

As reported

From Fedex Corporation 2009 statement

Consolidated Statements of Income for year ending 05/31/09

Income before Income Taxes	677
Provision for Income Taxes	579
Net income	98

Balance sheet

	05/31/09	05/31/08
...		
Receivables, less allowances of \$196 and \$58	\$ 3,391	\$ 4,359
Deferred Income Taxes(Asset)	\$ 511	\$ 544

Consolidated Statements of Cash Flows for year ending 05/31/09

Cash flow from Operating Activities:

Net income	\$ 98
...	
Decrease in Receivables	\$ 968
Decrease in Deferred Income Taxes(Asset)	\$ 33
...	
Partial CFO	\$ 1,099

Additional bad debt expense

Suppose Fedex takes \$100 more of bad debt expense
Assume Effective Marginal Tax Rate is 37%.

Consolidated Statements of Income for year ending 05/31/09

	As reported	Adjustment	Adjusted
Income before Income Taxes	\$ 677	\$ 100	\$ 577
Provision for Income Taxes	\$ 579	\$ 37	\$ 542
Net income	\$ 98	\$ 63	\$ 35

Balance sheet

	05/31/09	05/31/08
Receivables, less allowances of \$296 and \$58	\$ 3,291	\$ 4,359
Deferred Income Taxes	\$ 548	\$ 544

Consolidated Statements of Cash Flows

Cash flow from Operating Activities:

Net income	\$ 35
...	
Decrease in Receivables	\$ 1,068
Decrease in Deferred Income Taxes(Asset)	\$ (4)
...	
Partial CFO	\$ 1,099

***So Bad Debt Expense Does Not Affect
CFO Or Cash Flow***

Receivables, less allo 196 and \$ 58

Decrease in Receivables
Decrease in Deferred Income Taxes(Asset)

Suppose Fedex takes 100 more of bad debt expense
Assume Effective Marginal Tax R 37 %.

Receivables, less allo 296 and \$ 58

Decrease in Receivables
Decrease in Deferred Income Taxes(Asset)