

The effect of cash flow presentation method on investors' forecast of future cash flows

Online Appendix: Consent Form and Experimental Instruments

Sompong Pornupatham

Chulalongkorn Business School, Chulalongkorn University, sompong@cbs.chula.ac.th

Hun-Tong Tan

Nanyang Business School, Nanyang Technological University, ahttan@ntu.edu.sg

Thanyaluk Vichitsarawong

Chulalongkorn Business School, Chulalongkorn University, thanyaluk@cbs.chula.ac.th

G-Song Yoo

Korea University Business School, gsyoo@korea.ac.kr

Consent Form

Purpose and Procedure: This study is intended to assess how investors make their operating cash flows estimates. If you agree to take part in this research, we would like you to assume the role of an investor for a listed company. You will be asked to make judgments based on the enclosed materials. Please open the envelopes and answer questions in the given sequence. Please do not skip questions or move ahead to other pages before completing the earlier pages. Once you have answered a question, do not go back and change your responses to previous questions. This will take about 20-30 minutes.

Voluntary participation: Your participation in this research is voluntary. You may refuse to participate, discontinue participation, or skip any questions you don't wish to answer at any time without penalty or loss of the benefits to which you are otherwise entitled. Your decision will not affect your grades or status at this university.

Risks and Benefits: You will not experience any discomfort. Other than receiving the payment in exchange for your participation, you will not receive any direct benefits from participating in this research. The most direct benefit you will receive from your participation in this study is that you can acquire first-hand knowledge of the research process.

Compensation: In return for your participation, you will receive Baht 100.

Confidentiality: To protect the confidentiality of your responses, your responses will be password protected. Only the researchers of this project will have access to your responses. In the event of publication of this research, no personally identifying information will be disclosed. To make sure your participation is confidential, please do not provide any personally identifying information on the questionnaires and place your signed consent form and completed tests in separate envelopes.

Who to Contact with Questions: Questions about this research study should be directed to the primary investigator and person in charge XXXX. They can be reached at XXXX and XXXX. Questions about your rights as a research participant should be directed to XXXX. You will receive a copy of this consent form.

I understand the procedures described above. My questions have been answered to my satisfaction, and I acknowledge that I am participating in this study of my own free will. I understand that I may refuse to participate or stop participating at any time.

Please print name: _____

Signature: _____ Date: _____

[Experimental Instrument for Experiment 1]

Case 1: Indirect method / Accrued expenses

Case 2: Direct method / Absent

Case 3: Indirect method / Absent

Case 4: Direct method / Accrued Expense

Case 5: Direct method / Cash Expense

Case 6: Indirect method / Cash Expense

Case 7: Direct-plus-Indirect method / Accrued Expense

[This is instrument for all cases]

In this exercise, we would like you to analyze the enclosed case as an investor. Please answer the questions in the given sequence.

Please indicate the time now: _____

Background Information

ADVANCE INC. BACKGROUND INFORMATION

BUSINESS

The Company's principal products are household products and appliances.

MARKETS AND DISTRIBUTIONS

The major markets for Advance's products are to domestic and foreign customers. The Company's suppliers are plastic, wood and metal manufacturers in Thailand and China.

FINANCE AND OPERATIONS

The company has experienced growing operating incomes over the past years and management expects continuing sales growth in the future. The company's CEO is planning to expand the factory to increase the production capacity in order to satisfy increasing orders from both domestic and oversea customers.

In 20x5, a board member retired. He had not been actively involved with the company in recent years. The company awarded a cash retirement package to him during the year. [the accrued expense case] It was accrued in the same year (20x5) and would be paid in 20x6. [the cash expense case] It was paid in the same year (20x5). The company will appoint a new member in 20x6.

Case 1: Indirect method / Accrued expenses

Million
Baht

Income Statement

Line		20x5	20x4	20x3	20x2	20x1
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross Profit	520	490	460	425	400
4	Selling and Administrative expense	-350	-330	-305	-290	-290
5	Management Compensation	-130	-67	-64	-62	-60
6	Net Income	40	93	91	73	50

Statement of Financial Position

	Assets	20x5	20x4	20x3	20x2	20x1
7	Cash	977	759	558	385	220
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible Assets, net	410	510	600	660	730
12	Other assets	255	205	140	90	50
13	Total Assets	3,207	2,974	2,748	2,535	2,350

Liability and shareholders' equity

14	Accounts payable	750	620	490	370	260
15	Accrued expenses	130	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	787	694	603	530	480
18	Net income	40	93	91	73	50
19	Total Liability and shareholders' equity	3,207	2,974	2,748	2,535	2,350

Statement of Cash Flows

Million
Baht

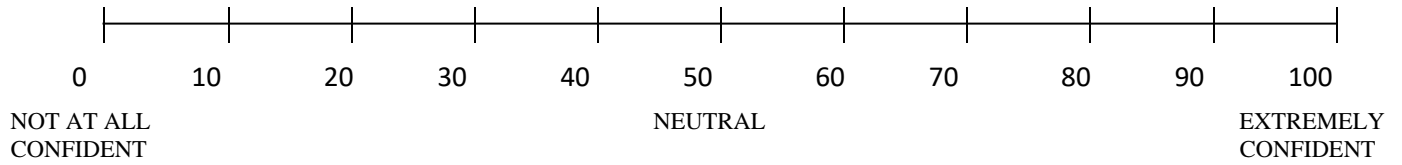
Line	Operating Cash Flows	20x6	20x5	20x4	20x3	20x2	20x1
20	Net income		40	93	91	73	50
21	Add depreciation		100	100	90	80	80
22	amortization		100	90	60	70	70
23	(Increase) decrease in other assets		-50	-65	-50	-40	-50
24	(Increase) decrease in accounts receivable		-150	-140	-130	-120	-110
25	(Increase) decrease in inventory		-15	-10	-10	-10	-10
26	Increase (decrease) in accounts payable		130	130	120	110	120
27	Increase (decrease) in accrued expenses		63	3	2	2	-

28	Cash flows from operating activities	<input type="text"/>	<u>218</u>	<u>201</u>	<u>173</u>	<u>165</u>	<u>150</u>
	Net cash increase (decrease)		218	201	173	165	150
29	Beginning cash		<u>759</u>	<u>558</u>	<u>385</u>	<u>220</u>	<u>70</u>
30	Ending Cash		<u>977</u>	<u>759</u>	<u>558</u>	<u>385</u>	<u>220</u>

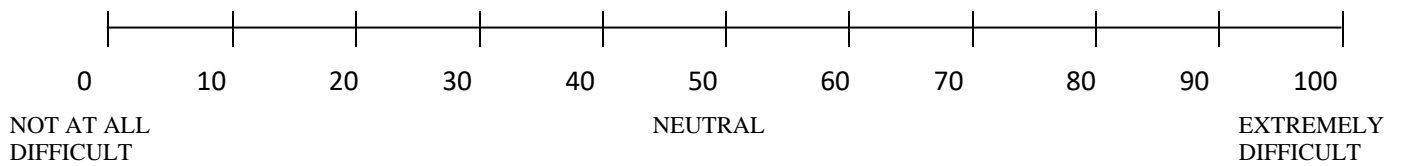
Note: For the ease of references, we provide only cash flow from operation.

Section A

2) Indicate your confidence with respect to your estimate of Advance Inc.'s operating cash flow in Question 1 (*Circle a number*).



3) To what extent did you find it difficult to predict Advance Inc.'s 20x6 operating cash flow? (*Circle a number*)



When you are done, please insert this sheet into the envelope. Then begin completing Section B.

Section B

SECTION B

1) Please estimate all of the following accounts for the year 20x6 (*Fill in the blank*).

a) Sales (Line item 1) = _____

In the space below, show the basis for your answer above.

.....
.....
.....
.....
.....

b) Management compensation (Line item 5) = _____

In the space below, show the basis for your answer above.

.....
.....
.....
.....
.....

c) Accounts receivable (Line item 8) = _____

In the space below, show the basis for your answer above.

.....
.....
.....
.....
.....

d) Accrued expenses (Line item 15) = _____

In the space below, show the basis for your answer above.

.....
.....
.....
.....
.....

Please indicate the time now: _____

When you are done, please insert this sheet into the envelope. Then begin completing Section C.

Section C

SECTION C

1. Please indicate what accounting method Advance Inc. used to prepare the operating cash flow (*Circle one*).

- a) Direct method
- b) Indirect method
- c) Direct method with the reconciliation of net income to operating cash flow

Please turn to the next page.

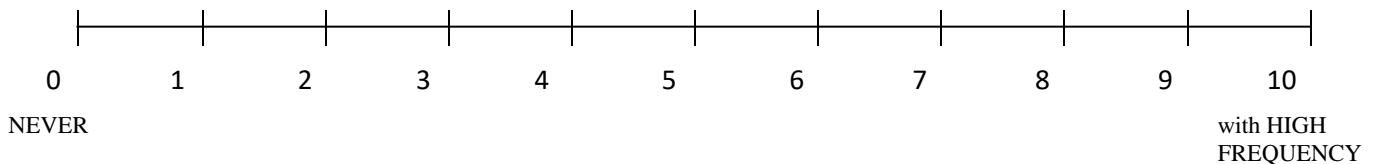
Please answer the following background information about yourself.

1. What is your gender? (*Circle one*) Male / Female
2. What is your occupation? (*Fill in the blank*) _____
3. How many years of working experience do you have? (*Fill in the blank*) _____
years
4. In the space below, indicate the number of courses you have taken or currently enrolled in:

Accounting: _____ courses

Finance: _____ courses

5. How frequently do you read companies' earnings releases (or announcements)? (*Circle a number*)



6. How frequently do you read companies' annual reports? (*Circle a number*)



7. Have you ever invested in the stock market? (*Circle one*) YES / NO

If your answer is "yes," how many times have you done that? _____ times

If your answer is "no," do you intend to do it in the future? YES / NO

Case 2: Direct method / Absent

Million
Baht

Income Statement		20x5	20x4	20x3	20x2	20x1
Line						
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross Profit	520	490	460	425	400
4	Selling and Administrative expense	-350	-330	-305	-290	-290
5	Management Compensation	-70	-67	-64	-62	-60
6	Net Income	100	93	91	73	50

Statement of Financial Position

Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	977	759	558	385	220
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible Assets, net	410	510	600	660	730
12	Other assets	255	205	140	90	50
13	Total Assets	3,207	2,974	2,748	2,535	2,350

Liability and shareholders' equity

14	Accounts payable	750	620	490	370	260
15	Accrued expenses	70	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	787	694	603	530	480
18	Net income	100	93	91	73	50
19	Total Liability and shareholders' equity	3,207	2,974	2,748	2,535	2,350

Million
Baht

Statement of Cash Flows

Operating Cash Flows		20x6	20x5	20x4	20x3	20x2	20x1
Line							
20	Cash receipt from customers	700	650	610	565	540	
21	Cash payment to suppliers	-215	-180	-170	-160	-140	
22	Cash payment for expenses	-197	-202	-203	-178	-190	
23	Cash payment for management compensation	-70	-67	-64	-62	-60	
24	Cash flows from operating activities	<input type="text"/>	218	201	173	165	150
	Net cash increase (decrease)		218	201	173	165	150
25	Beginning cash		759	558	385	220	70
26	Ending Cash		977	759	558	385	220

Note: For the ease of references, we provide only cash flow from operation.

Case 3: Indirect method / Absent

Million
Baht

Income Statement		20x5	20x4	20x3	20x2	20x1
Line						
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross Profit	520	490	460	425	400
4	Selling and Administrative expense	-350	-330	-305	-290	-290
5	Management Compensation	-70	-67	-64	-62	-60
6	Net Income	100	93	91	73	50

Statement of Financial Position

Assets		20x5	20x4	20x3	20x2	20x1
Line						
7	Cash	977	759	558	385	220
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible Assets, net	410	510	600	660	730
12	Other assets	255	205	140	90	50
13	Total Assets	3,207	2,974	2,748	2,535	2,350

Liability and shareholders' equity

Line						
14	Accounts payable	750	620	490	370	260
15	Accrued expenses	70	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	787	694	603	530	480
18	Net income	100	93	91	73	50
19	Total Liability and shareholders' equity	3,207	2,974	2,748	2,535	2,350

Statement of Cash Flows

Million
Baht

Operating Cash Flows		20x6	20x5	20x4	20x3	20x2	20x1
Line							
20	Net income	100	93	91	73	50	
21	Add depreciation	100	100	90	80	80	
22	amortization	100	90	60	70	70	
23	(Increase) decrease in other assets	-50	-65	-50	-40	-50	
24	(Increase) decrease in accounts receivable	-150	-140	-130	-120	-110	
25	(Increase) decrease in inventory	-15	-10	-10	-10	-10	
26	Increase (decrease) in accounts payable	130	130	120	110	120	
27	Increase (decrease) in accrued expenses	3	3	2	2	-	
28	Cash flows from operating activities	218	201	173	165	150	

	Net cash increase (decrease)	218	201	173	165	150
29	Beginning cash	759	558	385	220	70
30	Ending Cash	<u>977</u>	<u>759</u>	<u>558</u>	<u>385</u>	<u>220</u>

Note: For the ease of references, we provide only cash flow from operation.

Case 4: Direct method / Accrued Expense

		Million Baht				
Income Statement						
Line		20x5	20x4	20x3	20x2	20x1
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross Profit	520	490	460	425	400
4	Selling and Administrative expense	-350	-330	-305	-290	-290
5	Management Compensation	-130	-67	-64	-62	-60
6	Net Income	40	93	91	73	50

Statement of Financial Position

Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	977	759	558	385	220
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible Assets, net	410	510	600	660	730
12	Other assets	255	205	140	90	50
13	Total Assets	3,207	2,974	2,748	2,535	2,350

Liability and shareholders' equity

14	Accounts payable	750	620	490	370	260
15	Accrued expenses	130	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	787	694	603	530	480
18	Net income	40	93	91	73	50
19	Total Liability and shareholders' equity	3,207	2,974	2,748	2,535	2,350

Statement of Cash Flows

		Million Baht					
Line		20x6	20x5	20x4	20x3	20x2	20x1
	Operating Cash Flows						
20	Cash receipt from customers		700	650	610	565	540
21	Cash payment to suppliers		-215	-180	-170	-160	-140
22	Cash payment for expenses		-197	-202	-203	-178	-190
23	Cash payment for management compensation		-70	-67	-64	-62	-60
24	Cash flows from operating activities		218	201	173	165	150
	Net cash increase (decrease)		218	201	173	165	150
25	Beginning cash		759	558	385	220	70
26	Ending Cash		977	759	558	385	220

Note: For the ease of references, we provide only cash flow from operation.

Case 5: Direct method / Cash Expense

Million
Baht

Income Statement		20x5	20x4	20x3	20x2	20x1
Line						
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross Profit	520	490	460	425	400
4	Selling and Administrative expense	-350	-330	-305	-290	-290
5	Management Compensation	-130	-67	-64	-62	-60
6	Net Income	40	93	91	73	50

Statement of Financial Position

Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	917	759	558	385	220
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible Assets, net	410	510	600	660	730
12	Other assets	255	205	140	90	50
13	Total Assets	3,147	2,974	2,748	2,535	2,350

Liability and shareholders' equity

14	Accounts payable	750	620	490	370	260
15	Accrued expenses	70	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	787	694	603	530	480
18	Net income	40	93	91	73	50
19	Total Liability and shareholders' equity	3,147	2,974	2,748	2,535	2,350

Statement of Cash Flows

Million
Baht

Operating Cash Flows		20x6	20x5	20x4	20x3	20x2	20x1
Line							
20	Cash receipt from customers	700	650	610	565	540	
21	Cash payment to suppliers	-215	-180	-170	-160	-140	
22	Cash payment for expenses	-197	-202	-203	-178	-190	
23	Cash payment for management compensation	-130	-67	-64	-62	-60	
24	Cash flows from operating activities	<input type="text"/>	158	201	173	165	150
	Net cash increase (decrease)		158	201	173	165	150
25	Beginning cash		759	558	385	220	70
26	Ending Cash		917	759	558	385	220

Note: For the ease of references, we provide only cash flow from operation.

Case 6: Indirect method / Cash Expense

Million
Baht

Income Statement		20x5	20x4	20x3	20x2	20x1
Line						
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross Profit	520	490	460	425	400
4	Selling and Administrative expense	-350	-330	-305	-290	-290
5	Management Compensation	-130	-67	-64	-62	-60
6	Net Income	40	93	91	73	50

Statement of Financial Position

Assets		20x5	20x4	20x3	20x2	20x1
Line						
7	Cash	917	759	558	385	220
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible Assets, net	410	510	600	660	730
12	Other assets	255	205	140	90	50
13	Total Assets	3,147	2,974	2,748	2,535	2,350

Liability and shareholders' equity

Line						
14	Accounts payable	750	620	490	370	260
15	Accrued expenses	70	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	787	694	603	530	480
18	Net income	40	93	91	73	50
19	Total Liability and shareholders' equity	3,147	2,974	2,748	2,535	2,350

Statement of Cash Flows

Million
Baht

Operating Cash Flows		20x6	20x5	20x4	20x3	20x2	20x1
Line							
20	Net income	40	93	91	73	50	
21	Add depreciation	100	100	90	80	80	
22	amortization	100	90	60	70	70	
23	(Increase) decrease in other assets	-50	-65	-50	-40	-50	
24	(Increase) decrease in accounts receivable	-150	-140	-130	-120	-110	
25	(Increase) decrease in inventory	-15	-10	-10	-10	-10	
26	Increase (decrease) in accounts payable	130	130	120	110	120	
27	Increase (decrease) in accrued expenses	3	3	2	2	-	
28	Cash flows from operating activities	158	201	173	165	150	
	Net cash increase (decrease)	158	201	173	165	150	

29	Beginning cash	759	558	385	220	70
30	Ending Cash	<u>917</u>	<u>759</u>	<u>558</u>	<u>385</u>	<u>220</u>

Note: For the ease of references, we provide only cash flow from operation.

Case 7: Direct-plus-Indirect method / Accrued Expense

Million
Baht

Income Statement						
Line		20x5	20x4	20x3	20x2	20x1
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross Profit	520	490	460	425	400
4	Selling and Administrative expense	-350	-330	-305	-290	-290
5	Management Compensation	-130	-67	-64	-62	-60
6	Net Income	40	93	91	73	50

Statement of Financial Position

Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	977	759	558	385	220
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible Assets, net	410	510	600	660	730
12	Other assets	255	205	140	90	50
13	Total Assets	3,207	2,974	2,748	2,535	2,350

Liability and shareholders' equity						
14	Accounts payable	750	620	490	370	260
15	Accrued expenses	130	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	787	694	603	530	480
18	Net income	40	93	91	73	50
19	Total Liability and shareholders' equity	3,207	2,974	2,748	2,535	2,350

Statement of Cash Flows

Million
Baht

Operating Cash Flows		20x6	20x5	20x4	20x3	20x2	20x1
20	Cash receipt from customers		700	650	610	565	540
21	Cash payment to suppliers		-215	-180	-170	-160	-140
22	Cash payment for expenses		-197	-202	-203	-178	-190
23	Cash payment for management compensation		-70	-67	-64	-62	-60
24	Cash flows from operating activities		218	201	173	165	150
	Net cash increase (decrease)		218	201	173	165	150
25	Beginning cash		759	558	385	220	70
26	Ending Cash		977	759	558	385	220

Reconciliation from net income to operating cash flows

Line	Operating Cash Flows	20x6	20x5	20x4	20x3	20x2	20x1
27	Net income		40	93	91	73	50
28	Add depreciation		100	100	90	80	80
29	amortization		100	90	60	70	70
30	(Increase) decrease in other assets		-50	-65	-50	-40	-50
31	(Increase) decrease in accounts receivable		-150	-140	-130	-120	-110
32	(Increase) decrease in inventory		-15	-10	-10	-10	-10
33	Increase (decrease) in accounts payable		130	130	120	110	120
34	Increase (decrease) in accrued expenses		63	3	2	2	-
35	Cash flows from operating activities		218	201	173	165	150

Note: For the ease of references, we provide only cash flow from operation.

[Experimental Instrument for Experiment 2]

Case 1: Indirect method / Accrued expenses

Case 2: Direct method / Accrued expenses

Case 3: Indirect method / Cash expenses

Case 4: Direct method / Cash expenses

[This is instrument for Cases 1 and 2]

In this exercise, we would like you to analyze the enclosed case as an investor. Please answer the questions in the given sequence.

Please indicate the time now: _____

Background Information

ADVANCE INC. BACKGROUND INFORMATION

BUSINESS

The Company's principal products are household products and appliances.

MARKETS AND DISTRIBUTIONS

The major markets for Advance's products are to domestic and foreign customers. The Company's suppliers are plastic, wood and metal manufacturers in Thailand and China.

FINANCE AND OPERATIONS

The company has experienced growing operating incomes over the past years and management expects continuing sales growth in the future. The company's CEO is planning to expand the factory to increase the production capacity in order to satisfy increasing orders from both domestic and overseas customers. We have been renting a commercial building from a property investment company for our office since 20x1.

In April 20x5, we experienced severe flooding that affected our warehouses and, because of that, we temporarily rented one of our customers' warehouses for eight months during the fiscal year. The rental expenses payable (to the customer) were accrued in the same year (20x5) and would be paid in cash in 20x6. We vacated the premises at the end of 20x5.

Case 1: Indirect method / Accrued expenses

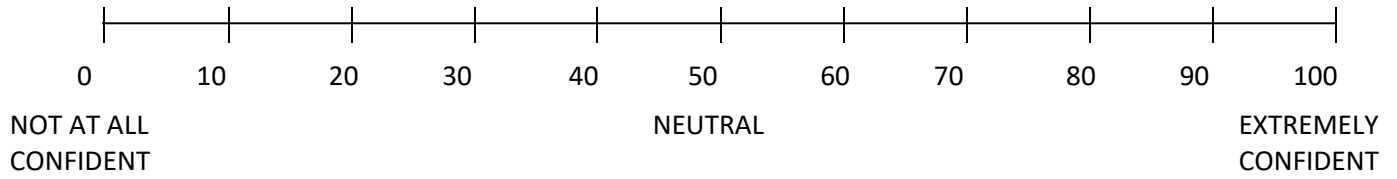
		Million Baht				
Income Statement						
Line		20x5	20x4	20x3	20x2	20x1
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross profit	520	490	460	425	400
4	Selling and administrative expenses	-280	-263	-241	-228	-230
5	Rental expenses	-130	-67	-64	-62	-60
6	Net income	110	160	155	135	110
Statement of Financial Position						
Assets						
		20x5	20x4	20x3	20x2	20x1
7	Cash	1,290	1,005	740	505	280
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible assets, net	410	510	600	660	730
12	Other assets	325	272	204	152	110
13	Total assets	3,590	3,287	2,994	2,717	2,470
Liabilities and shareholders' equity						
14	Accounts payable	750	620	490	370	260
15	Rental expenses payable	130	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	1,100	940	785	650	540
18	Net income	110	160	155	135	110
19	Total liabilities and shareholders' equity	3,590	3,287	2,994	2,717	2,470

Statement of Cash Flows						Million Baht	
Line	Operating Cash Flows	20X6	20x5	20x4	20x3	20x2	20x1
20	Net income		110	160	155	135	110
21	Add depreciation		100	100	90	80	80
22	amortization		100	90	60	70	70
23	(Increase) decrease in account receivable		-150	-140	-130	-120	-110
24	(Increase) decrease in inventory		-15	-10	-10	-10	-10
25	(Increase) decrease in other assets		-53	-68	-52	-42	-50
26	Increase (decrease) in account payable		130	130	120	110	120
27	Increase (decrease) in rental expenses payable		63	3	2	2	-
28	Cash flows from operating activities		<u>285</u>	<u>265</u>	<u>235</u>	<u>225</u>	<u>210</u>

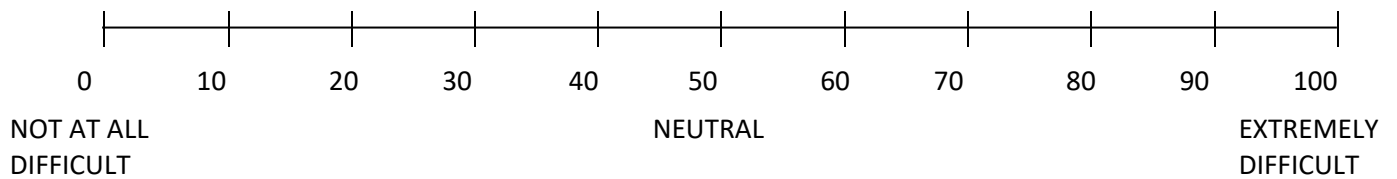
Note: For the ease of references, we provide only cash flow from operation.

Section A

5) Indicate your confidence with respect to your estimate of Advance Inc.'s operating cash flow in Question 1 (*Circle a number*).



6) To what extent did you find it difficult to predict Advance Inc.'s 20x6 operating cash flow? (*Circle a number*)



When you are done, please insert this sheet into the envelope. Then begin completing Section B.

Section B

SECTION B

2) Please estimate all of the following accounts for the year 20x6 (*Fill in the blank*).

e) Sales (Line item 1) = _____

In the space below, show the basis for your answer above.

.....
.....
.....
.....
.....

f) Rental expenses (Line item 5) = _____

In the space below, show the basis for your answer above.

.....
.....
.....
.....
.....

g) Accounts receivable (Line item 8) = _____

In the space below, show the basis for your answer above.

.....
.....
.....
.....
.....

h) Rental expenses payable (Line item 15) = _____

In the space below, show the basis for your answer above.

.....
.....
.....
.....
.....
.....

Please indicate the time now: _____

When you are done, please insert this sheet into the envelope. Then begin completing Section C.

Section C

SECTION C

2. Please indicate what accounting method Advance Inc. used to prepare the operating cash flow (*Circle one*).

- d) Direct method
- e) Indirect method

Please turn to the next page.

Please answer the following background information about yourself.

8. What is your gender? (*Circle one*) Male / Female

9. What is your occupation? (*Fill in the blank*) _____

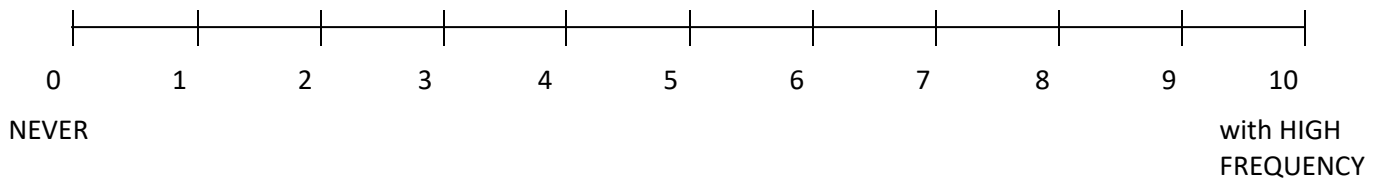
10. How many years of working experience do you have? (*Fill in the blank*) _____
years

11. In the space below, indicate the number of courses you have taken or currently enrolled in:

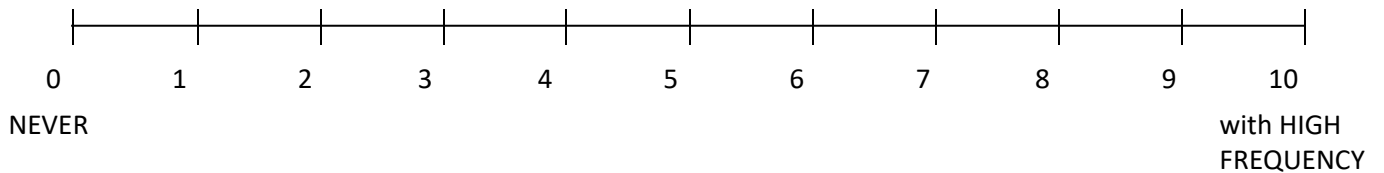
Accounting: _____ courses

Finance: _____ courses

12. How frequently do you read companies' earnings releases (or announcements)? (*Circle a number*)



13. How frequently do you read companies' annual reports? (*Circle a number*)



14. Have you ever invested in the stock market? (*Circle one*) YES / NO

If your answer is "yes," how many times have you done that? _____ times

If your answer is "no," do you intend to do it in the future? YES / NO

Case 2: Direct method / Accrued expenses

		Million Baht				
Income Statement		20x5	20x4	20x3	20x2	20x1
Line						
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross profit	520	490	460	425	400
4	Selling and administrative expenses	-280	-263	-241	-228	-230
5	Rental expenses	-130	-67	-64	-62	-60
6	Net income	110	160	155	135	110
Statement of Financial Position						
Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	1,290	1,005	740	505	280
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible assets, net	410	510	600	660	730
12	Other assets	325	272	204	152	110
13	Total assets	3,590	3,287	2,994	2,717	2,470
Liabilities and shareholders' equity						
14	Accounts payable	750	620	490	370	260
15	Rental expenses payable	130	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	1,100	940	785	650	540
18	Net income	110	160	155	135	110
19	Total liabilities and shareholders' equity	3,590	3,287	2,994	2,717	2,470

Statement of Cash Flows		Million Baht					
		20x6	20x5	20x4	20x3	20x2	20x1
Line	Operating Cash Flows						
20	Cash receipt from customers		700	650	610	565	540
21	Cash payment to suppliers		-215	-180	-170	-160	-140
22	Cash payment for rental expenses		-67	-64	-62	-60	-60
23	Cash payment for other expenses		-133	-141	-143	-120	-130
24	Cash flows from operating activities		285	265	235	225	210
	Net cash increase (decrease)		285	265	235	225	210
25	Beginning cash		1,005	740	505	280	70
26	Ending cash		1,290	1,005	740	505	280

Note: For the ease of references, we provide only cash flow from operation.

[This is instrument for Cases 3 and 4]

In this exercise, we would like you to analyze the enclosed case as an investor.

Please answer the questions in the given sequence.

Please indicate the time now: _____

Background Information

ADVANCE INC. BACKGROUND INFORMATION

BUSINESS

The Company's principal products are household products and appliances.

MARKETS AND DISTRIBUTIONS

The major markets for Advance's products are to domestic and foreign customers. The Company's suppliers are plastic, wood and metal manufacturers in Thailand and China.

FINANCE AND OPERATIONS

The company has experienced growing operating incomes over the past years and management expects continuing sales growth in the future. The company's CEO is planning to expand the factory to increase the production capacity in order to satisfy increasing orders from both domestic and overseas customers. We have been renting a commercial building from a property investment company for our office since 20x1.

In April 20x5, we experienced severe flooding that affected our warehouses and, because of that, we temporarily rented one of our customers' warehouses for eight months during the fiscal year. The rental expenses (to the customer) were paid in cash in the same year (20x5). We vacated the premises at the end of 20x5.

Case 3: Indirect method / Cash expenses

Million Baht

Income Statement		20x5	20x4	20x3	20x2	20x1
Line						
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross profit	520	490	460	425	400
4	Selling and administrative expenses	-280	-263	-241	-228	-230
5	Rental expenses	-130	-67	-64	-62	-60
6	Net income	110	160	155	135	110
Statement of Financial Position						
Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	1,230	1,005	740	505	280
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible assets, net	410	510	600	660	730
12	Other assets	325	272	204	152	110
13	Total assets	3,530	3,287	2,994	2,717	2,470
Liabilities and shareholders' equity						
14	Accounts payable	750	620	490	370	260
15	Rental expenses payable	70	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	1,100	940	785	650	540
18	Net income	110	160	155	135	110
19	Total liabilities and shareholders' equity	3,530	3,287	2,994	2,717	2,470

Statement of Cash Flows						Million Baht	
Line	Operating Cash Flows	20x6	20x5	20x4	20x3	20x2	20x1
20	Net income		110	160	155	135	110
21	Add depreciation		100	100	90	80	80
22	amortization		100	90	60	70	70
23	(Increase) decrease in account receivable		-150	-140	-130	-120	-110
24	(Increase) decrease in inventory		-15	-10	-10	-10	-10
25	(Increase) decrease in other assets		-53	-68	-52	-42	-50
26	Increase (decrease) in account payable		130	130	120	110	120
27	Increase (decrease) in rental expenses payable		3	3	2	2	-
28	Cash flows from operating activities		225	265	235	225	210

Note: For the ease of references, we provide only cash flow from operation.

Case 4: Direct method / Cash expenses

Million
Baht

Income Statement		20x5	20x4	20x3	20x2	20x1
Line						
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross profit	520	490	460	425	400
4	Selling and administrative expense	-280	-263	-241	-228	-230
5	Rental expenses	-130	-67	-64	-62	-60
6	Net income	110	160	155	135	110
Statement of Financial Position						
Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	1,230	1,005	740	505	280
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible assets, net	410	510	600	660	730
12	Other assets	325	272	204	152	110
13	Total assets	3,530	3,287	2,994	2,717	2,470
Liabilities and shareholders' equity						
14	Accounts payable	750	620	490	370	260
15	Rental expenses payable	70	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	1,100	940	785	650	540
18	Net income	110	160	155	135	110
19	Total liabilities and shareholders' equity	3,530	3,287	2,994	2,717	2,470

Statement of Cash Flows		Million Baht					
Line	Operating Cash Flows	20x6	20x5	20x4	20x3	20x2	20x1
20	Cash receipt from customers		700	650	610	565	540
21	Cash payment to suppliers		- 215	- 180	- 170	- 160	- 140
22	Cash payment for rental expenses		- 127	- 64	- 62	- 60	- 60
23	Cash payment for other expenses		- 133	- 141	- 143	- 120	- 130
24	Cash flows from operating activities		<u>225</u>	<u>265</u>	<u>235</u>	<u>225</u>	<u>210</u>
	Net cash increase (decrease)		225	265	235	225	210
25	Beginning cash		<u>1,005</u>	<u>740</u>	<u>505</u>	<u>280</u>	<u>70</u>
26	Ending cash		<u><u>1,230</u></u>	<u><u>1,005</u></u>	<u><u>740</u></u>	<u><u>505</u></u>	<u><u>280</u></u>

Note: For the ease of references, we provide only cash flow from operation.

[Experimental Instrument for Experiment 3]

Instrument for the revenues cases

Case 1: Indirect method / Accrued revenues

Case 2: Direct method / Accrued revenues

Case 3: Indirect method / Cash revenues

Case 4: Direct method / Cash revenues

[This is instrument for Cases 1 and 2]

In this exercise, we would like you to analyze the enclosed case as an investor. Please answer the questions in the given sequence.

Please indicate the time now: _____

Background Information

ADVANCE INC. BACKGROUND INFORMATION

BUSINESS

The Company's principal products are household products and appliances

MARKETS AND DISTRIBUTIONS

The major markets for Advance's products are to domestic and foreign customers. The Company's suppliers are plastic, wood and metal manufacturers in Thailand and China.

FINANCE AND OPERATIONS

The company has experienced growing operating incomes over the past years and management expects continuing sales growth in the future. The company's CEO is planning to expand the factory to increase the production capacity in order to satisfy increasing orders from both domestic and overseas customers. We have been renting out our commercial building to a property investment company since 20x1.

In April 20x5, one of our customers (the customer) experienced severe flooding that affected its warehouse and, because of that, the customer temporarily rented one of our warehouses for eight months during the fiscal year. The rental revenues receivable (from the customer) were accrued in the same year (20x5) and would be received in cash in 20x6. The customer vacated the premises at the end of 20x5.

Case 1: Indirect method / Accrued revenues

		Million Baht				
Income Statement						
Line		20x5	20x4	20x3	20x2	20x1
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross profit	520	490	460	425	400
4	Selling and administrative expenses	-420	-397	-369	-352	-350
5	Rental revenues	130	67	64	62	60
6	Net income	230	160	155	135	110
Statement of Financial Position						
Assets						
		20x5	20x4	20x3	20x2	20x1
7	Cash	1,290	1,005	740	505	280
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Rental revenues receivable	130	67	64	62	60
11	Property, plant and equipment, net	650	750	850	940	1,020
12	Intangible assets, net	410	510	600	660	730
13	Other assets	255	205	140	90	50
14	Total assets	3,650	3,287	2,994	2,717	2,470
Liabilities and shareholders' equity						
15	Accounts payable	750	620	490	370	260
16	Other liabilities	70	67	64	62	60
17	Share capital	1,500	1,500	1,500	1,500	1,500
18	Retained earnings	1,100	940	785	650	540
19	Net income	230	160	155	135	110
20	Total liabilities and shareholders' equity	3,650	3,287	2,994	2,717	2,470

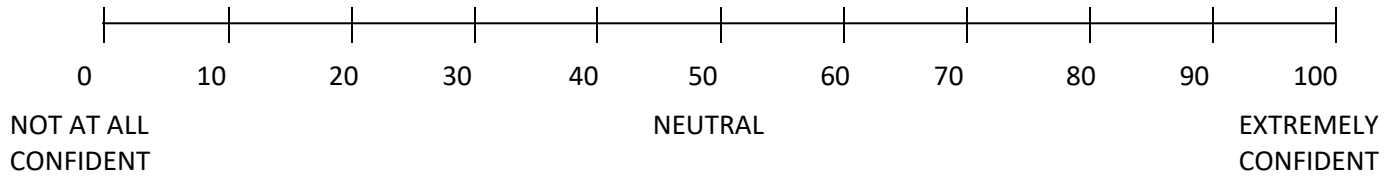
Statement of Cash FlowsMillion
Baht

		20X6	20x5	20x4	20x3	20x2	20x1
Line	Operating Cash Flows						
21	Net income		230	160	155	135	110
22	Add depreciation		100	100	90	80	80
23	amortization		100	90	60	70	70
24	(Increase) decrease in account receivable		-150	-140	-130	-120	-110
25	(Increase) decrease in inventory		-15	-10	-10	-10	-10
26	(Increase) decrease in rental revenues receivable		-63	-3	-2	-2	0
27	(Increase) decrease in other assets		-50	-65	-50	-40	-50
28	Increase (decrease) in account payable		130	130	120	110	120
29	Increase (decrease) in other liabilities		3	3	2	2	-
30	Cash flows from operating activities		285	265	235	225	210

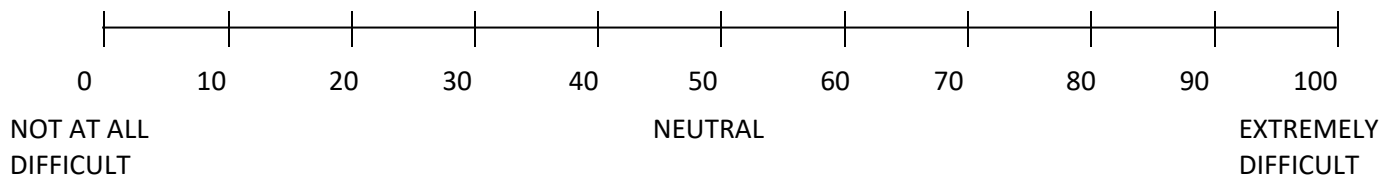
Note: For the ease of references, we provide only cash flow from operation.

Section A

8) Indicate your confidence with respect to your estimate of Advance Inc.'s operating cash flow in Question 1 (*Circle a number*).



9) To what extent did you find it difficult to predict Advance Inc.'s 20x6 operating cash flow? (*Circle a number*)



When you are done, please insert this sheet into the envelope. Then begin completing Section B.

Section B

SECTION B

3) Please estimate all of the following accounts for the year 20x6 (*Fill in the blank*).

i) Sales (Line item 1) = _____
In the space below, show the basis for your answer above.

.....
.....
.....
.....
.....

j) Rental revenues (Line item 5) = _____
In the space below, show the basis for your answer above.

.....
.....
.....
.....
.....

k) Accounts receivable (Line item 8) = _____
In the space below, show the basis for your answer above.

.....
.....
.....
.....
.....

l) Rental revenues receivable (Line item 10) = _____
In the space below, show the basis for your answer above.

.....
.....
.....
.....
.....
.....

Please indicate the time now: _____

When you are done, please insert this sheet into the envelope. Then begin completing Section C.

Section C

SECTION C

3. Please indicate what accounting method Advance Inc. used to prepare the operating cash flow (*Circle one*).

- f) Direct method
- g) Indirect method

Please turn to the next page.

Please answer the following background information about yourself.

What is your gender? (*Circle one*) Male / Female

1. What is your occupation? (*Fill in the blank*) _____

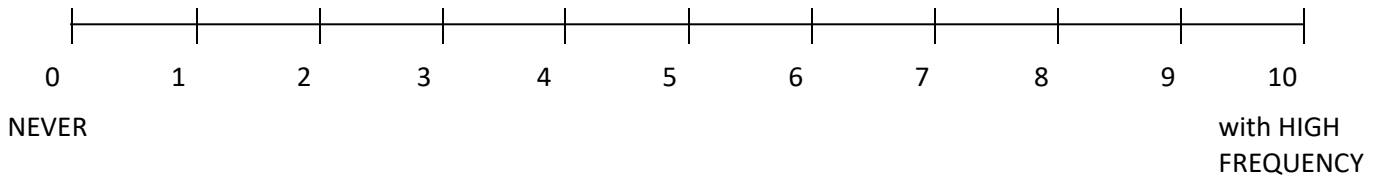
2. How many years of working experience do you have? (*Fill in the blank*) _____
years

3. In the space below, indicate the number of courses you have taken or currently enrolled in:

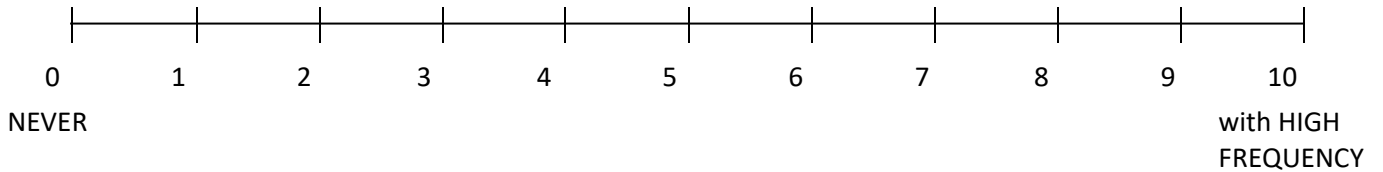
Accounting: _____ courses

Finance: _____ courses

4. How frequently do you read companies' earnings releases (or announcements)? (*Circle a number*)



5. How frequently do you read companies' annual reports? (*Circle a number*)



6. Have you ever invested in the stock market? (*Circle one*) YES / NO

If your answer is "yes," how many times have you done that? _____ times

If your answer is "no," do you intend to do it in the future? YES / NO

Case 2: Direct method / Accrued revenuesMillion
Baht

Income Statement		20x5	20x4	20x3	20x2	20x1
Line						
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross profit	520	490	460	425	400
4	Selling and administrative expenses	-420	-397	-369	-352	-350
5	Rental revenues	130	67	64	62	60
6	Net income	230	160	155	135	110
Statement of Financial Position						
Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	1,290	1,005	740	505	280
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Rental revenues receivable	130	67	64	62	60
11	Property, plant and equipment, net	650	750	850	940	1,020
12	Intangible assets, net	410	510	600	660	730
13	Other assets	255	205	140	90	50
14	Total assets	3,650	3,287	2,994	2,717	2,470
Liabilities and shareholders' equity						
15	Accounts payable	750	620	490	370	260
16	Other liabilities	70	67	64	62	60
17	Share capital	1,500	1,500	1,500	1,500	1,500
18	Retained earnings	1,100	940	785	650	540
19	Net income	230	160	155	135	110
20	Total liabilities and shareholders' equity	3,650	3,287	2,994	2,717	2,470

Statement of Cash Flows		Million Baht					
Line	Operating Cash Flows	20X6	20x5	20x4	20x3	20x2	20x1
21	Cash receipt from customers		700	650	610	565	540
22	Cash receipt from rental revenues		67	64	62	60	60
23	Cash payment to suppliers		-215	-180	-170	-160	-140
24	Cash payment for other expenses		-267	-269	-267	-240	-250
25	Cash flows from operating activities		285	265	235	225	210
	Net cash increase (decrease)		285	265	235	225	210
26	Beginning cash		1,005	740	505	280	70
27	Ending cash		1,290	1,005	740	505	280

Note: For the ease of references, we provide only cash flow from operation.

[This is instrument for Cases 3 and 4]

In this exercise, we would like you to analyze the enclosed case as an investor.

Please answer the questions in the given sequence.

Please indicate the time now: _____

Background Information

ADVANCE INC. BACKGROUND INFORMATION

BUSINESS

The Company's principal products are household products and appliances.

MARKETS AND DISTRIBUTIONS

The major markets for Advance's products are to domestic and foreign customers. The Company's suppliers are plastic, wood and metal manufacturers in Thailand and China.

FINANCE AND OPERATIONS

The company has experienced growing operating incomes over the past years and management expects continuing sales growth in the future. The company's CEO is planning to expand the factory to increase the production capacity in order to satisfy increasing orders from both domestic and overseas customers. We have been renting out our commercial building to a property investment company since 20x1.

In April 20x5, one of our customers (the customer) experienced severe flooding that affected its warehouse and, because of that, the customer temporarily rented one of our warehouses for eight months during the fiscal year. The rental revenues (from the customer) were received in cash in the same year (20x5). The customer vacated the premises at the end of 20x5.

Case 3: Indirect method / Cash revenues

Million
Baht

Income Statement		20x5	20x4	20x3	20x2	20x1
Line						
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross profit	520	490	460	425	400
4	Selling and administrative expenses	-420	-397	-369	-352	-350
5	Rental revenues	130	67	64	62	60
6	Net income	230	160	155	135	110
Statement of Financial Position						
Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	1,350	1,005	740	505	280
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Rental revenues receivable	70	67	64	62	60
11	Property, plant and equipment, net	650	750	850	940	1,020
12	Intangible assets, net	410	510	600	660	730
13	Other assets	255	205	140	90	50
14	Total assets	3,650	3,287	2,994	2,717	2,470
Liabilities and shareholders' equity						
15	Accounts payable	750	620	490	370	260
16	Other liabilities	70	67	64	62	60
17	Share capital	1,500	1,500	1,500	1,500	1,500
18	Retained earnings	1,100	940	785	650	540
19	Net income	230	160	155	135	110
20	Total liabilities and shareholders' equity	3,650	3,287	2,994	2,717	2,470

Statement of Cash Flows						Million Baht	
Line	Operating Cash Flows	20x6	20x5	20x4	20x3	20x2	20x1
21	Net income		230	160	155	135	110
22	Add depreciation		100	100	90	80	80
23	amortization		100	90	60	70	70
24	(Increase) decrease in account receivable		-150	-140	-130	-120	-110
25	(Increase) decrease in inventory		-15	-10	-10	-10	-10
26	(Increase) decrease in rental revenues receivable		-3	-3	-2	-2	0
27	(Increase) decrease in other assets		-50	-65	-50	-40	-50
28	Increase (decrease) in account payable		130	130	120	110	120
29	Increase (decrease) in other liabilities		3	3	2	2	-
30	Cash flows from operating activities		<u>345</u>	<u>265</u>	<u>235</u>	<u>225</u>	<u>210</u>

Note: For the ease of references, we provide only cash flow from operation.

Case 4: Direct method / Cash revenues

Million
Baht

Income Statement						
Line		20x5	20x4	20x3	20x2	20x1
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross profit	520	490	460	425	400
4	Selling and administrative expenses	-420	-397	-369	-352	-350
5	Rental revenues	130	67	64	62	60
6	Net income	230	160	155	135	110

Statement of Financial Position

Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	1,350	1,005	740	505	280
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Rental revenues receivable	70	67	64	62	60
11	Property, plant and equipment, net	650	750	850	940	1,020
12	Intangible assets, net	410	510	600	660	730
13	Other assets	255	205	140	90	50
14	Total assets	3,650	3,287	2,994	2,717	2,470
Liabilities and shareholders' equity						
15	Accounts payable	750	620	490	370	260
16	Other liabilities	70	67	64	62	60
17	Share capital	1,500	1,500	1,500	1,500	1,500
18	Retained earnings	1,100	940	785	650	540
19	Net income	230	160	155	135	110
20	Total liabilities and shareholders' equity	3,650	3,287	2,994	2,717	2,470

Statement of Cash Flows						Million Baht	
Line	Operating Cash Flows	20x6	20x5	20x4	20x3	20x2	20x1
21	Cash receipt from customers		700	650	610	565	540
22	Cash receipt from rental revenues		127	64	62	60	60
23	Cash payment to suppliers		-215	-180	-170	-160	-140
24	Cash payment for other expenses		-267	-269	-267	-240	-250
25	Cash flows from operating activities		345	265	235	225	210
	Net cash increase (decrease)		345	265	235	225	210
26	Beginning cash		1,005	740	505	280	70
27	Ending Cash		1,350	1,005	740	505	280

Note: For the ease of references, we provide only cash flow from operation.

Instrument for the expenses case
Case 5: Indirect method / Accrued expenses
Case 6: Direct method / Accrued expenses
Case 7: Indirect method / Cash expenses
Case 8: Direct method / Cash expenses

[This is instrument for Cases 5 and 6]

In this exercise, we would like you to analyze the enclosed case as an investor.
Please answer the questions in the given sequence.

Please indicate the time now: _____

Background Information

ADVANCE INC. BACKGROUND INFORMATION

BUSINESS

The Company's principal products are household products and appliances.

MARKETS AND DISTRIBUTIONS

The major markets for Advance's products are to domestic and foreign customers. The Company's suppliers are plastic, wood and metal manufacturers in Thailand and China.

FINANCE AND OPERATIONS

The company has experienced growing operating incomes over the past years and management expects continuing sales growth in the future. The company's CEO is planning to expand the factory to increase the production capacity in order to satisfy increasing orders from both domestic and overseas customers. We have been renting a commercial building from a property investment company for our office since 20x1.

In April 20x5, we experienced severe flooding that affected our warehouses and, because of that, we temporarily rented one of our customers' warehouses for eight months during the fiscal year. The rental expenses payable (to the customer) were accrued in the same year (20x5) and would be paid in cash in 20x6. We vacated the premises at the end of 20x5.

Case 5: Indirect method / Accrued expenses

		Million Baht				
Income Statement						
Line		20x5	20x4	20x3	20x2	20x1
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross profit	520	490	460	425	400
4	Selling and administrative expenses	-280	-263	-241	-228	-230
5	Rental expenses	-130	-67	-64	-62	-60
6	Net income	110	160	155	135	110
Statement of Financial Position						
Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	1,290	1,005	740	505	280
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible assets, net	410	510	600	660	730
12	Other assets	325	272	204	152	110
13	Total assets	3,590	3,287	2,994	2,717	2,470
Liabilities and shareholders' equity						
14	Accounts payable	750	620	490	370	260
15	Rental expenses payable	130	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	1,100	940	785	650	540
18	Net income	110	160	155	135	110
19	Total liabilities and shareholders' equity	3,590	3,287	2,994	2,717	2,470

Statement of Cash Flows						Million Baht	
Line	Operating Cash Flows	20X6	20x5	20x4	20x3	20x2	20x1
20	Net income		110	160	155	135	110
21	Add depreciation		100	100	90	80	80
22	amortization		100	90	60	70	70
23	(Increase) decrease in account receivable		-150	-140	-130	-120	-110
24	(Increase) decrease in inventory		-15	-10	-10	-10	-10
25	(Increase) decrease in other assets		-53	-68	-52	-42	-50
26	Increase (decrease) in account payable		130	130	120	110	120
27	Increase (decrease) in rental expenses payable		63	3	2	2	-
28	Cash flows from operating activities		285	265	235	225	210

Note: For the ease of references, we provide only cash flow from operation.

Case 6: Direct method / Accrued expenses

		Million Baht				
Income Statement						
Line		20x5	20x4	20x3	20x2	20x1
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross profit	520	490	460	425	400
4	Selling and administrative expenses	-280	-263	-241	-228	-230
5	Rental expenses	-130	-67	-64	-62	-60
6	Net income	110	160	155	135	110
Statement of Financial Position						
Assets						
		20x5	20x4	20x3	20x2	20x1
7	Cash	1,290	1,005	740	505	280
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible assets, net	410	510	600	660	730
12	Other assets	325	272	204	152	110
13	Total assets	3,590	3,287	2,994	2,717	2,470
Liabilities and shareholders' equity						
14	Accounts payable	750	620	490	370	260
15	Rental expenses payable	130	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	1,100	940	785	650	540
18	Net income	110	160	155	135	110
19	Total liabilities and shareholders' equity	3,590	3,287	2,994	2,717	2,470

Statement of Cash Flows						Million Baht	
Line	Operating Cash Flows	20x6	20x5	20x4	20x3	20x2	20x1
20	Cash receipt from customers		700	650	610	565	540
21	Cash payment to suppliers		-215	-180	-170	-160	-140
22	Cash payment for rental expenses		-67	-64	-62	-60	-60
23	Cash payment for other expenses		-133	-141	-143	-120	-130
24	Cash flows from operating activities		285	265	235	225	210
	Net cash increase (decrease)		285	265	235	225	210
25	Beginning cash		1,005	740	505	280	70
26	Ending cash		1,290	1,005	740	505	280

Note: For the ease of references, we provide only cash flow from operation.

[This is instrument for Cases 7 and 8]

In this exercise, we would like you to analyze the enclosed case as an investor.

Please answer the questions in the given sequence.

Please indicate the time now: _____

Background Information

ADVANCE INC. BACKGROUND INFORMATION

BUSINESS

The Company's principal products are household products and appliances.

MARKETS AND DISTRIBUTIONS

The major markets for Advance's products are to domestic and foreign customers. The Company's suppliers are plastic, wood and metal manufacturers in Thailand and China.

FINANCE AND OPERATIONS

The company has experienced growing operating incomes over the past years and management expects continuing sales growth in the future. The company's CEO is planning to expand the factory to increase the production capacity in order to satisfy increasing orders from both domestic and overseas customers. We have been renting a commercial building from a property investment company for our office since 20x1.

In April 20x5, we experienced severe flooding that affected our warehouses and, because of that, we temporarily rented one of our customers' warehouses for eight months during the fiscal year. The rental expenses (to the customer) were paid in cash in the same year (20x5). We vacated the premises at the end of 20x5.

Case 7: Indirect method / Cash expenses

Million Baht

Income Statement		20x5	20x4	20x3	20x2	20x1
Line						
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross profit	520	490	460	425	400
4	Selling and administrative expenses	-280	-263	-241	-228	-230
5	Rental expenses	-130	-67	-64	-62	-60
6	Net income	110	160	155	135	110
Statement of Financial Position						
Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	1,230	1,005	740	505	280
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible assets, net	410	510	600	660	730
12	Other assets	325	272	204	152	110
13	Total assets	3,530	3,287	2,994	2,717	2,470
Liabilities and shareholders' equity						
14	Accounts payable	750	620	490	370	260
15	Rental expenses payable	70	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	1,100	940	785	650	540
18	Net income	110	160	155	135	110
19	Total liabilities and shareholders' equity	3,530	3,287	2,994	2,717	2,470

Statement of Cash Flows						Million Baht	
Operating Cash Flows		20x6	20x5	20x4	20x3	20x2	20x1
Line							
20	Net income		110	160	155	135	110
21	Add depreciation		100	100	90	80	80
22	amortization		100	90	60	70	70
23	(Increase) decrease in account receivable		-150	-140	-130	-120	-110
24	(Increase) decrease in inventory		-15	-10	-10	-10	-10
25	(Increase) decrease in other assets		-53	-68	-52	-42	-50
26	Increase (decrease) in account payable		130	130	120	110	120
27	Increase (decrease) in rental expenses payable		3	3	2	2	-
28	Cash flows from operating activities		<u>225</u>	<u>265</u>	<u>235</u>	<u>225</u>	<u>210</u>

Note: For the ease of references, we provide only cash flow from operation.

Case 8: Direct method / Cash expenses

Million
Baht

Income Statement		20x5	20x4	20x3	20x2	20x1
Line						
1	Sales	850	790	740	685	650
2	Cost of sales	-330	-300	-280	-260	-250
3	Gross profit	520	490	460	425	400
4	Selling and administrative expense	-280	-263	-241	-228	-230
5	Rental expenses	-130	-67	-64	-62	-60
6	Net income	110	160	155	135	110
Statement of Financial Position						
Assets		20x5	20x4	20x3	20x2	20x1
7	Cash	1,230	1,005	740	505	280
8	Accounts receivable, net	740	590	450	320	200
9	Inventory	175	160	150	140	130
10	Property, plant and equipment, net	650	750	850	940	1,020
11	Intangible assets, net	410	510	600	660	730
12	Other assets	325	272	204	152	110
13	Total assets	3,530	3,287	2,994	2,717	2,470
Liabilities and shareholders' equity						
14	Accounts payable	750	620	490	370	260
15	Rental expenses payable	70	67	64	62	60
16	Share capital	1,500	1,500	1,500	1,500	1,500
17	Retained earnings	1,100	940	785	650	540
18	Net income	110	160	155	135	110
19	Total liabilities and shareholders' equity	3,530	3,287	2,994	2,717	2,470

Statement of Cash Flows						Million Baht	
Line	Operating Cash Flows	20x6	20x5	20x4	20x3	20x2	20x1
20	Cash receipt from customers		700	650	610	565	540
21	Cash payment to suppliers		- 215	- 180	- 170	- 160	- 140
22	Cash payment for rental expenses		- 127	- 64	- 62	- 60	- 60
23	Cash payment for other expenses		- 133	- 141	- 143	- 120	- 130
24	Cash flows from operating activities		<u>225</u>	<u>265</u>	<u>235</u>	<u>225</u>	<u>210</u>
	Net cash increase (decrease)		225	265	235	225	210
25	Beginning cash		<u>1,005</u>	<u>740</u>	<u>505</u>	<u>280</u>	<u>70</u>
26	Ending cash		<u>1,230</u>	<u>1,005</u>	<u>740</u>	<u>505</u>	<u>280</u>

Note: For the ease of references, we provide only cash flow from operation.