

Textbook Corrections

- 1) **Chapter 3 Concept Quiz Question #9:** The question is written as follows:
Acme Automotive Group Incorporated (AAG) repurchased common shares on a public exchange. What was the likely impact of this transaction on AAG's financial statements?
- A. Cash flow from operations has increased, diluted share count has decreased, Earnings Per Share (EPS) has increased, and equity has increased on the Balance Sheet.
 - B. Revenue has increased, Cash flow from financing activities has decreased, diluted share count has decreased, Earnings Per Share (EPS) has increased, and equity has increased on the Balance Sheet.
 - C. Cash flow from financing activities has decreased, diluted share count has decreased, Earnings Per Share (EPS) has increased, and equity has increased on the Balance Sheet.

Correction: Since Treasury stock is a contra-equity account it would reduce equity, which is not currently a choice in any of the answers. The correct answer should be: "Cash flow from financing activities has decreased, diluted share count has decreased, Earnings Per Share (EPS) has increased, and equity treasury stock has increased on the Balance Sheet." Or alternatively "Cash flow from financing activities has decreased, diluted share count has decreased, Earnings Per Share (EPS) has increased, and equity has increased decreased on the Balance Sheet."

- 2) **Chapter 6 Concept Quiz question #6:** The answer to this question reads "A. Free cash flow is calculated as cash flow from operations - capital expenditures + after-tax interest expense, or $\$211\text{M} - \$25\text{M} + (\$9.5\text{M} \times (1-20\%)) = \178M ." The equation is correct, but the result is \$193M, not \$178, and \$193M is not one of the available answers. Since the remaining questions are based on the answer to question 6 there is a ripple impact: The answer to question 7 should be \$163M. Question 8 changes to \$669M, Question 9 should be "\$8.79, Shares are currently trading above the DCF implied valuation", and Question 10 should be "\$8.80, Shares are currently trading above the DCF implied valuation".
- 3) **Chapter 8 Concept Quiz question #1:** The answer should be "B" 51%. The description in the answer section is correct.
- 4) **Chapter 3, Step 9b Accrued Salaries:** The forecast equation should be $=(\text{Average accrued salaries to salary expense} \times \text{income statement salary expense} \times 2) - \text{previous quarter accrued salaries}$. Refer to the highlighted cells on row 273 in the corrected model saved at the following link (bottom of webpage): <https://www.gutenbergresearch.com/templates-third-edition.html>
- 5) **Chapter 3, Step 9d Accrued Expenses:** The forecast equation should be $=(\text{Average accrued expenses-to-revenue} \times \text{revenue} \times 2) - \text{previous quarter accrued expenses}$. Refer to the highlighted cells on row 275 in the corrected model saved at the following link (bottom of webpage): <https://www.gutenbergresearch.com/templates-third-edition.html>