Equity Analyst Training Program

Prepared by: Dheeraj Vaidya
dheerajvaidya@corporatebridge.net
dheerajvaidya@gmail.com

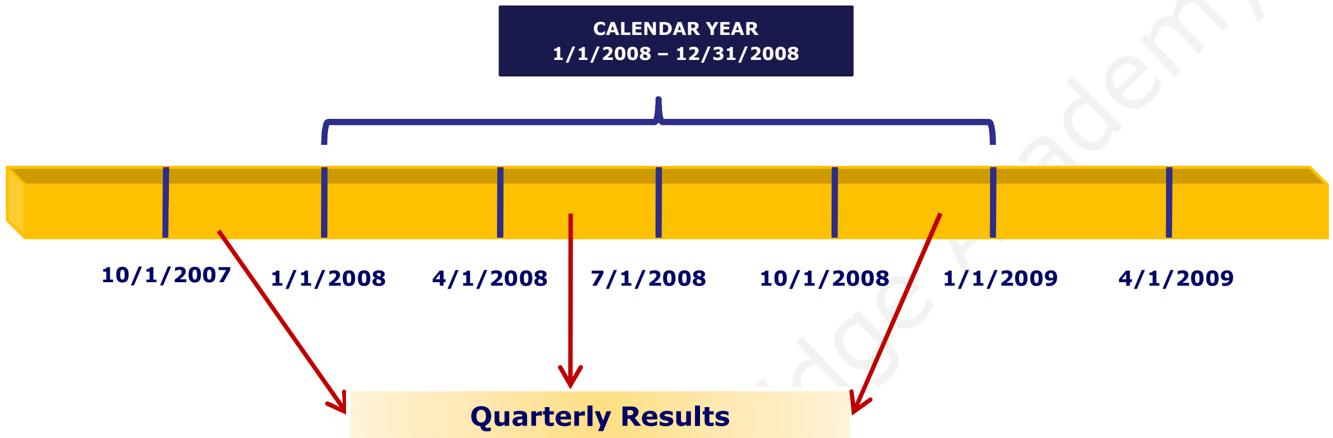
Discussion topics

- Income Statement Cycle
  - Calendar Year / Fiscal Year
- Introduction to the components and format of income statement
  - Format of Income Statement
  - G&K Services Income Statement
  - Hershey's Income Statement - Presentation Could Vary!
  - Revenues and Expenses
- Analyst's view of Income Statement
  - Importance of EBITDA & EBIT
  - Calculating EBIT and EBITDA
  - Removing non-recurring items
- Income Statement - Below the line items
  - Unusual or Infrequent Items
  - Discontinued Operations
  - Extraordinary Item
  - Accounting Changes
- Accrual and Cash Accounting
- What an Analyst should know!
  - Revenue recognition frauds
- **Appendix: Revenue Recognition**

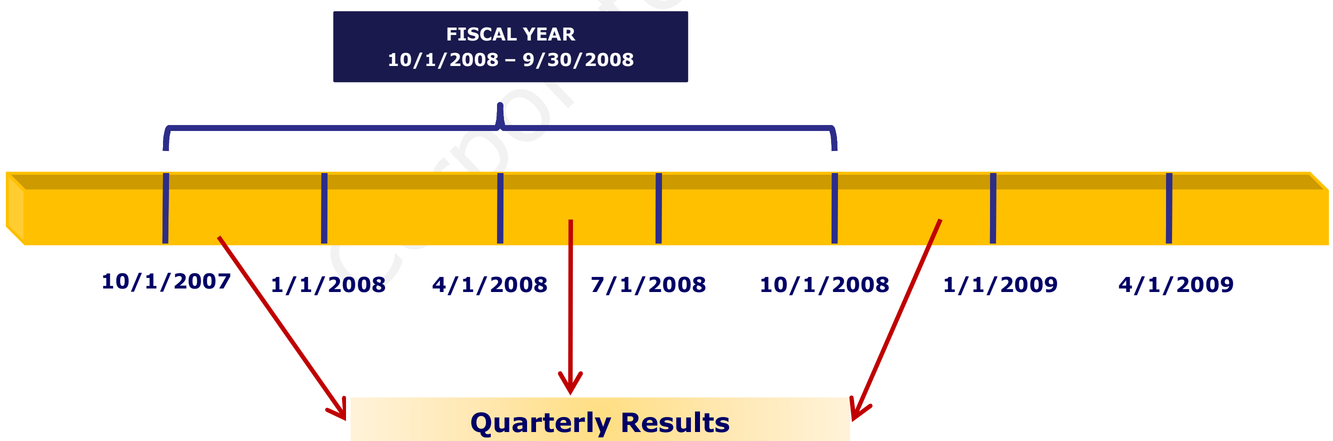
Income Statement

Income Statement Cycle

- ## Calendar Year



- ## Fiscal Year



Income Statement

Generic Format of Income Statement

- Conventional Format of Income Statement

Income Statement format	
Revenue from sale of goods and services	$ xxx
Operating Expenses	$ xxx
Operating Income from continuing operations	**$ xxx**
Recurring income before interest & taxes from continuing operations	$ xxx
Financing Cost	
Recurring (pretax) income from continuing operations	**$ xxx**
Unusual or infrequent items	$ xxx
Pretax earnings from continuing operations	$ xxx
Income Tax expense	$ xxx
Net Income from continuing operations	**$ xxx**
Income from discontinued operations (reported net of tax)	$ xxx
Extraordinary items (reported net of tax)	$ xxx
Cumulative effect of accounting changes (reported net of tax)	$ xxx
Net Income	$ xxx

Key is "continuous operations"

Analyst need not worry about these items "below the line"

Income Statement

G&K Services Income Statement

❑ G&K Services Consolidated Income Statement – 2007 10K

G&K Services Inc Consolidated Income Statement			
	For Fiscal year ended June 30th,		
(in thousands except per share data)	2007	2006	2005
Revenues			
Rental Operations	$847,401	$801,240	$740,708
Direct Sales	82,141	79,603	48,067
Total Revenues	$929,542	$880,843	$788,775
Operating Expenses			
Cost of rental operations	$541,392	$518,543	$470,116
Cost of direct sales	59,579	57,522	35,830
Sellng & administrative expenses	203,614	186,652	168,620
Depreciation	34,789	32,479	31,981
Amortization of intangibles	10,806	10,784	9,562
Total Operating expenses	$850,180	$805,980	$716,109
Income from Operations	$79,362	$74,863	$72,666
Interest Expenses	13,601	13,226	11,338
Income before Income Taxes	$65,761	$61,637	$61,328
Provision for Income Taxes	22,271	19,786	23,149
Net Income	**$43,490**	**$41,851**	**$38,179**

Operating income is known as EBIT (Earnings before Interest expense and Tax expense)

How do you arrive at EBITDA (Earnings before interest, taxes, depreciation and taxes)?

G&K Services 2007 EBITDA ?

Income Statement

Hershey's Income Statement - Presentation Could Vary!

- **Compare Hershey's Income Statement with G&K Services Income Statement**

The Hershey Company Consolidated Income Statement			
	For Fiscal year ended December 31st,		
(in thousands except per share data)	2007	2006	2005
Net Revenues	$4,946,716	$4,944,230	$4,819,827
Costs and Expenses			
Cost of Sales	$3,315,147	$3,076,718	$2,956,682
Sellng & administrative expenses	895,874	860,378	912,986
Business realignment and impairment charges, net	276,868	14,576	96,537
Total costs and expenses	$4,487,889	$3,951,672	$3,966,205
Income from Operations	$458,827	$992,558	$853,622
Interest Expenses	118,585	116,056	87,985
Income before Income Taxes	$340,242	$876,502	$765,637
Provision for Income Taxes	126,088	317,441	277,090
Net Income	**$214,154**	**$559,061**	**$488,547**

Is this EBIT? Are the numbers CLEAN?

- Can you list various difference in the presentation of the Income Statement?
  - Income Statement Reporting Cycle?
  - Revenue breakup
  - Depreciation and Amortization
  - Business realignment and impairment charges

Income Statement

G&K Services Revenues

G&K Services Revenue Recognition

G&K Services Revenue Recognition
Our rental operations business is largely based on written services agreements whereby we agree to collect, launder and deliver uniforms and other related products. The service agreements provide for weekly billing upon completion of the laundering process and delivery to the customer. Accordingly, we recognize revenue from rental operations in the period in which the services are provided. Revenue from rental operations also includes billing customers for lost or damaged merchandise. Direct sale revenue is recognized in the period in which the product is shipped.

Check points!

- Service Agreement
- Completion of laundering process and delivery to customers
- Product is shipped

Hersey's Revenues

❑ Hersey's Revenue Recognition

Hersey's Revenue Recognition
We record sales when all the following criteria have been met: *- a valid customer order with a fixed price has been received.* *- delivery appointment with the customer has been made.* *- product has been delivered to the customer.* *- there is no further significant obligation to assist in the resale of the product and* *- collectability is reasonably assured.* *Net sales include revenue from the sale of finished goods and royalty income, net of allowance for trade promotions, consumer coupon programs and other sales incentives, and allowances and discounts associated with aged or potentially unsalable products. Trade promotions and sales incentives primarily include price features, merchandise displays, sales growth incentives, net item allowances and cooperative advertising.*

❑ Check points!

- Product Delivered
- Valid customer
- Collectability
- No further obligations

Income Statement

G&K Services Expenses

G&K Services Expenses

G&K Services Expenses
Cost of Rental and Direct Sale *Cost of rental operations which includes merchandise, production and delivery expenses increased 4.4% to $541.4 million in fiscal 2007 from $518.5 million in fiscal 2006. Gross margin from rental sales increased to 36.1% in fiscal 2007 from 35.3% in the prior year. The increase in gross margins resulted from leveraging our revenue growth as well an improvement in our merchandise costs in fiscal year 2007.* *Cost of direct sales increased to $59.6 million in fiscal 2007 from $57.5 million in fiscal 2006. Gross margin from direct sales decreased slightly in fiscal 2007 to 27.5% from 27.7% in fiscal 2006. The slight decrease in gross margin is due to a combination of increased compensation costs and increased customer fulfillment and shipping costs at our Lion Uniform Group. These costs increased primarily due to the expiration of a cost sharing arrangement between Lion Uniform Group and a third party at the end of fiscal 2006.*
Selling and Administrative Expenses *Selling and administrative expenses increased 9.1% to $203.6 million in fiscal 2007 from $186.7 million in fiscal 2006. As a percentage of total revenues, selling and administrative expenses increased to 21.9% in fiscal 2007 from 21.2% in fiscal 2006. The increase in expense is due to the expansion of our sales force and the continued rollout of our information technology initiatives. These increases were partially offset by lower administrative expenses due to office productivity savings driven by our handheld initiative, leverage due to improved revenue growth and lower retirement plan and workers' compensation expenses.*

Check points!

- Information not explicitly given in the Annual Report
- You may need to read through the Management Section to understand the costs involved

Hersey's Expenses

- **Hersey's Expenses**

Hersey's Expenses
Cost of Sales *Cost of sales represents costs directly related to the manufacture and distribution of our products. Primary costs include raw materials, packaging, direct labor, overhead, shipping and handling, warehousing and the depreciation of manufacturing, warehousing and distribution facilities. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance and property taxes.*
Selling, Marketing and Administrative *Selling, marketing and administrative expenses represent costs incurred in generating revenues and in managing our business. Such costs include advertising and other marketing expenses, salaries, employee benefits, incentive compensation, research and development, travel, office expenses, amortization of capitalized software and depreciation of administrative facilities.*

- **Check points!**
  - Depreciation and amortization are joined reported with Selling, Marketing and Administrative costs
  - Salaries are included in both heads – cost of sales as well as Selling, marketing and administrative costs

Income Statement

Analyst's view of Income Statement

Analyst's view of Income Statement – EBIT & EBITDA

EBIT – Earnings before interest and taxes

- Also known as Operating Income from continuing operations
- Includes revenues from the continuing business of the firm less the costs and expenses used to generate those revenues
- Capital Structure Independent
- Income belongs to three stakeholders – **Creditors, Government and Shareholders**
- Operating expenses maybe subdivided into two parts
  - Cost of goods sold
  - Selling, general and administrative expenses
- **EBIT is important for analyst as this is considered to be one of indicators of future earnings**
- Analyst should **remove NON-RECURRING costs** to normalize the EBIT

EBITDA (Earnings before interest, taxes, depreciation and amortization)

- Independent of depreciation policy

EBITDA = **EBIT** + **Depreciation & Amortization**

Income Statement

Importance of EBITDA & EBIT

- **Lionbridge Technologies, Inc. (Nasdaq: LIOX)**

Lionbridge Technologies, Inc. (Nasdaq: LIOX)
In this release, the Company's adjusted EBITDA and adjusted EPS disclosures are not presented in accordance with generally accepted accounting principles (GAAP) and are not intended to be used in lieu of GAAP presentations of results of operations or cash provided by operating activities. Adjusted EBITDA represents GAAP earnings excluding interest, taxes, depreciation and amortization expenses and further by excluding restructuring and integration costs related to the Company's acquisition of BGS which the Company finalized on September 1, 2005. Adjusted EBITDA is presented because management believes it provides additional information with respect to both the performance of our fundamental business activities as well as the Company's ability to meet future debt service and working capital requirements. Management believes the adjusted EBITDA information is useful to investors for these reasons. Adjusted EBITDA is a non-GAAP financial measure and should not be viewed as an alternative to GAAP measures of performance. Management believes the most directly comparable GAAP financial measure is net income and has provided a reconciliation of adjusted EBITDA to net income in this press release.

Importance of EBITDA as an operating performance measure

Importance of EBITDA & EBIT

Bell Canada

Bell Canada Enterprise

The term EBITDA does not have any standardized meaning according to GAAP. It is therefore unlikely to be comparable to similar measures presented by other companies. We use EBITDA, among other measures, to assess the operating performance of our ongoing businesses without the effects of amortization expense, net benefit plans cost, and restructuring and other items. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. We exclude amortization expense and net benefit plans cost because they largely depend on the accounting methods and assumptions a company uses, as well as non-operating factors such as the historical cost of capital assets and the fund performance of a company's pension plans. Excluding restructuring and other items does not imply they are necessarily non-recurring. EBITDA allows us to compare our operating performance on a consistent basis. We believe that certain investors and analysts use EBITDA to measure a company's ability to service debt and to meet other payment obligations, or as a common measurement to value companies in the telecommunications industry.

Importance of EBITDA as an operating performance measure

G&K Services Income Statement

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How do you arrive at EBITDA (Earnings before interest, taxes, depreciation and taxes)?

G&K Services 2007 EBITDA ?

Removing non-recurring items : Hershey

- **Non-recurring items**

The Hershey Company EBIT (ex non-recurring items)			
	For Fiscal year ended December 31st, 2007		
(in million $ except per share data)	EBIT	Net Income	EPS
Results in accordance with GAAP	$458.8	$214.2	$0.93
Items affecting comparability			
Business realignment charges included in cost of sales	$123.1	$80.9	$0.35
Business realignment charges included in SG&A	$12.6	$7.8	$0.03
Business realignment and impairment charges, net	$276.9	$178.9	$0.77
Net Income	**$871.4**	**$481.8**	**$2.08**

- Hershey's had already provided adjustments for non-recurring items
- In most cases, you would be required to identify the non-recurring expenses and make adjustments accordingly

Below the line !

Unusual or Infrequent Items

- Events are either unusual or infrequent in occurrence but not both unusual and infrequent
- **Unusual nature**
  - Underlying event or transaction possesses a high degree of abnormality and is of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the company
- **Infrequency of occurrence**
  - Underlying event or transaction is of a type that is not reasonably expected to recur in the foreseeable future
- **Examples**
  - Disposal of business segment
  - Sale of assets or investment in subsidiaries
  - Restructuring costs
  - Impairments and write-offs
  - Integration expenses
- **What an Analyst should know?**
  - As these items are reported pre-tax, analyst has to be careful in normalizing these costs for forecasting future income
  - Distinguish recurring items from non recurring items
  - Sometimes these are hidden in the form of other income or other expenses
  - Read through "Management Discussion and Analysis" and footnotes to understand the implication of these items on profitability and future performance

Income Statement

Discontinued Operations

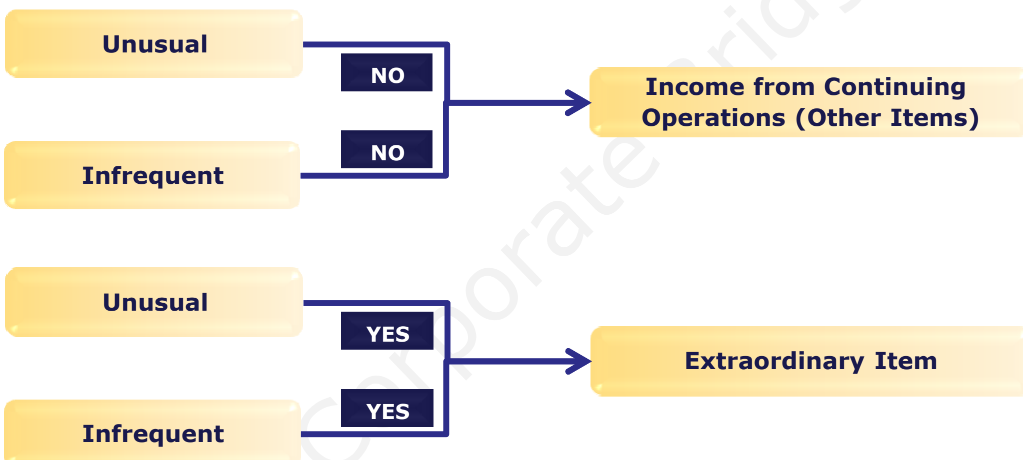
- Management has decided to dispose of a business segment or a unit but either has not done it or did so in the current year after it had generated income or losses
- Disposed business segment or unit
  - Should involve operations and cash flows that can be clearly distinguished, operationally and for the financial reporting purposes, from the rest of the company
- Example:
  - The sale by a diversified company of a major division that represented the company's only activities in the sports equipments

- **Income Statement Reporting**
  - Discontinued operations are reported on the income statement net of taxes after the continuing operations, but before extraordinary items
  - Past income must be restated separating the income or loss from the discontinued operations

- **What an Analyst should know?**
  - Discontinued operations do not affect net income from continuing operations
  - Analyst should make forecast of company's statement without considering this business segment

Extraordinary Item

- An extraordinary item is an event or transaction that is both unusual in nature and infrequent in occurrence
  - **Unusual nature:** Underlying event or transaction possesses a high degree of abnormality and is of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the company
  - **Infrequency of occurrence :** Underlying event or transaction is of a type that is not reasonably expected to recur in the foreseeable future
- **Examples include**
  - Gain or loss from early retirement of debt
  - Losses from expropriation of asset



- **What an Analyst should know?**
  - Review extraordinary items to determine whether these items should be included in forecasting
  - Some companies are prone to accidents and have extraordinary expenses every year

Income Statement

Accounting Changes

Primarily of two types:

- **Change in accounting principles**
  - A change in accounting principle occurs when a company adopts a generally accepted accounting principle different from the one it has been using in its financial reporting
  - In most instances, a company reports the **cumulative effect on prior years' earnings** in its net income for the year in which it makes the change
  - **Example:** Change to or from cost recovery method to some other method
  - **Example:** Change in inventory accounting method from LIFO to another method

- **Change in accounting estimates**
  - Because companies present financial information on a periodic basis, accounting estimates are necessary, and changes in these estimates frequently occur
  - When a company changes an accounting estimate, it accounts for the **change in the current year**, and in future years if the change affects both
  - **Example:** Estimated useful life of an asset could be changed

- **What an analyst should know?**
  - Accounting changes do not affect cash flows
  - Prior-period income does not affect net income from continuing operations
  - Should understand the implication of accounting changes if it has some impact on future operation

Accrual versus Cash Accounting

Accrual and Cash Accounting

Do you remember this FastTrack Case?

If Kartik delivers 200 parcels in December for $5 per delivery, he has technically earned fees totaling $1,000 for that month. He sends invoices to his clients for these fees and his terms require that his clients must pay by January 15

- Even though Kartik's clients won't be paying *FastTrack Inc* until January 15, the accrual basis of accounting requires that the $1,000 be recorded as December revenues, since that is when the delivery work actually took place
- After expenses are matched with these revenues, the income statement for December will show just how profitable the company was in delivering parcels in December

- **Cash Accounting**
  - Revenues recognized when cash is received and expenses are recognized when the firm pays out cash
  - Cash flow is measured as Cash Inflows LESS Cash Outflows
  - Results in volatile and less predictable cash flows and income streams
  - When operations of a company are complex, it adds to the volatility and difficulty of analyzing a business

- **Accrual Accounting**
  - Allocate revenues and expenses related to accounting transactions and events to time period other than those in which the cash flows occurred
  - Smooth earnings streams (depreciation expenses)
  - Results in enhanced predictability of earnings

Analyst should know!

Revenue Recognition Frauds

K-Mart	• Inflated revenue by improperly recognizing entire $42.3 million in revenue from a multiyear contract in 2nd quarter of 2001 • Declared bankruptcy, January 2002 • Two former VPs charged with earnings fraud
MicroStrategy	• Improperly recognized revenue from sales of software as agreements were entered into rather than as services were provided • Restated earnings for fiscal years 1998 and 1999, which caused revenues to be reduced by almost $66 million • Former CEO, COO, and CFO each fined $350,000
Sunbeam Corp	• Created $35 million in inappropriate restructuring reserves in 1996 that were reversed in 1997 to inflate income thus creating the illusion of a rapid turn around • In 1997, reported over $70 million of revenue from bill and hold sales, channel stuffing and other inappropriate accounting practices • CEO charged with violating federal securities laws by misrepresenting material information about the company. CEO settled by paying a part of $141 million fine • Former controller and chief accounting officer each agreed to pay $100,000 in fines

Appendix: Revenue Recognition

Revenue recognition criteria

Revenues are recognized only when

- **Earned**
  - Earned means risks and reward of ownership transferred to the buyer. Earnings is substantially complete
- **Realized or Realizable**
  - Realized means receipt of an asset (cash or claims to cash) by the seller
  - Realizable means that although a buyer has not delivered an asset (cash or claims to cash) to the seller, the good or service offered by the seller is sold in established, active markets with quoted prices, and thus the seller can immediately realize the revenues at a known price (e.g., commodities like tea, rice, silver, copper etc)
- Normally, revenue recognition criteria are satisfied at the point of sale
- However, sometimes revenue recognition is done **before the delivery**
  - During production (long term construction and service contracts)
  - At the completion of production (commodities, e.g., tea, silver, rice)
  - Revenue recognition prior to the point of sale is driven by a desire to avoid producing distorted financial results
- Other times revenue recognition is done **after the delivery**
  - Driven by a concern over collectability
  - There is no reliable basis for estimating the degree of collectability

Sample Revenue Recognition Policies

G&K Services Revenue Recognition Policy

Revenue Recognition and Allowance for Doubtful Accounts

Our rental operations business is largely based on written service agreements whereby we agree to collect, launder and deliver uniforms and other related products. The service agreements provide for weekly billing upon completion of the laundering process and delivery to the customer. Accordingly, we recognize revenue from rental operations in the period in which the services are provided. Revenue from rental operations also includes billings to customers for lost or damaged merchandise. Direct sale revenue is recognized in the period in which the product is shipped. Estimates are used in determining the collectibility of billed accounts receivable. Management analyzes specific accounts receivable and historical bad debt experience, customer credit worthiness, current economic trends and the age of outstanding balances when evaluating the adequacy of the allowance for doubtful accounts. Significant management judgments and estimates are used in connection with establishing the allowance in any accounting period. While we have been consistent in applying our methodologies, and in making our estimates over the past three fiscal years, material differences may result in the amount and timing of bad debt expense for any given period if management makes different judgments or utilizes different estimates.

Hershey's Revenue recognition policy

Hersey's Revenue Recognition

We record sales when all the following criteria have been met:
- a valid customer order with a fixed price has been received.
- delivery appointment with the customer has been made.
- product has been delivered to the customer.
- there is no further significant obligation to assist in the resale of the product and
- collectability is reasonably assured.

Net sales include revenue from the sale of finished goods and royalty income, net of allowance for trade promotions, consumer coupon programs and other sales incentives, and allowances and discounts associated with aged or potentially unsalable products. Trade promotions and sales incentives primarily include price features, merchandise displays, sales growth incentives, net item allowances and cooperative advertising.

Revenue Recognition - Sales Basis Method

- Goods or services are provided when the sale is made and the sale is for cash or credit to the customer with high probability of repayment
- And expenses that contributed to that revenue are recognized at the same time
- A more technical version of this rule recognizes revenue when the title to the goods passes from seller to buyer
  - This may occur when the goods are moved from the seller's loading dock to a shipper
- Exceptions
  - Sales with buyback agreements
  - Sales when right of return exists (high rates that are not reliably estimable)
- Advantage
  - Easily verified

Income Statement

Revenue recognition before delivery

- Revenue may be recognized before delivery under certain circumstances.
- Long-term construction contracts are a notable example
- Two methods are used
  - **The percentage-of-completion method**
  - **The completed contract method**

Long-Term Construction Accounting Methods

Percentage-of-Completion Method

- Terms of contract must be certain, enforceable
- Certainty of performance by both parties
- Estimates of completion can be made reliably

Completed Contract Method

- To be used only when the percentage method is inapplicable [uncertain]
- For relatively shorter contracts

Percentage Completion Method

- It recognizes revenues and corresponding costs in proportion to the work completed
- Long-term construction companies may earn revenue as they go
  - For example, a contract to pave a road is earned as the final payment is laid
- Expenses can be matched against this revenue and recognized in proportion
- There are two methods that can be used to measure the proportion of work completed:
  - An engineering estimate
  - Ratio of incurred costs to the total estimated costs
- **Steps to calculate Gross Profit for a particular period**

Percent completion	=	Costs incurred to date / Most recent estimated total costs
Revenue to be recognized to date	=	Estimated total revenue x Percent complete
Current period revenue	=	Total revenue to be recognized to date LESS Revenue recognized in PRIOR periods
Gross profit	=	Current Period Revenue LESS current costs

Percentage of Completion Example

Percentage Completion Example			
Contract Price	$900,000	Estimate Cost	$800,000
Start Date	1-Jan-07	Finish Date	31-Dec-09
Balance Sheet Date	31-Dec-07		

	2007	2008	2009
Cost to date	$200,000	$583,200	$800,000
Estimated cost to complete	$600,000	$226,800	$0
Progress during the year	$1,800,000	$480,000	$240,000
Cash collected during the year	$150,000	$350,000	$400,000

What is the percent completion, revenues and gross profit recognized in each year

	2007	2008	2009
% complete to date	25.0%	72.9%	100.0%
Revenue Recognized	$225,000	$431,100	$243,900
Gross Profit recognized	$25,000	$47,900	$27,100

25% x $900,000

$200,000 / $800,000

$225,000 - $200,000

Completed contract method

- Revenues and expenses are not recognized until the project is completed
- Used for long term projects when there is no contract or estimates of revenues or costs are unreliable
- More conservative than percentage-of-completion method
  - Revenues will lag those of percentage completion method
- Income will be volatile as compared to percentage-of-completion method

Example: Completed Contract Method

A real estate company is building a corporate park for $50 million, to be received in equal installment over four years However, it was found that no reliable estimate can be made for the total cost. It has spend $12 million in the first Year. How much revenue and expense will be recognized in the first year?

- ***No revenues or expenses will be recognized until the last year under the completed contract method***

Income Statement

Installment method

- Used when there is no way to estimate the likelihood of collecting of sales proceeds, but the costs of goods and services are known
- Recognizes revenue as the seller collects cash from periodic payments
- Matching of expenses calls for recognition of a proportional amount of the total cost of asset
  - For example: Rent-to-own store which the customer takes possession of an asset and pays periodic payments like rent. The customer may return the asset and stop payments at any time or after a set number of payments is granted ownership of the asset

Example: Installment sales method

KG Electronics uses the installment sales method to account for its sales. In 2007, the company sold goods costing $70 million for $100 million, representing a gross profit of $30 million.
Following the schedule for its cash collection:

Year	*Sales collection*
2007	$50
2008	$25
2009	$25

How much did KG Electronics recognize as gross profit in 2007, 2008 and 2009?

Year	*Cost*	*Gross Profit*
2007	$35.0	$15.0
2008	$17.5	$7.5
2009	$17.5	$7.5

Gross Profit: $50 - $35 = $15

Cost: $70/$100 x $50 = $35

Cost recovery method

- Income appears to be zero until the cost is recovered and then is equal to revenue until the payments are completed
- This method front-end loads expenses but results in a greatly delayed recognition of income
- This method is justified in sales where the probability of default by the customer is very high
- Since income in these cases is very uncertain, no income is recognized until the cost is covered

Example: Cost Recovery Method

KG Electronics uses the cost recovery method to account for its sales. In 2007, the company sold goods costing $70 million for $100 million, representing a gross profit of $30 million.
Following the schedule for its cash collection:

Year	*Sales collection*
2007	$50
2008	$25
2009	$25

How much did KG Electronics recognize as gross profit in 2003, 2004 and 2005?

Year	*Cost recovered*	*Gross Profit*
2007	$50.0	$0.0
2008	$70.0	$5.0
2009	$70.0	$25.0

Full cost not recovered; Gross profit = $0

Full cost recovered; Gross profit = $50 + $25 - $70 = $5

Full cost recovered

Income Statement

Appropriate Rules for Revenue Recognition

Earning Process Completion	Assurance of Revenue	Method Used
Complete	YES	Sales Basis
Complete	NO	Installment sales
Complete with some contingencies	YES	Cost recovery
Complete with some contingencies	NO	Cost recovery
Incomplete and costs can be estimated	YES	Percentage of completion
Incomplete and costs can be estimated	NO	Completed contract
Incomplete and costs can 't be estimated	YES	Completed contract
Incomplete and costs can 't be estimated	NO	Completed contract

- What about the following sectors?
  - Real Estate
  - Infrastructure
  - Software programming company
  - Merchandise firms

Sum Up..