INSTRUCTOR'S/SOLUTIONS MANUAL

FINANCIAL REPORTING, FINANCIAL STATEMENT ANALYSIS, AND VALUATION

A STRATEGIC PERSPECTIVE

SIXTH EDITION

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Some Suggestions for Using this Textbook

Our discussions with professors who teach courses in financial statement analysis and equity valuation and our study of the course outlines of users of previous editions of this book lead us to make the following observations:

1. There is little consensus regarding the objectives and content of courses in financial statement analysis. Courses vary in their relative emphasis on (a) the concepts, tools, and skills for analyzing financial statements, (b) the effects of alternative accounting principles on the quality of accounting information, and (c) valuation.

2. At various institutions, faculty in accounting, finance, and economics may teach this course.

3. The course may focus on the most recent research findings and the methodological issues in conducting empirical research using financial statement data.

4. The course may presume that students have had only an introductory financial accounting course, or less, or that students have had the equivalent of a major in accounting.

It is not surprising that the professors we spoke with felt that the textbooks on the market satisfied some of their needs, but seldom did one textbook satisfy all of them. We have no delusions in this regard about the potential for this textbook either. We have five premises in writing this book:

1. Analyzing financial statements and valuing firms is an integrated process in which the analyst must understand industry competitive dynamics, firm strategy, accounting quality, profitability and risk assessment, forecasting, and valuation models. We strive to integrate these six components of the process throughout this book. We discuss this in more detail below in the section on positioning this text.

2. The usual goal of financial statement analysis is to value a firm. Therefore, we discuss the important concepts, tools, and skills of financial statement analysis with this objective constantly in view.

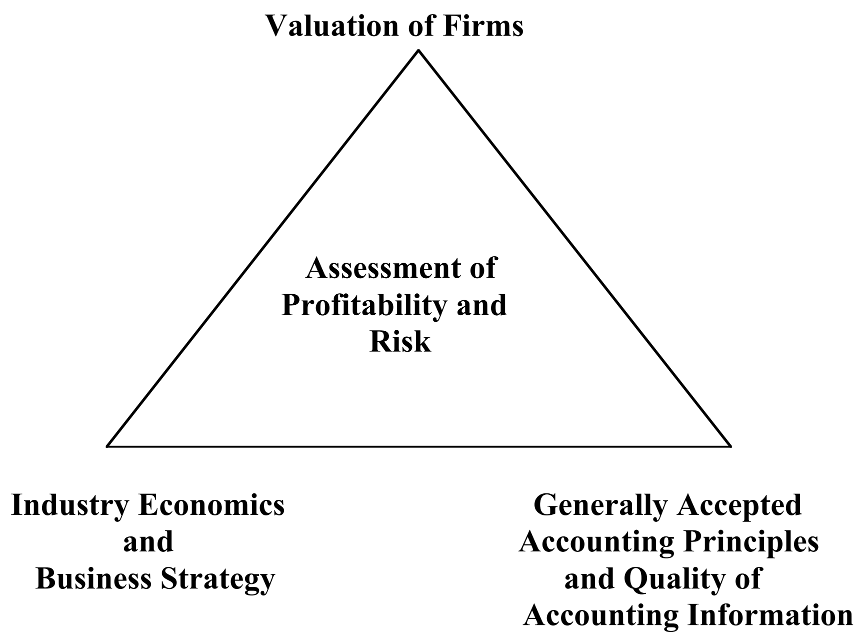
3. The financial statement analysis course serves as a synthesizing experience for students, integrating concepts and skills from accounting, finance, economics, business strategy, and related disciplines.

4. Problems and cases based on data for actual companies enhance student motivation and skill development.

5. The text, questions, exercises, problems, cases, software, and related materials should provide sufficient flexibility to permit professors to adapt these materials to suit their particular objectives and needs.

Positioning of the Book

As we indicate in the preface to the book, we find it helpful to view financial statement analysis as a triangle. The analysis of profitability and risk using financial statements is in the center of the triangle. Interpreting profitability and risk ratios requires an understanding of the economic characteristics of the industries in which a firm competes and the business strategies a firm has selected to compete in those industries. The analyst should not naively accept reported financial statement information when performing profitability and risk analysis, but should first assess its quality and make appropriate adjustments. The analysis of a firm's profitability and risk in the recent past serves as a prelude to forecasting its future profitability and risk. Forecasts of future earnings, cash flows, and dividends provide the bases for valuing a firm. We depict these elements below:



As authors of this book, we find it useful to reflect on the courses that we teach in financial statement analysis and then place a dot inside the triangle to indicate the relative emphasis on each of the elements depicted as points of the triangle. You may find it useful to do the same. We discovered that, although the location of our dots differed somewhat, all of the elements were needed for effective financial statement analysis. De-emphasizing any of the elements can take away from the potential richness of the course. Thus, we have tried to position our book to cover this entire triangle. Furthermore, we must not only include each of these elements in our courses, but we need to cover them in a balanced and integrated manner. We accomplish this balance and integration in this textbook by continually relating each of the elements to the others and designing problem and case materials that require students to do the same.

Structure of the Book
The material in this textbook divides into three main segments:

1. Core concepts and tools of financial statement analysis: Chapters 1 to 5.

2. Quality of accounting information and generally accepted accounting principles (GAAP): Chapters 6 to 9.

3. Forecasting and valuation of firms: Chapters 10 to 14.

Not only do instructors differ on their relative emphasis on each of these parts, but they also differ as to the sequence in which they cover them. We have designed this textbook so that instructors have flexibility to sequence the topics to suit their particular preferences. Chapter 1 is an overview of financial statement analysis and is intended as a starting point for all courses. We can think of several sequencing scenarios for which we feel the textbook is adaptable:

Scenarios 1: Begin with the core concepts of financial statement analysis (Chapters 1 to 5), move to alternative GAAP (Chapters 6 to 9), and finish with valuation (Chapters 10 to 14).

Scenario 2: Begin with the tools of profitability and risk analysis (Chapters 4 and 5) and then move to valuation (Chapters 10 and 14). Fill in with materials on particular GAAP as needed for assigned problems and cases (Chapters 6 to 9).

Scenario 3: Begin with concepts and procedures underlying the financial statements (Chapters 2 and 3) and then move to alternative GAAP (Chapters 6 to 9). Move next to the tools of financial statement analysis (Chapters 4 and 5) and their application in valuation settings (Chapters 10 to 14).

Other sequences are also possible. The key is balanced coverage of each of the elements, not necessarily their sequence.

Sample Course Outlines
One use of this textbook is in a two-course sequence designed for students who will be intensive users of financial statements in their professional responsibilities (security analysis, credit analysts, investment bankers, financial consultants). The first course, Corporate Financial Reporting, emphasizes alternative accounting principles and their effects on the financial statements and on assessments of the quality of accounting information. The second course, Financial Statement Analysis, applies the tools of financial statement analysis to the financial data of actual companies, both for the purpose of studying their profitability and risk and for valuing them. Schedules 1 and 2 in this instructor's/solutions manual present course outlines for these two courses.

Another approach is to use the textbook in a single course, Financial Reporting and Statement Analysis, which combines the content of the two-course sequence. Schedule 3 presents an outline for this course.

When students have previously taken courses in intermediate and advanced accounting principles, the instructor may omit Chapters 6 to 9. Most students, however, will find that the user perspective taken in the study of various alternative accounting principles in these chapters enhances their understanding and broadens their perspective. The material on valuation in Chapters 10 to 14 is sometimes covered in finance courses instead of the course in financial statement analysis.

Schedules 1, 2, and 3 also indicated suggested problems and cases for undergraduate and graduate courses. We suggest making heavy use of questions, exercises, and problems for undergraduate courses and a mixture of problems and cases for graduate courses. The cases are more integrative and generally more complex than the problems. The problems, however, require both analysis and interpretation. In that sense, the problems are like mini-cases.

Term Paper Project

We have found that assigning a term paper project is an excellent synthesizing device for the financial statement analysis course. Students can either work alone and analyze two companies in the same industry or work in groups to analyze three or four companies in the same industry. Analyzing more than four companies is cumbersome and typically not necessary. We have students summarize the economics and current conditions in the industry, describe the strategies of each of the firms, input the financial statement data with appropriate adjustments into a spreadsheet program (such as FSAP), perform a profitability and risk analysis, prepare forecasted financial statements, and value the firms. We ask students to turn in progress reports throughout the term in insure that they are making progress on the project. The first item turned in, at about the one-third point in the course, is an outline of the economic characteristics of the industry and the strategies of the firms. The second item turned in, at about the two-thirds point in the course, is a printout of the financial statements and financial statement ratios and a short description of the accounting quality issues (both high- and low-quality) and the data adjustments made. The third item turned in a set of forecasted financial statements, which occurs with approximately two weeks left in the course. We often devote the last several class periods of the term to short project presentations by students. Appendix 1.1 of the text provides students with guidance in conducting the term project.

Overview of Cases

The teaching note for each case describes the objectives of the case as well as suggestions for teaching it. We present below a summary of the principal purpose of each case.

Case 1.1: Starbucks. This case introduces the series of integrative cases that appear in each of the remaining chapters. The purpose of the integrative case series is to permit students to apply the material covered in each chapter to the financial statements and other information for the same company. Case 1.1 leads students to review the important concepts and principles underlying the balance sheet, income statement, and statement of cash flows and to begin conducting financial statement analysis. The case works well for a first class if students have not done any class preparation, because the instructor can walk students through selected questions to orchestrate the desired review. The instructor might also provide solutions to the first four parts of the case involving each financial statement and the relations between them, and then spend time with interpretations.

Case 1.2: Nike: Somewhere Between a Swoosh and A Slam Dunk. This case reviews the basic concepts and principles from the introductory financial accounting course and introduces tools for analyzing financial statements. The case works well for a first class if students have not done any class preparation, because the instructor can walk students through selected questions to orchestrate the desired review. The instructor might also provide solutions to the first four parts of the case involving each financial statement and the relations between them, and then spend class time with interpretations.

Integrative Case 2.1: Starbucks. This portion of the integrative case on Starbucks examines the firm's disclosures on income taxes, with emphasis on the relation between book income and taxable income and interpretation of changes in various deferred tax accounts.

Integrative Case 3.1: Starbucks. This case focuses on interpreting the statement of cash flows of Starbucks. It also examines the relation between net income, cash flow from operations, and EBITDA.

Case 3.2: Prime Contractors. Prime Contractors shifted its strategy from an asset-intensive business to a people-intensive business. Students study the statement of cash flows to see evidence of this strategic shift. The case also illustrates that net income and cash flow from operations can move in opposite directions and students are asked to explain how this can happen.

Case 3.3: W.T. Grant company: A Case Study of Bankruptcy. Grant was profitable up to the last year before its bankruptcy, but was unable to generate cash internally. This case demonstrates the need for a statement of cash flows. The case provides the relevant financial statement ratios, so students need not make many calculations. The case demonstrates how a poorly executed business strategy can sink even a large, well-established company. It also brings up several accounting issues, including inadequate provisions for uncollectible accounts, recognition of interest income on installment receivables, consolidation policy, and control systems for decentralized firms. Students do not need background in the specifics of these accounting issues in order to observe their effect on the financial statements. The W.T. Grant bankruptcy occurred in 1975, yet continues to serve as a classic study of how cash flow problems can lead to financial difficulty.

Integrative Case 4.1: Starbucks. Part A of this case asks students to compute various profitability ratios for Starbucks and explore reasons for changes in its profitability during the most recent three years. Part B of the case provides the same financial ratios for Panera Bread Company as those computed in Part A for Starbucks and asks students to compare the profitability of the two firms.

Case 4.2: Profitability and Risk Analysis of Wal-Mart Stores. Part A of this case asks students to calculate traditional profitability and risk ratios for the most recent year in the case and then interpret the changes in profitability and risk in recent years. Wal-Mart shifted its strategy to (1) increase the emphasis on supercenters, which combine their traditional discounts store concept with grocery products, and (2) grow through acquisitions abroad. The effects of these strategic shifts show up in the financial statement ratios. The instructor can assign the parts of this case involving profitability analysis with Chapter 4 and the parts involving risk analysis with Chapter 5. Alternatively, the instructor can assign the case as an integrative case for Chapters 4 and 5. Problem 10.6 asks students to prepare forecasted financial statements for Wal-Mart and Problems 11.14, 12.17, 13.20, and 14.23 ask students to value Wal-Mart. Thus, the instructor can use Case 4.1 and these four subsequent problems for an integrated study of Wal-Mart. Part B of this case provides profitability and risk ratios for Carrefour and Target and asks students to compare the profitability and risk of these firms with Wal-Mart. Differences in the design and effectiveness of the strategies of these three firms come out clearly in this part of the case. As with Part A, instructors can assign the profitability parts of Part B when covering Chapter 4 and the risk parts when covering Chapter 5 or assign it as an integrative case after covering both Chapters 4 and 5.

Case 5.2: Massachusetts Stove Company: Bank Lending Decision. This case is based on an actual, privately-held company that asked that its identity not be revealed. The setting of the case and the financial statement data are almost identical to those for the company in the time period set forth in the case. The industry faced a downsizing as a result of new environmental regulations and a decrease in demand. This company focuses on retail direct marketing and has apparently carved itself a unique niche. Substantial uncertainty surrounds the future of this company (unsettled lawsuit, continued design and testing costs to meet EPA regulations), so the loan decision is not an easy call.

Case 5.3: Fly-by-Night International Group: Can This Company Be Saved? This case, based on the financial statements of Flight Group International, analyzes a company approaching bankruptcy. Students must identify causes of the firm's problems and suggest changes they would make to keep the firm out of bankruptcy. Students are also asked to apply the Altman bankruptcy prediction model to this firm. A unique aspect of the case is that the majority shareholder is also the chief executive officer and chairman of the board. Part of the firm's difficulties relates to dealings by this individual with the firm, which are not exactly arms' length. This case serves as an excellent vehicle for discussions of corporate governance and ethical issues.

Case 5.4: Millennial Technologies: Apocalypse Now. This case is based on financial data for Centennial Technologies and illustrates three essential analyses: (1) detecting the games firms can play to make themselves appear more profitable than they are, (2) assessing credit risk of a firm with a viable product but significant short-term liquidity risk, and (3) assessing bankruptcy risk for a firm that has limited access to capital markets because of purported fraudulent reporting. This case asks students to apply Beneish's model for detecting earnings manipulation and the Altman model for predicting bankruptcy.

Integrative 6.1: Starbucks. This portion of the integrative case examines two issues of earnings quality for Starbucks: increased revenues from comparable store sales versus new store sales and peripheral gain on sale of an investment.

Case 6.2: Hewlett-Packard: A Pack Ard (Of) Mess. This case uses financial statements for Hewlett-Packard both before and after it acquired Compaq Computer to identify quality of earnings issues and adjust earnings for items not considered sustainable. The case includes a wide array of earnings quality issues and, therefore, provides comprehensive coverage of topics discussed in Chapter 6.

Case 6.3: International Paper: A Recurring Dilemma. International Paper recognized restructuring charges and reported unusual income items and accounting changes. Students must decide how they should treat each of these items when assessing the profitability and risk of International Paper and the adjustments they would make to eliminate them. This case serves as an excellent introduction to the use of FSAP or other computer spreadsheet program. Such programs ease the calculations required when the analyst alters reported financial statement data.

Integrative Case 7.1: Starbucks. This portion of the integrative case asks students to address questions regarding Starbucks' accounting for revenue recognition, inventories, leasehold improvements, and intangibles, with an emphasis on testing for asset impairments.

Case 7.2: Arizona Land Development Company. This case illustrates the effects of alternative income recognition methods on the three principal financial statements. The case provides full financial statements under each income recognition method. Students therefore devote time to understanding the different effects on the financial statements instead of performing the laborious calculations. The link between asset valuation and income recognition, discussed in Chapter 2, comes through clearly. The case also demonstrates that the alternative income recognition methods do not affect cash flows. Students must make a judgment as to the appropriate time to recognize income.

Case 7.3: Chiron Corporation: An R&D Puzzle. Chiron Corporation engages in research and development work internally on its own behalf and on contract for others. It also engages in joint ventures to conduct research. These arrangements affect the income statement differently. The case asks students to recast the income statement for these different arrangements so that they can assess the profitability of Chiron Corporation more effectively. This case is complex and should probably be used only with graduate students.

Case 7.4: Corporacion Industrial Sanluis: Coping with Changing Prices. This case presents financial statements for a Mexican company that uses a mixture of the various approaches to account for changing prices. Students are asked to identify the methods used and to assess how well the firm coped with changing prices. The case is not particularly difficult but is rich for both analysis and interpretation.

Case 8.1: Starbucks. Starbucks makes use of operating leases for much of its store space and, therefore, leaves property, plant and equipment, and debt off its balance sheet. This case asks students to compute the present value of operating lease commitments and calculate several debt ratios both without and with capitalization of operating leases.

Case 8.2: American Airlines and United Airlines: A Pension for Debt. These two airlines have significant commitments under operating leases and underfunded pension and health care obligations. Students are asked to analyze and interpret the disclosures on each of these reporting issues and then to recalculate debt ratios to recognize operating leases and underfunded retirement obligations. We find that this case requires two class periods to cover it adequately.

Case 9.1: Starbucks. This portion of the integrative case examines Starbucks' accounting for its investments in two partnerships through which it distributes a portion of its products. The case emphasizes understanding of the equity method for investments.

Case 9.2: Fisher Corporation. This case illustrates the effects on the financial statements of the purchase method of accounting for a corporate acquisition. It also illustrates how decisions about the financing for an acquisition affect the financial statements after the acquisition. The case provides the full financial statements under two alternative method of financing the acquisition, so that students devote their time to understanding the financial statement effects and then making a recommendation as to the desired financing.

Case 9.3: Clark Equipment Company: Analyzing a Joint Problem. Clark Equipment Company engages in a joint venture with Volvo of Sweden to manufacture heavy earth moving construction and mining equipment worldwide. The joint venture is larger than Clark Equipment Company, but Clark accounts for its investment using the equity method. The case asks students to prepare financial statements using the partial and the full consolidation methods and then to determine which method of accounting best captures the operating relationships between Clark, Volvo, and the joint venture.

Case 9.4: Loucks Corporation: Obtaining Security in Translation. This case asks students to translate the forecasted financial statements of a proposed Colombian subsidiary into U.S. dollars using the all-current and the monetary/nonmonetary translation methods. The calculations assume that the U.S. dollar both increases and decreases in value relative to the Colombian peso during the year. The case then asks students to assess which currency is the appropriate functional currency. The case illustrates the essential concepts underlying foreign currency translation, but is relatively straightforward.

Integrative Case 10.1: Starbucks. This case requires students to construct a spreadsheet or use FSAP to prepare forecasted financial statements for Starbucks. Students must decide on appropriate assumptions to prepare the forecasted financial statements. By this point, students should be familiar with Starbucks, although it is not essential that students will have prepared the portions of the integrative cases in prior chapters in order to decide on appropriate assumptions. These forecasted amounts become the base for the integrative cases on valuation in Chapters 11 to 14.

Case 10.2: Massachusetts Stove Company: Analyzing Strategic Options. This case follows up Case 5.2, which analyzes the credit risk of Massachusetts Stove Company. The setting of Case 10.2 is five years later. The firm is healthier but its wood stove products have reached maturity. Students are asked to prepare forecasted financial statements to assess the desirability of adding gas stoves to the wood stove line of products. The case provides forecasted assumptions for the best case, most likely case, and worst case scenarios. Students must design a spreadsheet to permit analysis of these options.

Integrative Case 11.1: Starbucks. Students compute the cost of equity capital for Starbucks and then apply the dividend-based valuation method, using forecasted amounts from Integrative Case 10.1. Students must also study the sensitivity of the valuation to changes in discount rate and the long-term growth rate.

Integrative Case 12.1: Starbucks. This portion of the integrative case guides students through the valuation of Starbucks using the present value of free cash flows to common equity shareholders and the present value of free cash flows to all debt and equity stakeholders. The case also asks students to assess the sensitivity of their valuations to changes in assumptions about costs of capital and long-term growth rates.

Case 12.2: Holmes Corporation: LBO Valuation. This case involves the full range of analyses for a leveraged buyout (LBO), including identifying the desirable attributes of an LBO candidate, preparing projected financial statements, and valuing the company using present values of cash flows, present values of residual income, present value of residual ROCE, and market multiples. Holmes is not an obvious choice for an LBO, so good discussions develop about whether or not to pursue the firm. The preparation of forecasted financial statements is relatively straightforward because Holmes' financial statement relations have been fairly stable in the past. Although we place this case at the end of Chapter 12, instructors can assign appropriate parts as they cover Chapters 10 to 14, or use it as a synthesis case after covering all of these chapters. The case requires approximately three hours of class time.

Integrative Case 13.1: Starbucks. This portion of the integrative case guides students through the valuation of Starbucks using the residual income valuation method. It also asks students to assess the sensitivity of their valuations to changes in the discount rate and long-term growth rate.

Integrative Case 14.1: Starbucks. Students are asked to apply the value-to-book and value-earnings valuation methods to Starbucks. They also apply these valuation methods with different assumptions about the discount rate and long-term growth rate to study the sensitivity of the valuations to these assumptions. Comparisons of value-to-book and value-earnings ratios to market-to-book and price-earnings ratios provide a basis for evaluating current market prices. Students are also asked to reverse engineer the discount rate and long-term growth rate consistent with current market prices.

Computer Software

A Financial Statement Analysis Package (FSAP) is available on the web site to all adopters of the book. FSAP permits students to enter financial statement data for a company, which they can then analyze using FSAP. FSAP also has capabilities for the preparation of forecasted financial statements and valuation of a firm using the valuation methods discussed in Chapters 11 to 14. The output of FSAP for PepsiCo appears in Appendix C and a user manual for FSAP appears in Appendix D of the textbook.

We welcome suggestions and comments that might provide guidance for future editions of this book. The revisions for this edition attempt to reflect the excellent suggestions we have received on the fifth edition.

Schedule 1

Corporate Financial Reporting Course Outline
(Twenty 90-Minute Class Sessions)

Class Period	Topic	Read	Prepare Undergraduate	Prepare Graduate
1	Overview of Financial Reporting	Ch. 1	Prob. 1.15	Case 1.1
2	Asset Valuation and Income Measurement	Ch. 2	Case 2.1 Prob. 2.16	Case 2.1 Prob. 2.16
3	Income Flows versus Cash Flows	Ch. 3	Case 3.1 Prob. 3.23	Case 3.1 Prob. 3.23
4	Quality of Accounting Information and Data Adjustments	Ch. 6	Prob. 6.13	Cases 6.1 and 6.2
5	Income Recognition	Ch. 7	Prob. 7.9, 7.13	Case 7.2
6	Inventories and Depreciable Assets	Ch. 7	Prob. 7.14	Case 7.1
7	Intangibles	Ch. 7	Case 7.3	Case 7.3
8	First Examination			
9	Off-Balance Sheet Financing	Ch. 8	Prob. 8.10	Prob. 8.10
10	Leases	Ch. 8	Prob. 8.16	Case 8.1
11	Pensions and Healthcare Benefits	Ch. 8	Prob. 8.20	Case 8.2
12	Derivatives	Ch. 8	Prob. 8.17	Prob. 8.17, 8.18
13	Income Taxes	Ch. 8	Prob. 8.25	Prob. 8.24, 8.25
14	Second Examination			
15	Corporate Acquisitions	Ch. 9	Prob. 9.13	Case 9.2
16	Intercorporate Investments	Ch. 9	Prob. 9.16	Prob. 9.16 Case 9.1
17	Foreign Currency Translation	Ch. 9	Prob. 9.19, 9.20	Case 9.4
18	Stock Options	Ch. 9	Prob. 9.23, 9.24	Prob. 9.26
19	Project Presentations			
20	Project Presentations			

Schedule 2

Financial Statement Analysis Course Outline
(Twenty 90-Minute Class Sessions)

Class Period	Topic	Read	Prepare: Undergraduate	Prepare: Graduate
1	Introduction to Financial Statement Analysis	Ch. 1	Case 1.1	Case 1.1
2	Overview of Profitability Analysis	Ch. 4	Prob. 4.21	Case 4.1 (Part A)
3	Analyzing Restaurant and Capital-Intensive Firms	Ch. 4	Prob. 4.23, 4.24	Prob. 4.23, 4.24
4	Analyzing Personnel and Financial Services Businesses	Ch. 4	Prob. 4.22, 4.25	Prob. 4.22, 4.25
5	Overview of Risk Analysis	Ch. 5	Prob. 5.13, 4.16	Case 5.1
6	Cross Section Profitability and Risk Analysis		Case 4.1 (Part B)	Case 4.1 (Part B)
7	Credit Risk Analysis	Ch. 5	Case 5.2	Case 5.2
8	Bankruptcy Risk Analysis	Ch. 5	Case 5.3	Case 5.3
9	Financial Reporting Manipulation Risk Analysis	Ch. 5	Prob. 5.19	Case 5.4
10	Examination			
11	Forecasted Financial Statements	Ch. 10	Case 10.1	Case 10.1
12	Valuation: Dividends-Based Approaches	Ch. 11	Case 11.1	Case 11.1
13	Valuation: Cash Flow-Based Approaches	Ch. 12	Case 12.1	Case 12.1
14	Valuation: Earnings-Based Approaches	Ch. 13	Case 13.1	Case 13.1
15	Valuation: Market Multiples	Ch. 14	Case 14.1	Case 14.1
16	Synthesis Case		Case 12.1	Case 12.1
17	Synthesis Case		Case 12.1	Case 12.1
18	Project Presentations		Case 11.1	Case 11.1
19	Project Presentations			
20	Examination			

Schedule 3

Financial Reporting and Statement Analysis
(Thirty 90-Minute Class Sessions)

Class Period	Topic	Read	Prepare Undergraduate	Prepare Graduate
1	Introduction to Financial Reporting and Financial Statement Analysis	Ch. 1	Prob. 1.15	Case 1.1
2	Asset Valuation and Income Measurement	Ch. 2	Case 2.1 Prob. 2.16	Case 2.1 Prob. 2.16
3	Income Flows versus Cash Flows	Ch. 3	Case 3.1 Prob. 3.23	Case 3.1 Prob. 3.23
4	Introduction to Profitability Analysis	Ch. 4	Prob. 4.21	Case 4.1 (Part A)
5	Introduction to Risk Analysis	Ch. 5	Prob. 5.13	Case 5.1
6	Cross Section Profitability Analysis		Case 4.1 (Part B)	Case 4.1 (Part B)
7	Financial Reporting Manipulation Risk Analysis	Ch. 5	Prob. 5.19	Case 5.4
8	Quality of Accounting Information and Data Adjustments	Ch. 6	Prob. 6.13	Case 6.1, 6.2
9	Income Recognition	Ch. 7	Prob. 7.9, 7.13	Case 7.2
10	Inventories and Depreciable Assets	Ch. 7	Prob. 7.14	Case 7.1
11	Intangibles	Ch. 7	Case 7.3	Case 7.3
12	First Examination			
13	Off-Balance Sheet Financing	Ch. 8	Prob. 8.10	Prob. 8.10
14	Leases	Ch. 8	Prob. 8.16	Case 8.1
15	Pension and Healthcare Benefits	Ch. 8	Prob. 8.20	Case 8.2
16	Derivatives	Ch. 8	Prob. 8.17	Prob. 8.17, 8.18
17	Income Taxes	Ch. 8	Prob. 8.25	Prob. 8.24, 8.25
18	Corporate Acquisitions	Ch. 9	Prob. 9.13	Case 9.2

19	Intercorporate Investments	Ch. 9	Prob. 9.16	Prob. 9.15 Case 9.2
20	Foreign Currency Translation	Ch. 9	Prob. 9.19, 9.20	Case 9.4
21	Stock Options	Ch. 9	Prob. 9.23, 9.24	Prob. 9.26
22	Second Examination			
23	Forecasted Financial Statements	Ch. 10	Prob. 10.1	Case 10.1
24	Valuation: Dividends-Based Approaches	Ch. 11	Case 11.1	Case 11.1
25	Valuation: Cash Flow-Based Approaches	Ch. 12	Case 12.1	Case 12.1
26	Valuation: Earnings-Based Approaches	Ch. 13	Case 13.1	Case 13.1
27	Valuation: Market Multiples	Ch. 14	Case 14.1	Case 14.1
28	Project Presentations			
29	Project Presentations			
30	Third Examination			

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