

Chapter 2

Introduction to Financial Statement Analysis

I. Chapter Outline

The chapter outline below is correlated to the PowerPoint Lecture Slides. The PowerPoint slides are referenced in **bold**.

Alternative Examples to selected textbook examples are available in the PowerPoint Lecture Slides. Alternative Examples are referenced in **bold** in the chapter outline below.

2.1 Firms' Disclosure of Financial Information (**Slide 5**)

- Preparation of Financial Statements (**Slide 6**)
- Interview with Sue Frieden
- International Financial Reporting Standards
- Types of Financial Statements (**Slide 7**)

2.2 The Balance Sheet (**Slide 8**)

- Assets (**Slides 9-12**)
 - Current Assets
 - Long-Term Assets
- Liabilities (**Slides 13-16**)
 - Current Liabilities
 - Long-term Liabilities
- Stockholders' Equity (**Slide 17**)
- Example 2.1 Market Versus Book Value (**Slides 18-19**)
- **PowerPoint Alternative Example 2.1** (**Slides 20-21**)

2.3 Balance Sheet Analysis (**Slides 22-23**)

- Market-to-Book Ratio (**Slide 22**)
- Debt-Equity Ratio (**Slide 23**)
- Enterprise Value (**Slide 23**)
- Example 2.2 Computing Enterprise Value (**Slides 24-25**)
- **PowerPoint Alternative Example 2.2** (**Slides 26-27**)
 - Other Balance Sheet Information (**Slide 28**)

2.4 The Income Statement (**Slide 29**)

- Earnings Calculations (**Slides 29-33**)
 - Gross Profit (**Slide 29**)
 - Operating Expenses (**Slide 30**)
 - Earnings Before Interest and Taxes (**Slide 31**)
 - Pretax and Net Income (**Slides 32-35**)

2.5 Income Statement Analysis (**Slides 36-43**)

- Profitability Ratios (Slide 36)
 - Working Capital Days (Slide 37)
 - EBITDA (Slide 37)
 - Leverage Ratios (Slide 38)
 - Investment Returns (Slide 39)
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 - Example 2.3 Determinants of ROE (Slides 41–42)
 - Valuation Ratios (Slide 43)
 - Common Mistake: Mismatched Ratios
 - Example 2.4 Computing Profitability and Valuation Ratios (Slides 44–45)
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- 2.6 The Statement of Cash Flows (Slides 50–54)**
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 - Example 2.5 The Impact of Depreciation on Cash Flow (Slides 55–56)
- 2.7 Other Financial Statement Information (Slide 57)**
- Management Discussion and Analysis (Slide 57)
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- 2.8 Financial Reporting in Practice (Slide 63)**
- Enron (Slide 63)
 - WorldCom (Slide 63)
 - Sarbanes-Oxley Act (Slide 63)

II. Learning Objectives

- 2-1** List the four major financial statements required by the SEC for publicly traded firms, define each of the four statements, and explain why each of these financial statements is valuable.
- 2-2** Discuss the difference between book value and market value of stockholders' equity; explain why the two numbers are almost never the same.
- 2-3** Compute the following measures, and describe their usefulness in assessing firm performance: debt-equity ratio, enterprise value, earnings per share, operating margin, net profit margin, accounts receivable days, accounts payable days, inventory days, interest coverage ratio, return on equity, return on assets, price-earnings ratio, and market-to-book ratio.
- 2-4** Discuss the uses of the DuPont identity in disaggregating ROE, and assess the impact of increases and decreases in the components of the identity on ROE.
- 2-5** Describe the importance of ensuring that valuation ratios are consistent with one another in terms of the inclusion of debt in the numerator and the denominator.

- 2-6 Distinguish between cash flow, as reported on the statement of cash flows, and accrual-based income, as reported on the income statement; discuss the importance of cash flows to investors, relative to accrual-based income.
- 2-7 Explain what is included in the management discussion and analysis section of the financial statements that cannot be found elsewhere in the financial statements.
- 2-8 Explain the importance of the notes to the financial statements.
- 2-9 List and describe the financial scandals described in the text, along with the new legislation designed to reduce those types of fraud.

III. Chapter Overview

This chapter reviews the four main financial statements and discusses some useful financial ratios. The chapter closes with a look at some recent financial scandals.

2.1 Firms' Disclosure of Financial Information

The four statements that are required by the U.S. Securities and Exchange Commission (SEC) are the balance sheet, the income statement, the statement of cash flows, and the statement of stockholders' equity.

The section includes a summary of steps taken toward standardizing financial statements across countries via International Financial Reporting Standards.

2.2 The Balance Sheet

The balance sheet lists the firm's assets and liabilities. This section describes current assets, long-term assets, current liabilities and long-term liabilities, with examples of the major components of each. The authors emphasize the difference between market value and book value of equity, and give some specific reasons why the two are seldom the same. Example 2.1 illustrates a case in which they are different.

2.3 Balance Sheet Analysis

Book value of equity is sometimes used as an estimate of the liquidation value of the firm. Important tools for analyzing the firm's value, leverage, and short-term cash needs, from information found on the balance sheet include:

- a. the market-to-book ratio, which is often used to classify firms as value stocks or growth stocks.
- b. the debt-equity ratio, a measure of the firm's leverage.
- c. enterprise value, which assesses the value of underlying business assets, not including cash (Example 2.2 shows how enterprise value is calculated).
- d. current and quick ratios, which are sometimes used to assess the firm's working capital position.

2.4 The Income Statement

The income statement lists the firm's revenues and expenses over a period of time. This section of the text discusses the calculation of earnings from the components of the income statement. Earnings per share (and diluted earnings per share) are often calculated to assess the size of net income relative to that of similar firms.

2.5 Income Statement Analysis

Profitability ratios, such as operating margin and net profit margin, are often used to measure the fraction of revenues that is available to common shareholders. Some examples of ratios that use both

income statement and balance sheet items are working capital ratios, such as accounts receivable days (or average collection period), inventory days, and accounts payable days. Leverage is often assessed using ratios such as interest coverage, which is also a mixed ratio. Investment returns are measured by return on equity or return on assets, although these measures are both flawed in their use of book value measures. The DuPont Identity allows the analyst to break down the determinants of a firm's ROE. Example 2.3 illustrates this decomposition for Wal-Mart and Target. Valuation ratios include the price-earnings ratio. Example 2.4 shows students how to calculate profitability and valuation ratios for Wal-Mart and Target.

2.6 The Statement of Cash Flows

The statement of cash flows converts accrual-based income into cash flow. Cash flows are separated into operating activities, investment activities, and financing activities. Example 2.5 shows the impact of depreciation on cash flows.

2.7 Other Financial Statement Information

The management discussion and analysis provides management's interpretation of the planned activities of the firm. The statement of stockholders' equity provides detailed information about additions to, or reductions in, the stockholders' equity accounts. Notes to the financial statements are an integral part of the statements, as they show detail about stock-based compensation plans, leases, principal payments on debt, and many other items. Example 2.6 uses a note to the financial statement reporting sales by product category to find the sales unit with the highest growth.

2.8 Financial Reporting in Practice

There have been several recent abuses of financial rules, including Enron and WorldCom. Enron sold assets at inflated prices to other firms, together with a promise to buy back assets at an even higher future price. WorldCom reclassified \$3.85 billion in expenses as long-term investment. The Sarbanes-Oxley Act was passed in 2002 to improve accuracy of information provided to boards and shareholders. It attempts to achieve this goal by 1) overhauling incentives and the independence in the auditing process, 2) stiffening penalties for providing false information, and 3) forcing companies to validate their internal financial control processes. It holds CFOs and CEOs accountable for the firm's financial statements. A call-out box describes the Madoff Ponzi scheme.

IV. Spreadsheet Solutions in Excel

The following Problems for Chapter 2 have spreadsheet versions of the problems available: 2-12 and 2-13.

These spreadsheets are available on the Instructor's Resource CD-ROM or can be downloaded from the Instructor's Resource Center at: www.pearsonhighered.com/berk_demarzo. If you do not have a login and password for this Web site, contact your Prentice Hall sales representative.

	Dec-08	Dec-07	Dec-06	Dec-05
	(TTM)	(TTM)	(TTM)	(TTM)
Operating Revenue	146,277.00	172,455.00	160,065.00	176,835.00
Total Revenue	146,277.00	172,455.00	160,065.00	176,835.00
Adjustment to Revenue	0	0	0	0
Cost of Sales	116,644.00	129,519.00	132,588.00	131,338.00
Cost of Sales with Deprec	128,977.00	143,255.00	149,107.00	145,403.00
Gross Margin	0	0	0	0
Gross Operating Profit	29,633.00	42,936.00	27,477.00	45,497.00
R&D	0	0	0	0
SG&A	21,430.00	21,169.00	19,148.00	24,588.00
Advertising	0	0	0	0
Operating Profit	0	0	0	0
Operating Profit before I	8,203.00	21,767.00	8,329.00	20,909.00
Depreciation	12,333.00	13,736.00	16,519.00	14,065.00
Depreciation Unreconcil	0	0	0	0
Amortization	0	0	0	0
Amortization of Intangibl	0	0	0	0
Operating Income After I	-4,130.00	8,031.00	-8,190.00	6,844.00
Interest Income	0	1,161.00	1,478.00	1,247.00
Earnings from Equity Inte	163	389	421	285
Other Income, Net	0	0	0	1,095.00
Income Acquired in Proce	0	0	0	0
Interest Restructuring an	0	0	0	0
Other Special Charges	0	-2,400.00	0	0
Total Income Avail for Int	-3,967.00	7,181.00	-6,291.00	9,471.00
Interest Expense	10,437.00	10,927.00	8,783.00	8,417.00
Income Before Tax (EBT)	-14,404.00	-3,746.00	-15,074.00	1,054.00
Income Taxes	63	-1,294.00	-2,655.00	-855
Minority Interest	214	312	210	280
Preferred Securities of St	0	0	0	0
Net Income from Contin	-14,681.00	-2,764.00	-12,629.00	1,629.00
Net Income from Discont	9	41	16	62
Net Income from Total O	-14,672.00	-2,723.00	-12,613.00	1,691.00
Extraordinary Income/Lo	0	0	0	0
Income from Cum. Effect	0	0	0	-251
Income from Tax Loss Ca	0	0	0	0
Other Gains (Losses)	0	0	0	0
Total Net Income	-14,672.00	-2,723.00	-12,613.00	1,440.00
Normalized Income	-14,681.00	-364	-12,629.00	1,629.00
Net Income Available for	-14,681.00	-2,764.00	-12,629.00	1,629.00
Preferred Dividends	0	0	0	0
Excise Taxes	0	0	0	0

Per Share Data

Ratios
Stock Price
Valuation
Price-Earnings
Market to Book
Enterprise / EBITDA
Profitability
Operating Margin
Net Profit Margin
Return on Equity
Financial Strength
Current Ratio
Book Debt-Equity
Mkt Debt-Equity
Interest Coverage
Enterprise Value

Basic EPS from Continuin	-6.46	-1.4	-6.73	0.88
Basic EPS from Discontin	0	0.02	0.01	0.04
Basic EPS from Total Ope	-6.46	-1.38	-6.72	0.92
Basic EPS from Extraordi	0	0	0	0
Basic EPS from Cum Effe	0	0	0	-0.14
Basic EPS from Other Gai	0	0	0	0
Basic EPS Total	-6.46	-1.38	-6.72	0.78
Basic Normalized Net Inc	-6.46	-0.18	-6.73	0.88
Diluted EPS from Contin	-6.46	-1.4	-6.73	0.86
Diluted EPS from Discont	0	0.02	0.01	0.03
Diluted EPS from Total O	-6.46	-1.38	-6.72	0.89
Diluted EPS from Extraor	0	0	0	0
Diluted EPS from Cum Efi	0	0	0	-0.12
Diluted EPS from Other C	0	0	0	0
Diluted EPS Total	-6.46	-1.38	-6.72	0.77
Diluted Normalized Net I	-6.46	-0.18	-6.73	0.86
Dividends Paid per Share	0	0	0.25	0.4

Additional Data

Basic Weighted Shares O	2,273.00	1,979.00	1,879.00	1,846.00
Diluted Weighted Shares	2,273.00	1,979.00	1,879.00	1,846.00

	Dec-08 (TTM)	Dec-07 (TTM)	Dec-06 (TTM)	Dec-05 (TTM)
Assets				
Cash and Equivalents	22,049.00	35,283.00	28,896.00	28,406.00
Restricted Cash	0	0	0	0
Marketable Securities	17,411.00	15,515.00	26,728.00	14,133.00
Accounts Receivable	93,484.00	109,053.00	106,863.00	114,511.00
Loans Receivable	0	0	0	0
Other Receivable	6,073.00	8,210.00	7,067.00	1,420.00
Receivables	99,557.00	117,263.00	113,930.00	115,931.00
Raw Materials	3,016.00	4,360.00	4,334.00	4,057.00
Work In Progress	0	0	0	0
Purchased Components	0	0	0	0
Finished Goods	6,493.00	6,861.00	6,698.00	7,223.00
Other Inventories	0	0	0	0
Inventories -Adj Allowan	-891	-1,100.00	-1,015.00	-1,009.00
Inventories	8,618.00	10,121.00	10,017.00	10,271.00
Prepaid Expenses	0	0	0	0
Current Deferred Income	0	0	0	0
Other Current Assets	0	0	0	0
Total Current Assets	147,635.00	178,182.00	179,571.00	168,741.00
Gross Fixed Assets (Plant	66,802.00	72,800.00	71,038.00	73,293.00
Accumulated Depreciati	38,237.00	36,561.00	34,983.00	32,617.00
Net Fixed Assets	28,565.00	36,239.00	36,055.00	40,676.00
Intangibles	0	0	0	0

Cost in Excess	1,593.00	2,069.00	3,611.00	5,945.00
Non-Current Deferred In	3,108.00	3,500.00	4,922.00	5,880.00
Other Non-Current Asset	37,427.00	59,274.00	55,037.00	48,217.00
Total Non Current Assets	70,693.00	101,082.00	99,625.00	100,718.00

Total Assets	218,328.00	279,264.00	279,196.00	269,459.00
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Liabilities

Accounts Payable	14,772.00	20,832.00	21,214.00	22,910.00
Notes Payable	0	0	0	0
Short Term Debt	63,662.00	28,275.00	27,461.00	0
Accrued Expenses	0	0	0	0
Accrued Liabilities	28,728.00	23,579.00	22,443.00	73,047.00
Deferred Revenues	3,667.00	4,093.00	4,558.00	0
Current Deferred Income	0	0	0	0
Other Current Liabilities	0	0	0	0
Total Current Liabilities	110,829.00	76,779.00	75,676.00	95,957.00
Long Term Debt	90,534.00	140,255.00	144,371.00	153,278.00
Capital Lease Obligations	0	0	0	0
Deferred Income Taxes	2,035.00	3,034.00	2,744.00	5,660.00
Other Non-Current Liabil	31,046.00	52,147.00	58,711.00	0
Minority Interest	1,195.00	1,421.00	1,159.00	1,122.00
Preferred Securities of St	0	0	0	0
Preferred Equity outside	0	0	0	0
Total Non-Current Liabili	124,810.00	196,857.00	206,985.00	160,060.00

Total Liabilities	235,639.00	273,636.00	282,661.00	256,017.00
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Stockholder's Equity

Preferred Stock Equity	0	0	0	0
Common Stock Equity	-17,311.00	5,628.00	-3,465.00	13,442.00
Common Par	24	22	19	19
Additional Paid In Capital	9,076.00	7,834.00	4,562.00	4,872.00
Cumulative Translation A	0	0	0	0
Retained Earnings	-16,145.00	-1,485.00	-17	13,064.00
Treasury Stock	-181	-185	-183	-833
Other Equity Adjustment	-10,085.00	-558	-7,846.00	-3,680.00
Total Equity	-17,311.00	5,628.00	-3,465.00	13,442.00
Total Capitalization	73,223.00	145,883.00	140,906.00	166,720.00

Total Liabilities & Stock E	218,328.00	279,264.00	279,196.00	269,459.00
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Additional Data

Cash Flow	-2,339.00	11,013.00	3,906.00	15,756.00
Working Capital	36,806.00	101,403.00	103,895.00	72,784.00
Free Cash Flow	-34	12,286.00	2,372.00	17,225.00
Invested Capital	73,223.00	145,883.00	140,906.00	166,720.00

Share Data

Shares Outstanding Com	2,412.00	2,195.00	1,892.54	1,908.00
Preferred Shares	0	0	0	0
Total Ordinary Shares	0	0	0	0
Total Common Shares O	2,412.00	2,195.00	1,892.54	1,908.00
Treasury Shares	0	0	0	0

	Dec-08 (TTM)	Dec-07 (TTM)	Dec-06 (TTM)	Dec-05 (TTM)
Operating Activities				
Net Income (Loss)	-14,672.00	-2,723.00	-12,613.00	1,440.00
Depreciation	12,826.00	13,052.00	16,453.00	14,010.00
Amortization	-592	578	0	0
Amortization of Intangibl	99	106	66	55
Deferred Income Taxes	1,954.00	-5,477.00	-2,500.00	704
Operating (Gains) Losses	1,332.00	1,524.00	-6,136.00	-942
Extraordinary (Gains) Los	0	0	0	0
(Increase) Decrease in Re	1,091.00	45	8,757.00	-2,810.00
(Increase) Decrease in In	-358	371	-695	-94
(Increase) Decrease in Pr	0	0	0	0
(Increase) Decrease in OI	0	0	0	0
(Increase) Decrease in Pa	-12,647.00	1,348.00	6,534.00	-37
(Increase) Decrease in OI	0	0	0	0
(Increase) Decrease in OI	3,689.00	4,539.00	-6,771.00	-629
Other Non-Cash Items	7,108.00	3,752.00	6,543.00	8,757.00
Net Cash from Continuin	-170	17,115.00	9,638.00	20,454.00
Net Cash from Discontin	-9	-17	-6	671
Net Cash from Operating	-179	17,098.00	9,632.00	21,125.00
Investing Activities				
Sale of Property, Plant, E	0	0	0	0
Sale of Long Term Invest	0	0	0	0
Sale of Short Term Invest	62,046.00	18,660.00	18,456.00	8,735.00
Purchase of Property, Pla	-6,696.00	-6,022.00	-6,848.00	-9,068.00
Acquisitions	6,841.00	1,210.00	56	5,906.00
Purchase of Long Term Ir	0	0	0	0
Purchase of Short Term I	-64,754.00	-11,423.00	-23,678.00	-11,883.00
Other Investing Changes	348	-8,825.00	-12,846.00	13,370.00
Cash from Disc. Investing	-928	-83	-4	-1,304.00
Net Cash from Investing	-3,143.00	-6,483.00	-24,864.00	5,756.00
Financing Activities				
Issuance of Debt	42,163.00	34,032.00	58,258.00	24,559.00
Issuance of Capital Stock	756	250	431	895

Repayment of Debt	-51,419.00	-39,431.00	-42,426.00	-44,793.00
Repurchase of Capital Stock	0	-31	-183	-570
Payment of Cash Dividends	0	0	-468	-738
Other Financing Charges, Net	-604	-62	-339	-153
Cash from Disc. Financing	0	0	0	0
Net Cash from Financing	-9,104.00	-5,242.00	15,273.00	-20,800.00
Effect of Exchange Rate Changes	-808	1,014.00	464	-496
Net Change in Cash & Cash Equivalents	-13,234.00	6,387.00	505	5,585.00
Cash at Beginning of Period	35,283.00	28,896.00	28,391.00	22,806.00
Cash at End of Period	22,049.00	35,283.00	28,896.00	28,391.00

Dec-08	Dec-07	Dec-06	Dec-05	Industry
2.29	6.73	7.51	7.72	
-0.3544892	-4.876811594	-1.117559524	10.02597403	0.25
-0.3190734	2.624795665	-4.101868802	1.09580122	0.49
14.621623	6.020612395	15.64645095	5.977814338	
20.26%	24.90%	17.17%	25.73%	5.04%
-10.04%	-1.60%	-7.89%	0.92%	-1.75%
84.81%	-49.11%	364.47%	12.12%	-2.81%
1.3320972	2.320712695	2.37289233	1.758506414	0.57
-8.9073999	29.94491827	-49.59076479	11.40291623	54.57
29.623624	12.65366587	12.1769165	10.75550553	
-0.3800901	0.657179464	-0.716270067	1.125222763	0
119,941.2	131,050.7	130,319.3	124,990.1	

	Jun-09 (TTM)	Jun-08 (TTM)	Jun-07 (TTM)	Jun-06 (TTM)
Operating Revenue	58,437.00	60,420.00	51,122.00	44,282.00
Total Revenue	58,437.00	60,420.00	51,122.00	44,282.00
Adjustment to Revenue	0	0	0	0
Cost of Sales	9,593.00	9,542.00	9,253.00	6,747.00
Cost of Sales with Dep	12,155.00	11,598.00	10,693.00	7,650.00
Gross Margin	0	0	0	0
Gross Operating Profit	48,844.00	50,878.00	41,869.00	37,535.00
R&D	9,010.00	8,164.00	7,121.00	6,584.00
SG&A	16,909.00	18,166.00	14,784.00	13,576.00
Advertising	0	0	0	0
Operating Profit	20,363.00	22,492.00	18,524.00	16,472.00
Operating Profit before	22,925.00	24,548.00	19,964.00	17,375.00
Depreciation	2,562.00	2,056.00	1,440.00	903
Depreciation Unreconc	0	0	0	0
Amortization	0	0	0	0
Amortization of Intang	0	0	0	0
Operating Income After	20,363.00	22,492.00	18,524.00	16,472.00
Interest Income	706	888	1,319.00	0
Earnings from Equity In	0	0	-34	0
Other Income, Net	-1,248.00	434	292	1,790.00
Income Acquired in Pro	0	0	0	0
Interest Restructuring	0	0	0	0
Other Special Charges	0	0	0	0
Total Income Avail for	19,821.00	23,814.00	20,101.00	18,262.00
Interest Expense	0	0	0	0
Income Before Tax (EB	19,821.00	23,814.00	20,101.00	18,262.00
Income Taxes	5,252.00	6,133.00	6,036.00	5,663.00
Minority Interest	0	0	0	0
Preferred Securities of	0	0	0	0
Net Income from Cont	14,569.00	17,681.00	14,065.00	12,599.00
Net Income from Disc	0	0	0	0
Net Income from Total	14,569.00	17,681.00	14,065.00	12,599.00
Extraordinary Income/	0	0	0	0
Income from Cum. Effe	0	0	0	0
Income from Tax Loss	0	0	0	0
Other Gains (Losses)	0	0	0	0
Total Net Income	14,569.00	17,681.00	14,065.00	12,599.00
Normalized Income	14,569.00	17,681.00	14,065.00	12,599.00
Net Income Available f	14,569.00	17,681.00	14,065.00	12,599.00
Preferred Dividends	0	0	0	0
Excise Taxes	0	0	0	0

Per Share Data

Ratios

Stock Price

Valuation

Price-Earnings

Market to Book

Enterprise / EBITDA

Profitability

Operating Margin

Net Profit Margin

Return on Equity

Financial Strength

Current Ratio

Book Debt-Equity

Mkt Debt-Equity

Interest Coverage

Enterprise Value

Basic EPS from Contin	1.63	1.9	1.44	1.21
Basic EPS from Discont	0	0	0	0
Basic EPS from Total O	1.63	1.9	1.44	1.21
Basic EPS from Extraor	0	0	0	0
Basic EPS from Cum Ef	0	0	0	0
Basic EPS from Other C	0	0	0	0
Basic EPS Total	1.63	1.9	1.44	1.21
Basic Normalized Net I	1.63	1.9	1.44	1.21
Diluted EPS from Cont	1.62	1.87	1.42	1.2
Diluted EPS from Discc	0	0	0	0
Diluted EPS from Total	1.62	1.87	1.42	1.2
Diluted EPS from Extra	0	0	0	0
Diluted EPS from Cum	0	0	0	0
Diluted EPS from Othe	0	0	0	0
Diluted EPS Total	1.62	1.87	1.42	1.2
Diluted Normalized Ne	1.62	1.87	1.42	1.2
Dividends Paid per Sha	0.5	0.43	0.39	0.34

Additional Data

Basic Weighted Shares	8,945.00	9,328.00	9,742.00	10,438.00
Diluted Weighted Shar	8,996.00	9,470.00	9,886.00	10,531.00

	Jun-09 (TTM)	Jun-08 (TTM)	Jun-07 (TTM)	Jun-06 (TTM)
Assets				
Cash and Equivalents	6,076.00	10,339.00	6,111.00	6,714.00
Restricted Cash	0	0	0	0
Marketable Securities	25,371.00	13,323.00	17,300.00	27,447.00
Accounts Receivable	11,192.00	13,589.00	11,338.00	9,316.00
Loans Receivable	0	0	0	0
Other Receivable	0	0	0	0
Receivables	11,192.00	13,589.00	11,338.00	9,316.00
Raw Materials	170	417	435	465
Work In Progress	45	31	148	0
Purchased Component	0	0	0	0
Finished Goods	502	537	544	1,013.00
Other Inventories	0	0	0	0
Inventories -Adj Allow	0	0	0	0
Inventories	717	985	1,127.00	1,478.00
Prepaid Expenses	0	0	0	0
Current Deferred Inco	2,213.00	2,017.00	1,899.00	1,940.00
Other Current Assets	3,711.00	2,989.00	2,393.00	2,115.00
Total Current Assets	49,280.00	43,242.00	40,168.00	49,010.00
Gross Fixed Assets (Pla	15,082.00	12,544.00	9,366.00	7,223.00
Accumulated Deprecia	7,547.00	6,302.00	5,016.00	4,179.00
Net Fixed Assets	7,535.00	6,242.00	4,350.00	3,044.00
Intangibles	1,759.00	1,973.00	878	539

Cost in Excess	12,503.00	12,108.00	4,760.00	3,866.00
Non-Current Deferred	279	949	1,389.00	2,611.00
Other Non-Current As	6,532.00	8,279.00	11,626.00	10,527.00
Total Non Current Ass	28,608.00	29,551.00	23,003.00	20,587.00

Total Assets	77,888.00	72,793.00	63,171.00	69,597.00
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Liabilities

Accounts Payable	5,008.00	4,034.00	3,247.00	2,909.00
Notes Payable	0	0	0	0
Short Term Debt	2,000.00	0	0	0
Accrued Expenses	0	0	0	0
Accrued Liabilities	3,156.00	2,934.00	2,325.00	1,938.00
Deferred Revenues	13,003.00	13,397.00	10,779.00	9,138.00
Current Deferred Inco	0	0	0	1,557.00
Other Current Liabilit	3,867.00	9,521.00	7,403.00	6,900.00
Total Current Liabilit	27,034.00	29,886.00	23,754.00	22,442.00
Long Term Debt	3,746.00	0	0	0
Capital Lease Obligatic	0	0	0	0
Deferred Income Taxe	0	0	0	0
Other Non-Current Lia	7,550.00	6,621.00	8,320.00	7,051.00
Minority Interest	0	0	0	0
Preferred Securities of	0	0	0	0
Preferred Equity outsi	0	0	0	0
Total Non-Current Liab	11,296.00	6,621.00	8,320.00	7,051.00

Total Liabilities	38,330.00	36,507.00	32,074.00	29,493.00
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Stockholder's Equity

Preferred Stock Equity	0	0	0	0
Common Stock Equity	39,558.00	36,286.00	31,097.00	40,104.00
Common Par	62,382.00	62,849.00	0	0
Additional Paid In Capi	0	0	60,557.00	59,005.00
Cumulative Translatio	0	0	149	0
Retained Earnings	-22,824.00	#####	#####	#####
Treasury Stock	0	0	0	0
Other Equity Adjustme	0	0	1,505.00	1,229.00
Total Equity	39,558.00	36,286.00	31,097.00	40,104.00
Total Capitalization	43,304.00	36,286.00	31,097.00	40,104.00

Total Liabilities & Stock	77,888.00	72,793.00	63,171.00	69,597.00
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Additional Data

Cash Flow	17,131.00	19,737.00	15,505.00	13,502.00
Working Capital	22,246.00	13,356.00	16,414.00	26,568.00
Free Cash Flow	10,582.00	6,362.00	10,577.00	8,632.00
Invested Capital	43,304.00	36,286.00	31,097.00	40,104.00

Share Data

Shares Outstanding Cc	8,908.00	9,151.00	9,380.00	10,062.00
Preferred Shares	0	0	0	0
Total Ordinary Shares	0	0	0	0
Total Common Shares	8,908.00	9,151.00	9,380.00	10,062.00
Treasury Shares	0	0	0	0

	Jun-09 (TTM)	Jun-08 (TTM)	Jun-07 (TTM)	Jun-06 (TTM)
Operating Activities				
Net Income (Loss)	14,569.00	17,681.00	14,065.00	12,599.00
Depreciation	2,562.00	2,056.00	1,440.00	903
Amortization	0	0	0	0
Amortization of Intang	0	0	0	0
Deferred Income Taxe	762	935	421	219
Operating (Gains) Loss	683	-572	-292	1,454.00
Extraordinary (Gains) l	0	0	0	0
(Increase) Decrease in	2,215.00	-1,569.00	-1,764.00	-2,071.00
(Increase) Decrease in	0	0	0	0
(Increase) Decrease in	0	0	0	0
(Increase) Decrease in	-422	153	232	-1,405.00
(Increase) Decrease in	0	0	0	0
(Increase) Decrease in	-3,371.00	-748	-552	-145
(Increase) Decrease in	1,400.00	-271	1,123.00	1,224.00
Other Non-Cash Items	639	3,947.00	3,123.00	1,626.00
Net Cash from Contin	19,037.00	21,612.00	17,796.00	14,404.00
Net Cash from Discont	0	0	0	0

Net Cash from Operati 19,037.00 21,612.00 17,796.00 14,404.00

Investing Activities

Sale of Property, Plant	0	0	0	0
Sale of Long Term Inve	25,997.00	2,597.00	4,736.00	3,877.00
Sale of Short Term Inve	0	25,132.00	41,451.00	54,353.00
Purchase of Property,	-3,119.00	-3,182.00	-2,264.00	-1,578.00
Acquisitions	-868	-8,053.00	-1,150.00	-649
Purchase of Long Terr	-37,780.00	0	0	0
Purchase of Short Terr	0	#####	#####	#####
Other Investing Chang	0	-127	-376	3,117.00
Cash from Disc. Investi	0	0	0	0

Net Cash from Investir -15,770.00 -4,587.00 6,089.00 8,003.00

Financing Activities

Issuance of Debt	5,974.00	0	0	0
Issuance of Capital Sto	631	3,494.00	6,782.00	2,101.00

Repayment of Debt	-228	0	0	0
Repurchase of Capital	-9,353.00	#####	#####	#####
Payment of Cash Divid	-4,468.00	-4,015.00	-3,805.00	-3,545.00
Other Financing Charg	-19	120	54	89
Cash from Disc. Financ	0	0	0	0
Net Cash from Financi	-7,463.00	#####	#####	#####
Effect of Exchange Rat	-67	137	56	18
Net Change in Cash &	-4,263.00	4,228.00	-603	1,863.00
Cash at Beginning of P	10,339.00	6,111.00	6,714.00	4,851.00
Cash at End of Period	6,076.00	10,339.00	6,111.00	6,714.00

Jun-09	Jun-08	Jun-07	Jun-06	Industry
23.77	27.51	29.47	23.3	
14.6728395	14.71123	20.7535211	19.4166667	47.5
5.35272663	6.9377724	8.8892369	5.84591562	3.83
8.15361614	9.4896236	13.2080615	12.0313324	
83.58%	84.21%	81.90%	84.76%	26.99%
24.93%	29.26%	27.51%	28.45%	4.57%
36.83%	48.73%	45.23%	31.42%	6.54%
1.82288969	1.4468982	1.69099941	2.18385171	2.35
0.14525507	0	0	0	0.1908
0.0270244	0	0	0	
#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	4.1
186,921.7	232,951.3	263,685.7	209,044.4	

* The error message #DIV/0! above occurs because Microsoft does not have interest expense on their financial statements due to low debt. Since that ratio divides EBIT by interest expense, the answer is undefined, and excel responds with an error message.

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