

Example 1: Managerial measures of shareholder's wealth

Balance Sheet

	<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>
Current assets:			Current liabilities		
Cash and marketable securities	661	530	Debt due for repayment	1,021	1,104
Accounts receivable	166	247	Accounts payable	4,543	4,137
Inventories	8,209	7,611	Other current liabilities	2,458	2,510
Other current assets	215	298	Total current liabilities	8,022	7,751
Total current assets	9,251	8,686			
Fixed assets:			Long-term debt	5,039	5,576
Tangible fixed assets:			Deferred income taxes	660	670
Property plant and equipment	31,477	28,836	Other long-term liabilities	910	774
Less accumulated depreciation	8,755	7,475	Total liabilities	14,631	14,771
Net tangible fixed assets	22,722	21,361			
Long -term investments	253	509	Common stock and other paid-in capital	735	729
Other long-term assets	460	313	Retained earnings and capital surplus	17,320	15,369
			Treasury stock	0	0
Total assets	32,686	30,869	Total shareholders' equity	18,055	16,098
			Total liabilities and shareholders' equity	32,686	30,869
Note:					
Number of shares (millions)	1,470				
Share price (\$)	18.19				

Income Statement 2007

Net sales	48,230
Cost of goods sold	31,729
Selling, general and administrative expenses	11,158
Depreciation	<u>1,539</u>
Earnings before interest and taxes (EBIT)	3,804
Interest expense	<u>298</u>
Taxable income	3,506
Tax	<u>1,311</u>
Net income	<u>2,195</u>
Dividends	491
Addition to retained earnings	1,704

According to the above Balance Sheet and Income Statement, find the following managerial measures of shareholder's wealth when the company's weighted-average cost of capital was about 10%, and tax rate was at 35%.

- Market value added.
- Market-to-book ratio.
- Economic value added.
- Return on capital.

Example 2: Change in Fixed Asset Calculation

	31 December 2011	31 December 2012
Fixed Assets	150,000	3,000,000
Depreciation	520,000	820,000
Net Fixed Assets	980,000	2,180,000

- Assume:
1. Company bought additional fixed assets during the period at \$2,000,000
 2. Depreciation during the period \$400,000

Example 3: Statement of Cash Flow

Cash flows from operating activities:	
Net cash flow from operating activities	

Cash flows from investing activities:	

Cash flows from financing activities:	
Net cash flow from financing activities	

Increase in cash balance	
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Sources of change in cash:

1. It earned \$60 million of net income.
2. It purchased \$25 million of marketable securities.
3. It invested \$30 million.
4. It increased its accounts payable – borrowing an additional \$25 million from its suppliers.
5. It allowed accounts receivable to expand by \$25 million.
6. It set aside \$20 million as depreciation.
7. It paid a \$30 million dividend.
8. It reduced inventory, releasing \$5 million.
9. It issued \$30 million of long-term debt.
10. It repaid \$25 million of short-term bank debt.

Example 4: Statement of Cash Flows Calculation

Changes in Balance Sheet of ChuThaThep Company (2011 and 2012)

Entries	Activity	2011	2012	Cash Inflow	Cash Outflow
Cash		16,000	15,000		
Marketable securities		8,000	7,200		
Account receivable		42,200	34,100		
Inventory		50,000	82,000		
Land and plant		150,000	150,000		
Machine		190,000	200,000		
Office equipment		50,000	54,000		
Other fixed assets		10,000	11,000		
Depreciation reserve		115,000	145,000		
Account payable		49,000	57,000		
Note payable		16,000	13,000		
Accrual expense		6,000	5,000		
Long-term debt		160,000	150,000		
Common stock		120,000	110,200		
Retained earning		50,200	73,100		
Total					

Statement of Cash Flow

Cash flow from operating activities:

Net income	49,000	
<i>Plus</i>		
<i>Minus</i>		

Cash flow from investing activities:

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Cash flow from financing activities:

Dividend payout	(26,100)	
Net cash flow increase (decrease)		
Cash at the beginning of period		
Cash at the end of period		