

# [Molson coors case study](https://assignbuster.com/molson-coors-case-study/)

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* A. Major classifications of an income statement are:
	+ Income from continuing operations before tax
	+ Discontinued operations (net of tax)
	+ Net income from continuing operations
	+ Other revenues and expenses
	+ Operating income
	+ Extraordinary items (net of tax)
	+ Net income before extraordinary items
	+ Net income
	+ Cumulative effect of change in accounting principle (net of tax)
* B. Companies various activities and transactions differ in stability and risks thereby indicating a need for information about various components of earnings.

The requirement to provide classified income statements help users better assess the persistence of earnings and the risk related to various components of net income. Income statements may include non recurring items which should be considered in determining future earnings and or cash flows, moreover GAAP require separate disclosure of a number of these items, for instance discontinued operations, thereby giving a better picture of financial statements.

* C. In accounting, current income statements do not reflect future expectations.

Part of the roles of accounting information is for evaluation and valuation. Persistent income of a company will affect the assumptions of future earnings and or cash flows, which will help to better project a company’s valuation.

* D. (INSERT ANSWER HERE)
* E. (INSERT ANSWER HERE) F. (INSERT ANSWER HERE)
* G. (INSERT ANSWER HERE)
* H. (INSERT ANSWER HERE) I. (INSERT ANSWER HERE)
* J. i. Non-operating items are the following: Interest expense-it is related to non-operating liabilities and Interest income- it is related to long-term loans. Debt extinguishment costs.

Minority interest: the part of the net income destined to the minority owners is considered as non-operating. Discontinued operations. ii. 20072006 Interest expense(126462)(143070) Interest income2658716289 Debt extinguishment costs (24478) 0 Other income1766217736 Non-operating items (106691)(109045) Tax 28%(29873)(30533) Non-operating items after tax (76818)(78512) Discontinued operations (17682)(12525) Minority interest (15318)(16089) Total non-operating items (109818)(107126) iii. 20072006 Net income497192361031 Net expense 109818107126 NOPAT607010468157 K.

Non-operating assets: current notes receivable Notes receivable Noncurrent assets of discontinued operations Non-operating liabilities: short term borrowing Current portion long-term debt Current liabilities of discontinued operations Long-term debt Derivative hedging instruments Long-term liabilities of discontinued operations k. ii. 20072006 Total assets 1345156611603413 Non-operating assets -194503229290 Operating assets 1325706311374123 Total liabilities 62854245739275 Non-operating liabilities -2907976-2523472 Operating liabilities33504483215803 Net operating assets 99066158158320

L. (2007) : 607010/9906615 = 6. 13% (2006): 468157/8158320 = 5. 75% RNOA has increased from 2006 to 2007 but is is low compared to industry. m. Operating profit margin (2007) 607010/ 6190592= 9. 81% (2006) 468157/ 5844985 = 8. 01% Net operating asset turnover components (2007) 6190592/ 9906615 = 0. 625 (2006) 5844985/ 8158320 = 0. 716 The operating profit margin = 9. 81 % that means that the company realized 9. 8 cents of operating profit this indicator have increased from 2006 to 2007even if the operating asset turnover has decreased. n. Non-persistent items:

Debt extinguishment costs Other income (expenses) Loss from discontinued operations Cumulative effect of change in accounting principle o- i The effective tax rate is 0. 8% = 4186/534378 p. The following income statement shows persistent earnings. 2007 as reported Presistent Net sales $6, 190, 592 $6, 190, 592 Cost of goods sold (3, 702, 921) (3, 702, 921) Gross profit 2, 487, 671 2, 487, 671 Marketing, general and admin. (1, 734, 408) (1, 734, 408) Special items, net (112, 194) (111, 663) Operating income 641, 069 641, 600 Interest expense (126, 462) (126, 462)

Interest income 26, 587 26, 587 Debt extinguishment costs (24, 478) 0 Other income (expense), net 17, 662 7, 384 Total other expense (106, 691) (92, 491) Income before tax 534, 378 549, 109 Income tax expense (4, 186) (153, 751) Minority interests (15, 318) (15, 318) Income from continuing operations 514, 874 380, 040 Loss from discontinued operations (17, 682) 0 Net income $497, 192 $380, 040 q. Persistent Interest expense $(126, 462) Interest income 26, 587 Other income / (expense) 7, 384 Nonoperating items reported on a before-tax basis (92, 491) Tax at marginal rate of 28% (25, 897)

Minority interest (15, 316) Total nonoperating items $ (81, 912) Persistent Net operating profit after tax $461, 952 Net income Persistent income Return on net operating assets 6. 13% 4. 66%1 Net operating profit margin 9. 81% 7. 46%2 Net operating asset turnover 0. 625 0. 625 These numbers are mainly informative about the company’s future profitability. To use the numbers to evaluate management’s performance, we may include these one-time charges. But to use the number to value the firm, the persistent numbers are better predictors of future, expected profits.