

Book 1

Pages 39, 49, 238: Correction

In the formula for downside deviation, the **entire fraction including the denominator (n – 1) should be under the square root radical.** (Posted November 13, 2023)

Page 84: Correction

In the third paragraph on page 84, the first sentence should read: "For a null hypothesis $H_0: \mu = \mu_0$, the alternative hypothesis is $H_a: \mu \neq \mu_0$." (Posted September 21, 2023)

Book 2

Page 86: Correction

The last sentence in the first paragraph should read as follows: "... defined as its net operating profit after tax (NOPAT), or simply after-tax **operating** profit, divided by the average book value of its total capital over the period." (Posted September 12, 2023)

Book 3

Page 86: Correction

In the bottom row of Figure 32.3, the phrase "a reconciliation of net income to CFO must be disclosed if using direct method" should appear in the **U.S. GAAP** column and not the IFRS column. (Posted September 11, 2023)

Page 119: Correction

At the end of the example, the current ratio for 20X6 should be $\$3,670,000 / \$866,000 = 4.24$, and the quick ratio for 20X6 should be $\$2,770,000 / \$866,000 = 3.20$. (Posted October 3, 2023)

Page 140: Corrections

In Module Quiz 35.1, question 3, the correct letter answer should be **A**. (Posted September 21, 2023)

In Module Quiz 35.2, question 2, the third sentence of the explanation should read as follows: "An impairment has occurred if the carrying value is **higher** than the estimated undiscounted cash flows from the asset's use and disposal." (Posted October 30, 2023)

Page 141: Correction

In Module Quiz 35.2, question 5, the correct letter answer should be **A**, impairment. (Posted August 6, 2023)

Page 214: Correction

For the 2024 exam, **payables turnover** should be calculated as **COGS / average trade payables**, rather than using purchases in the numerator. The interpretation of the ratio remains as indicated. (Posted September 5, 2023)

Pages 329 and 332: Clarification

In Module Quiz 45.2, question 2, the last line of the question should read: "**Disregarding taxes, the** degree of operating leverage (DOL) and degree of financial leverage (DFL) are *closest* to:". The explanation on page 332 should read as follows:

Jayco's operating income is \$12,000. If its sales increase by 1%, its operating income will increase to $1.01(10,000)(\$5 - \$3) - \$8,000 = \$12,200$, which is an increase of $\$200 / \$12,000 = 0.0167$ or 1.67%. Therefore Jayco's DOL is $1.67\% / 1\% = 1.67$.

Jayco's net income is $\$12,000 - \$2,000 = \$10,000$. If its operating income increases by 1% to $1.01(\$12,000) = \$12,120$, its net income will increase to $\$12,120 - \$2,000 = \$10,120$, which is an increase of $\$120 / \$10,000 = 0.012$ or 1.2%. Therefore Jayco's DFL is $1.20\% / 1\% = 1.20$.

(Posted December 4, 2023)

Pages 355-356 and 358: Correction

Formulas for estimating receivables, inventories, and payables should appear as follows:

- We can forecast accounts receivable as $DSO \times (\text{forecast revenues} / 365)$
- We can forecast inventory as $DOH \times (\text{forecast COGS} / 365)$
- We can forecast accounts payable as $DPO \times (\text{forecast COGS} / 365)$

These corrections also affect the Key Concepts for LOS 47.c on page 358. (Posted October 23, 2023)

Book 4

Page 111: Correction

In the second line at the top of the page, the convexity of the coupon at Time 1 should be $(1 \times 2) / 1.15^2 = 1.512$. (Posted November 14, 2023)