

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

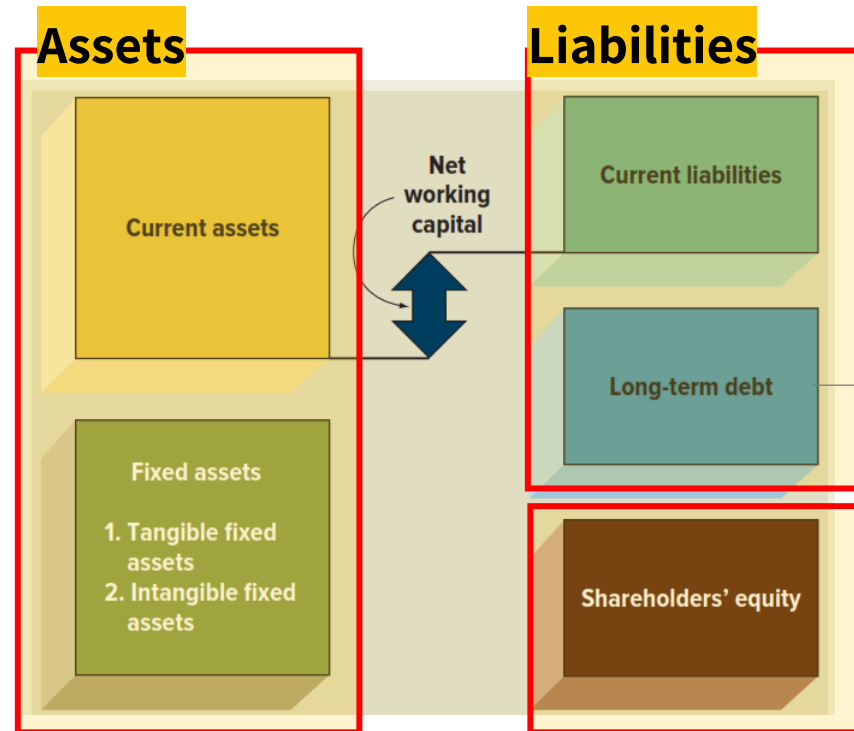
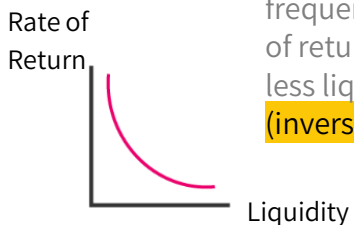
The Balance Sheet

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 descendingly 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.

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
EKUITAS		
Ekuitas yang Dapat Diatribusikan 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		(46.481)
Saldo laba		
Telah ditentukan penggunaannya		8.971.304
Belum ditentukan penggunaannya		5.713.669
Penghasilan komprehensif lain:		
Keuntungan yang belum direalisasi dari aset keuangan pada nilai wajar		122.631
Pengukuran nilai wajar atas derivatif lindung nilai arus kas	2.p, 31	(44.366)
Pengukuran kembali liabilitas imbalan kerja jangka panjang	2.n, 30	(830.537)
Ekuitas Neto yang Dapat Diatribusikan kepada Pemilik Entitas Induk		21.512.241
Kepentingan Non-Pengendali	35.a	4.762.938
TOTAL EKUITAS		26.275.179
TOTAL LIABILITAS DAN EKUITAS		100.522.366

The number of share outstanding

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

Currency in IDR

Download

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 30th of September 2022

= $\text{Rp}3.360 \times (7.257.871.199 + 1)$

= **Rp24.386.447.232.000**

Book Value of Equity of Jasa Marga on 30th 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	
subtract	Cost of goods sold	
	Gross Profit	
subtract	Selling, general, and administrative expenses	
subtract	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)	
subtract	Interest expense	
	Pretax income	
subtract	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)

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

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

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

The Tax Rate: Indonesian Case

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)

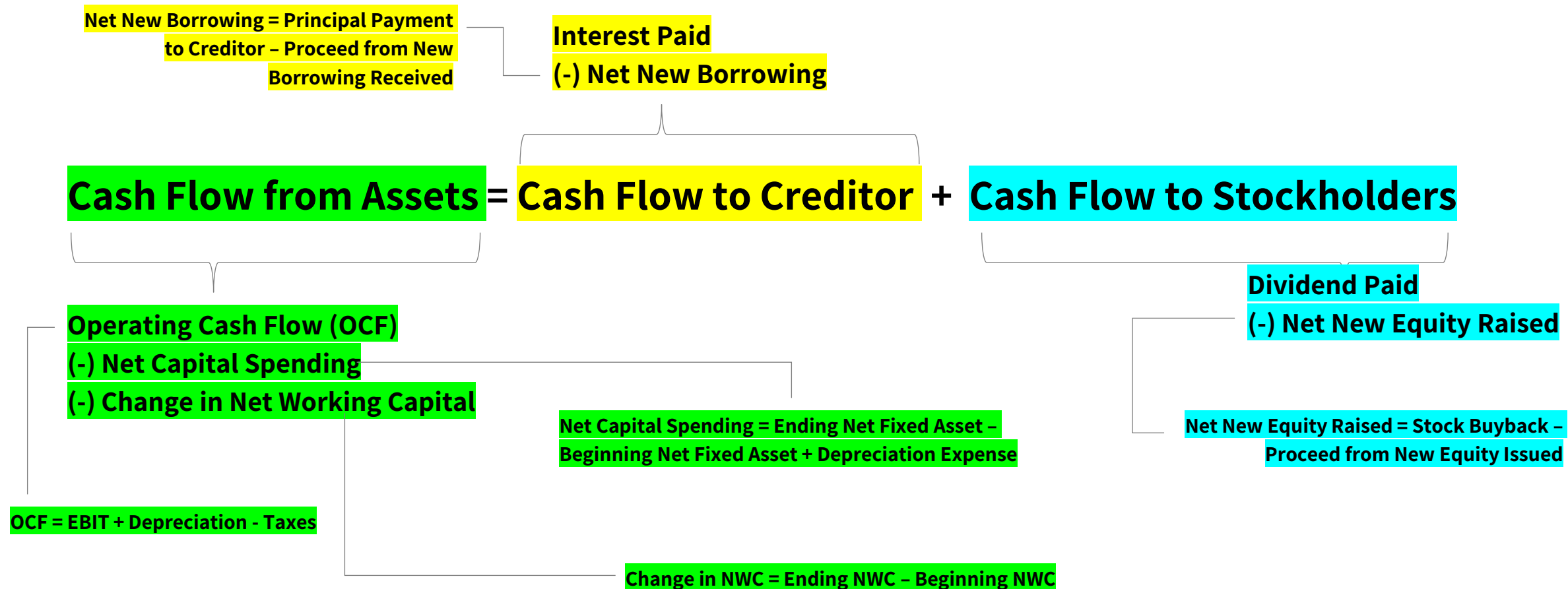
	2021
PENDAPATAN	
Pendapatan tol	10.786.335
Pendapatan usaha lainnya	990.066
Pendapatan konstruksi	3.393.151
Total	15.169.552
BEBAN POKOK PENDAPATAN	
Beban tol dan usaha lainnya	(5.305.620)
Beban konstruksi	(3.361.823)
Total	(8.667.443)
LABA BRUTO	6.502.109
Penghasilan keuangan	323.497
Penghasilan lain-lain	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
LABA USAHA	6.719.673
Biaya keuangan - neto	(4.520.359)
Bagian atas rugi neto entitas asosiasi dan ventura bersama	(126.861)
LABA SEBELUM PAJAK PENGHASILAN	2.072.453
BEBAN PAJAK PENGHASILAN	
Kini	(759.836)
Tangguhan	(441.379)
TOTAL BEBAN PAJAK PENGHASILAN	(1.201.217)
LABA (RUGI) TAHUN BERJALAN	871.236

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

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





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Thank You

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