

Chapter 7: Pages 230, corrections and explanations

100127

New asset cost	120	Other Asset Base	1,000
Revenue per asset per year	60	Other Income	150



	June 30	Dec 31	Dec 31	Dec 31	June 30
	<b>V</b>				<b>V</b>
	Buy				Retire
Revenue	30	60	60	60	30
Depreciation	20	40	40	40	20
<b>Income</b>	10	20	20	20	10
<b>Book value of asset</b>	100	60	60	20	

Year	Growth	Replace	Purchase	# of operating Assets	Revenue from assets	Total Revenue	CAPitalize						EXPense		Bigger Income?	Bigger ROA ?				
							Beginning Assets	4rd year asset	3rd year asset	2nd year asset	1st year asset	Total Depcn Expense	Book Value, End	CAP: CFO			CFI	CAP: Income	CAP: ROA	EXP: CFO=Income
1	5		5	2.5	150	300	1,000				100	100	1,500	300	(600)	200	(300)			
2	4		4	7.0	420	570	1,500			200	80	280	1,700	570	(480)	290	90	9%	Cap	Cap
3	2		2	10.0	600	750	1,700		200	160	40	400	1,540	750	(240)	350	510	51%	Exp	Exp
4		5	5	11.0	660	810	1,540	100	160	80	100	440	1,700	810	(600)	370	210	21%	Cap	Cap
5		4	4	11.0	660	810	1,700	80	80	200	80	440	1,740	810	(480)	370	330	33%	Cap	Exp
6		2	2	11.0	660	810	1,740	40	200	160	40	440	1,540	810	(240)	370	570	57%	Exp	Exp
7		5	5	11.0	660	810	1,540	100	160	80	100	440	1,700	810	(600)	370	210	21%	Cap	Cap
8		4	4	11.0	660	810	1,700	80	80	200	80	440	1,740	810	(480)	370	330	33%	Cap	Exp
9		2	2	11.0	660	810	1,740	40	200	160	40	440	1,540	810	(240)	370	570	57%	Exp	Exp

  

5	x	20	100
4	x	60	240
2	x	100	200
540			

  

4	x	20	80
2	x	60	120
5	x	100	500
700			

