**Financial Analysis Assignment 1**

**Part 2**

1) We have the R&D expenses since 2003, R&D assets have a useful of 5 years so we have all the expenses we need to compute the Cost Value of R&D (= sum of R&D expenses over the period 2003-2007). Knowing that R&D expenses are incurred in the middle of the year, and using a straight line depreciation over 5 years, we can find the Total Depreciation of R&D and then the Net Book Value of R&D (= Cost Value of R&D - Total Depreciation of R&D). We find **NBV of R&D = € 5,611.1 mil**.  
So **2007 end-of-year balance of goodwill and other intangible assets adjusted for the capitalisation of R&D expense = € 28,381.1 mil** (= 22,770 + 5,611.1).

2) Deferred Tax Liabilities of R&D = Tax Rate x NBV of R&D,  
So **Deferred Tax Liabilities of R&D = € 1,683.3 mil**,  
So **2007 end-of-year balance of deferred tax liability adjusted for the capitalisation of R&D expense = € 6,029.3 mil** (= 4,346 + 1,683.3).

3) With the R&D expenses from 2002 to 2007, we can find the Depreciation associated with the R&D assets (1/5 of cost for R&D expenses from 2003 to 2006, and 0.5/5 for 2002 and 2007): **€ 2,147.9 mil**.  
Then, the Adj Income Before Tax = Income Before Tax + R&D Expenses – R&D Depreciation.  
So **2007 income (loss) before income taxes adjusted for the capitalisation of R&D expense = € 2,664.1 mil** (= 2,234 + 2,578 – 2,147.9).

4) We have Adj Income After Tax = Income After Tax + (R&D Expenses – R&D Depreciation) x (1 – Tax Rate).  
So **income (loss) after taxes adjusted for the capitalisation of R&D expense =** **€ 5,017.1 mil**.

Part 3

1) **NYTimes originally paid** **$ 2,228,274 thousands** (Total Buildings & Equipment at Cost) for its buildings and equipment that it owned at December 31st, 2000?

2) NYTimes did not sell Land in 2000 so **it acquired $ 5,079 thousands of Land in 2000** (= Land at Cost on 31/12/2000 – Land at Cost on 31/12/1999).

3.a) We have B&E at Cost on 31/12/2000 = 31/12/1999 + Equipment purchased during the year – Initial Price of the piece of equipment sold  
So this piece was paid **$ 97,268 thousands** by the NYTimes initially.

3.b) We assume that the piece of equipment was sold at the beginning of 2000 and so it does not appear in the Depreciation in year 2000. Therefore, we have Total Depreciation on 31/12/2000 = Total Depreciation on 31/12/1999 + Depreciation in 2000 – Total Depreciation of the piece of equipment. So the **accumulated depreciation on the piece of equipment = $ 259,347 thousands**.