



# Chapter 2: Financial Statements, Taxes, & Cash Flow

# Learning Objectives

What are we about to learn during this chapter

The **component of financial statements** (slight refreshment of your previous accounting class)

The difference between **market value and book value**

Contradict the **accounting income and cash flow**

The difference between **average and marginal tax rates**

**Determining a firm's cash flow** from the financial statements information



# The Balance Sheet

The financial statement presented a firm's accounting value on a particular date. Also known by the name of **statement of financial position**

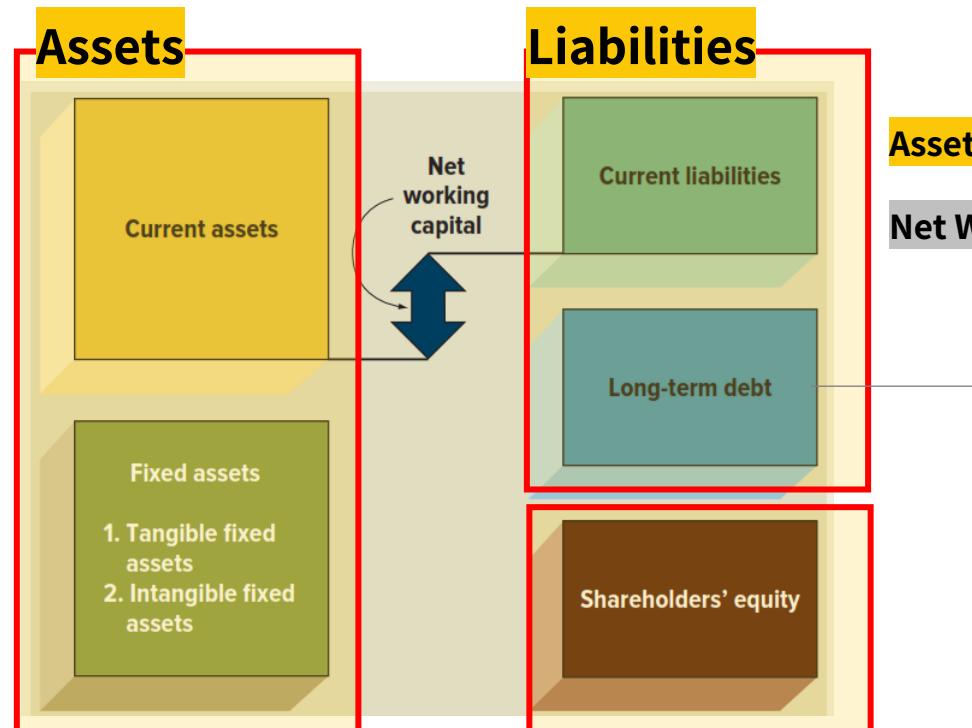
Assets is presented descindingly liquidity-wise means that the more liquid assets is presented earlier rather than the less liquid one.

Liquidity refers to the speed and ease with which an asset can be converted into cash without substantial price reduction.

Rate of Return  
 Liquidity

More liquid asset frequently offer lower rate of return compare to the less liquid assets

(inversely related)



Source: RWJ

$$\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$$

$$\text{Net Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

That term **current** means that such asset (liabilities) could be converted (paid) to (using) cash in the next 12 months.

The existence of debt in the firm capital structure is called **financial leverage**.

# The Book Value and Market Value

For financial managers, the book value is not really a concern, the market value is

Basis of Comparison	Book Value	Market Value
Definition	The accounting value. The values shown on the balance sheet	The maximum price at which an asset or security can be bought or sold in the market.
Reflects	The historical cost (in more recent case due to the implementation of IFRS, some book values are equal to fair market value)	The current market price
Basis of Calculation	Book value of equity is calculated by taking the balance sheet's difference between assets and liabilities.	The market value of equity is calculated by multiplying the market price per share of the company with the number of outstanding shares.
Frequency of Fluctuations	Happens at periodical intervals, i.e., infrequent	Very frequent. Market value fluctuates every now and then.
Measurement Bases	The book value of an asset is accounted for in the balance sheet based on historical cost, amortized cost, or fair value.	Market value reflects the fair value or market value of an asset.

# The Book Value May Differ to The Market Value : example

PT JASA MARGA (PERSERO) Tbk  
DAN ENTITAS ANAKNYA

LAPORAN POSISI KEUANGAN  
KONSOLIDASIAN INTERIM  
Tanggal 30 September 2022 dan  
31 Desember 2021  
(Disajikan dalam jutaan Rupiah,  
kecuali dinyatakan lain)

	Catatan/ Notes	30 September 2022/ September 30, 2022
<b>EKUITAS</b>		
<b>Ekuitas yang Dapat Diatribusikan</b>		
Kepada Pemilik Entitas Induk		
Modal saham - nilai nominal Rp500 (rupiah penuh) per saham		
Modal dasar 19.040.000.000 saham		
Modal ditempatkan dan disetor penuh - 1 saham seri A Dwiwarna dan 7.257.871.199 saham seri B	32	3.628.936
Tambahan modal disetor - neto	33	3.997.085
Selisih atas transaksi entitas non-pengendali		
Saldo laba		
Telah ditentukan penggunaannya		
Belum ditentukan penggunaannya		
Penghasilan komprehensif lain:		
Keuntungan yang belum direalisasi dari aset keuangan pada nilai wajar		
Pengukuran nilai wajar atas derivatif lindung nilai arus kas	2.p, 31	122.631
Pengukuran kembali liabilitas imbalan kerja jangka panjang	2.n, 30	(44.366) <u>(830.537)</u>
<b>Ekuitas Neto yang Dapat Diatribusikan kepada Pemilik Entitas Induk</b>	35.a	21.512.241 4.762.938 <u>26.275.179</u>
<b>TOTAL EKUITAS</b>		<u>26.275.179</u>
<b>TOTAL LIABILITAS DAN EKUITAS</b>		<u>100.522.366</u>

PT Jasa Marga (Persero) Tbk (JSMR.JK)

Jakarta - Jakarta Delayed Price. Currency in IDR

Follow

Time Period: Sep 29, 2022 - Sep 30, 2022

Show: Historical Prices

Frequency: Daily

Apply

Date	Open	High	Low	Close*	Adj Close**	Volume
Sep 29, 2022	3,410.00	3,430.00	3,350.00	3,360.00	3,360.00	6,728,600

\*Close price adjusted for splits. \*\*Adjusted close price adjusted for splits and dividend and/or capital gain distributions.

Market Value of Equity of Jasa Marga on 30<sup>th</sup> of September 2022  
= Rp3.360 x (7.257.871.199 + 1)  
= Rp24.386.447.232.000

Book Value of Equity of Jasa Marga on 30<sup>th</sup> of September 2022  
Rp26.275.179.000.000

# The Income Statement

The financial statement **measures performance over period of time**, usually for quarterly and annual basis. . Also known by the name of **statement of profit and loss**

## Typical Income Statement Format

Total operating revenues

**substract** Cost of goods sold

Gross Profit

**substract** Selling, general, and administrative expenses

**substract** Depreciation One of non cash items, charged against revenues that do not directly affect cash flows

Operating income

**add** Other income

Earnings before interest and taxes (EBIT)

**substract** Interest expense

Pretax income

**substract** Taxes

Net income

Net income often expressed on per-share basis or Earning Per Share (EPS)

Addition to retained earnings:

Dividends:

Dividend often expressed on per-share basis or Dividend Per Share (DPS)

$$EPS = \frac{\text{Net Income}}{\text{Total Shares Outstanding}}$$

$$DPS = \frac{\text{Total Dividend}}{\text{Total Shares Outstanding}}$$



# The Tax Rate: US Case

## Marginal Tax Rate

The amount of tax payable on the next dollar or rupiah earned. The tax rate that prevail in the country.

## Average Tax Rate

Total taxes paid divided by total taxable income. Sometimes referred as the effective tax rate.

(1) Taxable Income	(2) Marginal Tax Rate	(3) Total Tax	(3)/(1) Average Tax Rate
\$ 45,000	15%	\$ 6,750	15.00%
70,000	25	12,500	17.86
95,000	34	20,550	21.63
250,000	39	80,750	32.30
1,000,000	34	340,000	34.00
17,500,000	38	6,100,000	34.86
50,000,000	35	17,500,000	35.00
100,000,000	35	35,000,000	35.00

From the calculation we could observe that average tax rate may differ to the marginal tax rate.

The debate on whether using marginal tax rate and average tax rate will continue in the chapter of business valuation

PT JASA MARGA (PERSERO) Tbk  
DAN ENTITAS ANAKNYA

LAPORAN LABA RUGI DAN PENGHASILAN  
KOMPREHENSIF LAIN KONSOLIDASIAN  
Untuk tahun yang berakhir pada tanggal  
**31 Desember 2021**

(Disajikan dalam jutaan Rupiah,  
kecuali dinyatakan lain)

<b>2021</b>	
<b>PENDAPATAN</b>	
Pendapatan tol	10.786.335
Pendapatan usaha lainnya	990.066
Pendapatan konstruksi	3.393.151
Total	15.169.552
<b>BEBAN POKOK PENDAPATAN</b>	
Beban tol dan usaha lainnya	(5.305.620)
Beban konstruksi	(3.361.823)
Total	(8.667.443)
<b>LABA BRUTO</b>	
	6.502.109
Penghasilan keuangan	323.497
Penghasilan lain-lain	308.069
Beban umum dan administrasi	(1.412.555)
Beban lain-lain	(558.984)
Beban pajak atas penghasilan keuangan	(25.758)
Keuntungan dari pelepasan investasi	1.583.295
<b>LABA USAHA</b>	
	6.719.673
Biaya keuangan - neto	(4.520.359)
Bagian atas rugi neto entitas asosiasi dan ventura bersama	(126.861)
<b>LABA SEBELUM PAJAK PENGHASILAN</b>	
	2.072.453
<b>BEBAN PAJAK PENGHASILAN</b>	
Kini	(759.838)
Tangguhan	(441.379)
<b>TOTAL BEBAN PAJAK PENGHASILAN</b>	
	(1.201.217)
<b>LABA (RUGI) TAHUN BERJALAN</b>	
	871.236

# The Tax Rate: Indonesian Case

$$\text{Average Tax Rate} = \frac{759.836}{2.072.453} = 36,66\%$$

The average tax rate of Jasa Marga in 2021 is 36,66% while the marginal tax rate for corporation in Indonesia is 20%

# Cash Flow

The Very Important Piece of Financial Information to  
Financial Manager

Net New Borrowing = Principal Payment  
to Creditor - Proceed from New  
Borrowing Received

Interest Paid  
(-) Net New Borrowing

$$\text{Cash Flow from Assets} = \text{Cash Flow to Creditor} + \text{Cash Flow to Stockholders}$$

Operating Cash Flow (OCF)  
(-) Net Capital Spending  
(-) Change in Net Working Capital

Net Capital Spending = Ending Net Fixed Asset -  
Beginning Net Fixed Asset + Depreciation Expense

OCF = EBIT + Depreciation - Taxes

Change in NWC = Ending NWC - Beginning NWC

Dividend Paid  
(-) Net New Equity Raised

Net New Equity Raised = Stock Buyback -  
Proceed from New Equity Issued



# Thank You

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