***The Income Statement for Just Jeans Group***

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| Just Jeans Group | |
| Income Statement for | |
| period ending 26 July 2008 | |
| Net sales | 822 |
| COGS | 717 |
| Depreciation | 24 |
| EBIT | 81 |
| Interest expense | 11 |
| Taxable income | 70 |
| Taxes | 21 |
| Net income | 49 |
|  |  |

Note: all figures are given in millions of dollars ($m).

***The Income Statement as an Equation***

Where: Net Income, Revenue,

Cost of Goods Sold, Fixed Costs per yr

Depreciation expense Interest expense

Corporate tax rate

Let's check that it works for Just Group. Assume a corporate tax rate of 30%.

, which is the same as the income statement.

***Firm Free Cash Flow (FFCF)***

Firm free cash flow (FFCF), also called 'cash flow from assets' (CFFA), is the cash flow generated by the assets V (= D + E).

The main differences between FFCF and NI are that FFCF:

* Takes timing differences into account. For example, it adds back accruals such as depreciation () which were subtracted from NI, but subtracts the actual cash flows on buildings and other assets.
* Subtracts opportunity costs ( **and CapEx**).
* Ignores financing expenses (such as coupons & dividends).