

## Session 6A: Post Class tests

In the tables below, I have reported the income statements (most recent year) and balance sheets (most recent year and last year) of Navistar.

### *Income Statements*

	<b>Navistar</b>
Revenue	\$ 9,398.00
Finance Div. Revenue	\$ 187.00
<b>Total Revenue</b>	<b>\$ 9,585.00</b>
Cost Of Goods Sold	\$ 7,904.00
Finance Div. Operating Exp.	\$ 108.00
Interest Expense - Finance Division	\$ 88.00
<b>Gross Profit</b>	<b>\$ 1,485.00</b>
Selling General & Admin Exp.	\$ 742.00
R & D Exp.	\$ 322.00
<b>Other Operating Exp., Total</b>	<b>\$ 1,064.00</b>
<b>Operating Income</b>	<b>\$ 421.00</b>
Interest Expense	\$ (185.00)
Interest and Invest. Income	\$ 2.00
<b>Net Interest Exp.</b>	<b>\$ (183.00)</b>
Income/(Loss) from Affiliates	\$ (1.00)
Currency Exchange Gains (Loss)	\$ (4.00)
Other Non-Operating Inc. (Exp.)	\$ 27.00
<b>EBT Excl. Unusual Items</b>	<b>\$ 260.00</b>
Restructuring Charges	\$ (15.00)
Gain (Loss) On Sale Of Invest.	\$ -
Gain (Loss) On Sale Of Assets	\$ (2.00)
Asset Writedown	\$ (17.00)
Legal Settlements	\$ 28.00
Other Unusual Items	\$ (9.00)
<b>EBT Incl. Unusual Items</b>	<b>\$ 245.00</b>
Income Tax Expense	\$ 41.00
<b>Earnings from Cont. Ops.</b>	<b>\$ 204.00</b>
Earnings of Discontinued Ops.	-
Extraord. Item & Account. Change	-
<b>Net Income to Company</b>	<b>\$ 204.00</b>
Minority Int. in Earnings	\$ (20.00)
<b>Net Income</b>	<b>\$ 184.00</b>

*Balance Sheets*

	Last year	Most recent
<b>ASSETS</b>		
Cash And Equivalents	957.0	853.0
<b>Total Cash &amp; ST Investments</b>	<b>957.0</b>	<b>853.0</b>
Accounts Receivable	148.0	179.0
Other Receivables	-	-
<b>Total Receivables</b>	<b>148.0</b>	<b>179.0</b>
Inventory	1,978.0	1,920.0
Prepaid Exp.	291.0	278.0
Deferred Tax Assets, Curr.	-	-
Restricted Cash	-	-
Other Current Assets	-	-
<b>Total Current Assets</b>	<b>3,374.0</b>	<b>3,230.0</b>
Gross Property, Plant & Equipment	10,568.0	13,131.0
Accumulated Depreciation	(6,647.0)	(7,178.0)
<b>Net Property, Plant &amp; Equipment</b>	<b>3,921.0</b>	<b>5,953.0</b>
Goodwill	249.0	249.0
Other Long-Term Assets	342.0	305.0
<b>Total Assets</b>	<b><u>7,886.0</u></b>	<b><u>9,737.0</u></b>
<b>LIABILITIES</b>		
Accounts Payable	1,469.0	1,576.0
Accrued Exp.	580.0	510.0
Curr. Port. of LT Debt	8.0	-
Curr. Port. of Leases	-	244.0
Unearned Revenue, Current	548.0	576.0
Other Current Liabilities	776.0	614.0
<b>Total Current Liabilities</b>	<b>3,381.0</b>	<b>3,520.0</b>
Long-Term Debt	2,677.0	2,676.0
Long-Term Leases	-	1,875.0
Pension & Other Post-Retire. Benefits	180.0	213.0
Other Non-Current Liabilities	775.0	474.0
<b>Total Liabilities</b>	<b>7,013.0</b>	<b>8,758.0</b>
Common Stock	3,048.0	3,129.0
Additional Paid In Capital	-	-
Retained Earnings	(2,138.0)	(2,082.0)
Treasury Stock	-	-
Comprehensive Inc. and Other	(37.0)	(68.0)
<b>Total Common Equity</b>	<b>873.0</b>	<b>979.0</b>
<b>Total Equity</b>	<b><u>873.0</u></b>	<b><u>979.0</u></b>
<b>Total Liabilities And Equity</b>	<b><u>7,886.0</u></b>	<b><u>9,737.0</u></b>

1. Compute the gross margins, operating margins (pre-tax and post- tax) and net margins for Navistar, based upon the most recent year's numbers.
2. Compute the returns on equity and after-tax returns on invested capital for Navistar.
3. Compute the turnover ratios (asset and capital) for Navistar.
4. Compute the debt to equity and debt to capital ratios for Navistar, based upon book values. If the market value of Navistar's equity is 3,200 million and the market value of Navistar's debt is close to its book value, re-estimate the ratios based upon market values.
5. Compute the interest coverage ratios for Navistar, with and without the financing division.