173,400	1,366,800	1,346,800
Other Current Assets	0	0	503,800	510,600	484,900
PP&E (Net)	0	0	3,013,900	3,108,100	3,034,900
Investments	0	0	0	0	0
Intangibles	0	0	10,529,400	10,563,300	10,410,000
Other Assets	0	0	1,586,700	1,750,200	895,000
Current Debt	0	0	2,988,400	2,650,800	1,320,700
Accounts Payable	0	0	777,900	937,300	803,400
Income Taxes Payable	0	0	0	0	0
Other Current Liabilities	0	0	2,078,800	1,268,200	1,481,900
Long-Term Debt	0	0	3,217,700	4,348,700	5,754,800
Other Liabilities	0	0	2,663,000	3,378,500	3,097,500
Deferred Taxes	0	0	0	0	0
Minority Interest	0	0	1,138,800	242,300	244,200
Preferred Stock	0	0	0	0	0
Paid in Common Capital (Net)	0	0	(426,200)	(294,900)	(2,063,300)
Retained Earnings	0	0	5,745,300	6,510,700	7,235,600
Common Dividends	0	0	0	0	0