9. Annual Depreciation Expense (Declining balance method) $= \frac{100\%}{\text{Useful life}} \times$ Acceleration factor (say 200% or 2) $\times$ Net Book Value

10. Basic EPS $= \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Wght Avg No of shares outstanding}}$

11. Diluted EPS for preferred stock $= \frac{\text{Net Income}}{\left(\begin{array}{c}\text{Wght Avg No of shares o/s} + \text{New common shares that} \\ \text{would have been issued at conversion}\end{array}\right)}$

12. Diluted EPS for convertible debt $= \frac{\left(\begin{array}{c}\text{Net income} + \text{AT } i \text{ on} \\ \text{convertible debt} - \text{Preferred Div}\end{array}\right)}{\left(\begin{array}{c}\text{Wght Avg of shares o/s} + \text{Additional common shares} \\ \text{that would have been issued at conversion}\end{array}\right)}$

13. Diluted EPS using Treasury Stock Method $=$

$$\frac{(\text{Net Income} - \text{Preferred dividends})}{\left[\begin{array}{c}\text{Wght Avg of shares} + (\text{New shares at option exercise} - \\ \text{Shares purchased with Cash received upon exercise}) \times \\ (\text{Proportion of Yr})\end{array}\right]}$$

14. Net Profit Margin $= \frac{\text{Net Income}}{\text{Revenue}}$

15. Gross Profit Margin $= \frac{\text{Gross Profit}}{\text{Revenue}}$

16. Comprehensive EPS = EPS + Other Comprehensive Income per share

Reading 22: Understanding Balance Sheets

1. Percentage of A/C Receivable estimated to be uncollectible $= \frac{\text{Allowance for Doubtful A/C}}{\text{Gross amount of A/C Receivable}}$

2. Net Identifiable Assets = Fair value of identifiable assets – Fair value of liabilities & contingent liabilities
3. Amortized cost of PPE = Historical cost – Accumulated depreciation – Impairment losses

4. Carrying value for PPE under revaluation model
   = Fair value at date of revaluation – Accumulated depreciation (if any)

5. Amortized cost of PPE = Historical cost – Accumulated depreciation – Impairment losses

6. Carrying value for PPE under revaluation model
   = Fair value at date of revaluation – Accumulated depreciation (if any)

7. Deferred tax liability = Taxable income < Reported Financial Statement Income before taxes

8. Deferred tax liability = Actual income tax payable in a period < Income tax expense

9. Vertical common-size balance-sheet $= \frac{\text{Balance sheet Amount}}{\text{Total Assets}}$

10. Current ratio $= \frac{\text{Current Assets}}{\text{Current Liabilities}}$

11. Quick (acid test) $= \frac{\text{Cash} + \text{Marketable securities} + \text{Receivables}}{\text{Current Liabilities}}$

12. Cash ratio $= \frac{\text{Cash} + \text{Marketable securities}}{\text{Current Liabilities}}$

13. Long-term debt-to-equity $= \frac{\text{Total long-term debt}}{\text{Total Equity}}$

14. Debt-to-Equity $= \frac{\text{Total Debt}}{\text{Total Equity}}$

15. Total Debt $= \frac{\text{Total Debt}}{\text{Total Assets}}$

16. Financial Leverage $= \frac{\text{Total Assets}}{\text{Total Equity}}$

Reading 23: Understanding Cash Flow Statements

1. End Cash = Beg cash + Cash receipts (from operating, investing, and financing activities) – Cash payments (for operating, investing, and financing activities)

2. End A/c Receivable = Beg A/c Receivable + Revenues – Cash collected from customers

3. Cash received from customers = Revenue – Increase in a/c receivable

4. Purchases from suppliers = COGS + Increase in inventory