

Session 2A: Post Class tests

Income statement of 3 companies: manufacturing, retail & technology

	Navistar	Nordstrom	Google
Revenue	\$ 9,398.00	\$15,132.00	161,857.0
Finance Div. Revenue	\$ 187.00	\$ 392.00	
Total Revenue	\$ 9,585.00	\$15,524.00	161,857.0
Cost Of Goods Sold	\$ 7,904.00	\$ 9,932.00	71,896.0
Finance Div. Operating Exp.	\$ 108.00	-	
Interest Expense - Finance Division	\$ 88.00	-	
Gross Profit	\$ 1,485.00	\$ 5,592.00	89,961.0
Selling General & Admin Exp.	\$ 742.00	\$ 4,776.00	27,461.0
R & D Exp.	\$ 322.00	-	26,018.0
Other Operating Exp., Total	\$ 1,064.00	\$ 4,776.00	53,479.0
Operating Income	\$ 421.00	\$ 816.00	36,482.0
Interest Expense	\$ (185.00)	\$ (112.00)	(100.0)
Interest and Invest. Income	\$ 2.00	\$ 10.00	2,427.0
Net Interest Exp.	\$ (183.00)	\$ (102.00)	2,327.0
Income/(Loss) from Affiliates	\$ (1.00)	-	
Currency Exchange Gains (Loss)	\$ (4.00)		103.0
Other Non-Operating Inc. (Exp.)	\$ 27.00		(224.0)
EBT Excl. Unusual Items	\$ 260.00	\$ 714.00	38,688.0
Restructuring Charges	\$ (15.00)		
Gain (Loss) On Sale Of Invest.	\$ -	\$ (32.00)	3,188.0
Gain (Loss) On Sale Of Assets	\$ (2.00)	-	-
Asset Writedown	\$ (17.00)	-	-
Legal Settlements	\$ 28.00	-	(554.0)
Other Unusual Items	\$ (9.00)		(1,697.0)
EBT Incl. Unusual Items	\$ 245.00	\$ 682.00	39,625.0
Income Tax Expense	\$ 41.00	\$ 186.00	5,282.0
Earnings from Cont. Ops.	\$ 204.00	\$ 496.00	34,343.0
Earnings of Discontinued Ops.	-	-	-
Extraord. Item & Account. Change	-	-	-
Net Income to Company	\$ 204.00	\$ 496.00	34,343.0
Minority Int. in Earnings	\$ (20.00)	-	-
Net Income	\$ 184.00	\$ 496.00	34,343.0

1. Using the income statements for Navistar, Nordstrom and Google, estimate COGS as a percent of revenues. How would you explain the differences and why do they matter?
2. Using the income statements for Navistar, Nordstrom and Google, estimate SG&A expenses as a percent of total operating expenses. How would you explain the differences and what are the implications?
3. Navistar reports a financing revenue and expense. What is your reading of what these items are and why they exist?
4. Each of the companies reports a tax expense on its income statement. Which of the following best describes what these taxes represent?
 - a. Cash taxes paid by the company during the fiscal year
 - b. Taxes on taxable income in income statement, based upon the tax code
 - c. Taxes on operating income, ignoring interest expenses
 - d. Taxes on taxable income in tax books, based upon the tax code
 - e. None of the above
5. Navistar reports a currency exchange loss and Google reports a currency exchange gain, in the same year. How would you explain the difference?