

## Session 4A: Post Class tests

### Cash Flow Statements of 3 companies: manufacturing, retail & technology

|  | Navistar            | Nordstrom          | Google               |
|--|---------------------|--------------------|----------------------|
| <b>Net Income</b>                        | <b>\$ 184.00</b>    | <b>\$ 496.00</b>   | <b>\$ 31,534.00</b>  |
| Depreciation & Amort.                    | \$ 133.00           | \$ 837.00          | \$ 11,891.00         |
| Amort. of Goodwill and Intangibles       | \$ 3.00             | \$ 7.00            | \$ 787.00            |
| <b>Depreciation &amp; Amort., Total</b>  | <b>\$ 136.00</b>    | <b>\$ 844.00</b>   | <b>\$ 12,678.00</b>  |
| Other Amortization                       | \$ 79.00            |                    |                      |
| (Gain) Loss From Sale Of Assets          | \$ 5.00             |                    | -                    |
| (Gain) Loss On Sale Of Invest.           | \$ -                |                    | \$ 40.00             |
| Asset Writedown & Restructuring Costs    | \$ 17.00            | -                  | \$ 149.00            |
| (Income) Loss on Equity Invest.          | \$ 2.00             |                    |                      |
| Stock-Based Compensation                 | \$ 22.00            | \$ 69.00           | \$ 11,842.00         |
| Provision & Write-off of Bad debts       | \$ 7.00             | -                  |                      |
| Other Operating Activities               | \$ 9.00             | \$ 62.00           | \$ (738.00)          |
| Change in Acc. Receivable                | \$ 141.00           | \$ 82.00           | \$ (1,844.00)        |
| Change In Inventories                    | \$ 103.00           | \$ 30.00           | -                    |
| Change in Acc. Payable                   | \$ (250.00)         | \$ 98.00           | \$ 182.00            |
| Change in Unearned Rev.                  |                     |                    | \$ 275.00            |
| Change in Inc. Taxes                     |                     |                    | \$ (2,615.00)        |
| Change in Other Net Operating Assets     | \$ 67.00            | \$ (445.00)        | \$ 3,834.00          |
| <b>Cash from Ops.</b>                    | <b>\$ 522.00</b>    | <b>\$ 1,236.00</b> | <b>\$ 55,337.00</b>  |
| Capital Expenditure                      | \$ (250.00)         | \$ (935.00)        | \$(24,180.00)        |
| Sale of Property, Plant, and Equipment   | \$ 16.00            |                    | -                    |
| Cash Acquisitions                        | -                   | -                  | \$ (2,623.00)        |
| Divestitures                             | -                   | -                  | -                    |
| Sale (Purchase) of Intangible assets     | -                   |                    | -                    |
| Invest. in Marketable & Equity Secur.    | \$ 38.00            | -                  | \$ 1,829.00          |
| Net (Inc.) Dec. in Loans Originated/Sold | -                   | -                  | -                    |
| Other Investing Activities               | \$ 2.00             | \$ 26.00           | \$ 1,031.00          |
| <b>Cash from Investing</b>               | <b>\$ (194.00)</b>  | <b>\$ (909.00)</b> | <b>\$(23,943.00)</b> |
| Short Term Debt Issued                   | -                   | \$ 8.00            | -                    |
| Long-Term Debt Issued                    | -                   | \$ 499.00          | -                    |
| <b>Total Debt Issued</b>                 | <b>\$ 1,310.00</b>  | <b>\$ 507.00</b>   | <b>\$ 1,898.00</b>   |
| Short Term Debt Repaid                   | -                   | -                  | -                    |
| Long-Term Debt Repaid                    | -                   | \$ (500.00)        | -                    |
| <b>Total Debt Repaid</b>                 | <b>\$(1,122.00)</b> | <b>\$ (500.00)</b> | <b>\$ (2,174.00)</b> |
| Issuance of Common Stock                 | \$ 5.00             | \$ 29.00           | -                    |
| Repurchase of Common Stock               | -                   | \$ (227.00)        | \$(27,142.00)        |
| Common Dividends Paid                    |                     | \$ (229.00)        |                      |
| <b>Total Dividends Paid</b>              | <b>-</b>            | <b>\$ (229.00)</b> | <b>-</b>             |
| Special Dividend Paid                    | -                   | -                  | -                    |
| Other Financing Activities               | \$ (40.00)          | \$ (11.00)         | \$ (2,546.00)        |
| <b>Cash from Financing</b>               | <b>\$ 153.00</b>    | <b>\$ (431.00)</b> | <b>\$(29,964.00)</b> |
| Foreign Exchange Rate Adj.               | \$ (11.00)          |                    | \$ (275.00)          |
| <b>Net Change in Cash</b>                | <b>\$ 470.00</b>    | <b>\$ (104.00)</b> | <b>\$ 1,155.00</b>   |

1. For each of the three companies, estimate the effect that changes in non-cash working capital are having (or taking away) on operating cash flows. What are the implications?
2. Under operating cash flows, each company is adding back stock-based compensation. What is the rationale for doing so?
  - a. Stock based compensation is not an expense
  - b. Stock based compensation is not an accounting expense, but it is a cash expense
  - c. Stock based compensation is an accounting expense, but it is not a cash expense
  - d. Stock based compensation is a financing cash flow, not an operating cash flow
  - e. None of the above
3. For each of the three companies, estimate how much of the investing cash flow represents investment in operating assets and how much in non-operating assets. Why do we care?
4. For each of the three companies, estimate how much total debt changed during the course of the year, based upon the financing cash flows.
5. For each of the three companies, estimate how much was returned to stockholders in dividends and how much in net stock buybacks. What are the implications?