



Non Current Assets

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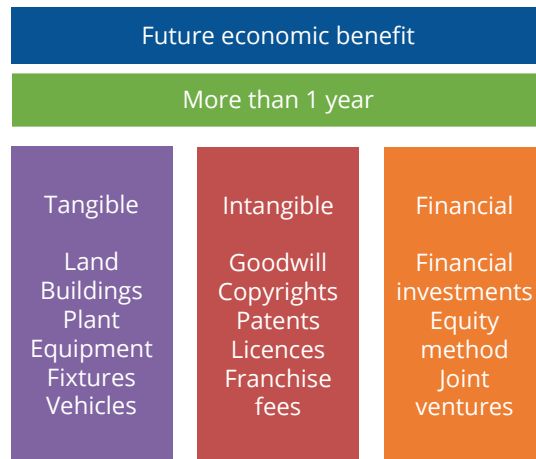
Contents

- Introduction
- Forecasting PP&E
- Depreciation
- Gross vs net
- Intangibles
- Financial investments
- Metrics

2

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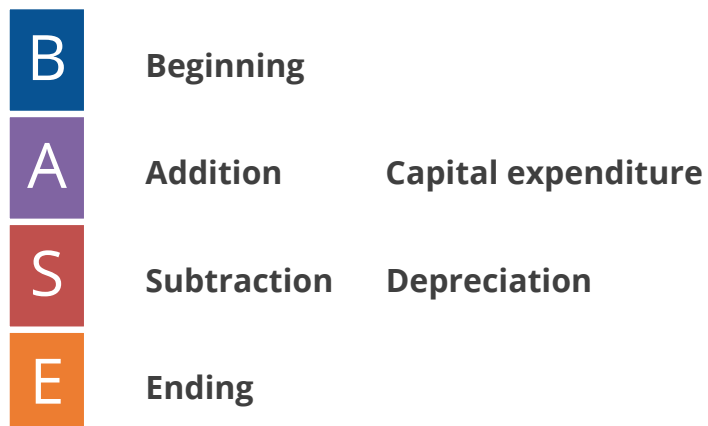
Introduction



3

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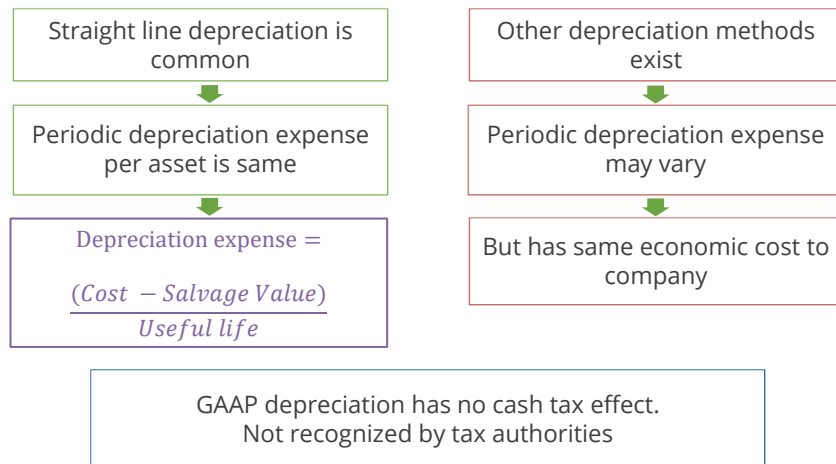
Forecasting PP&E



4

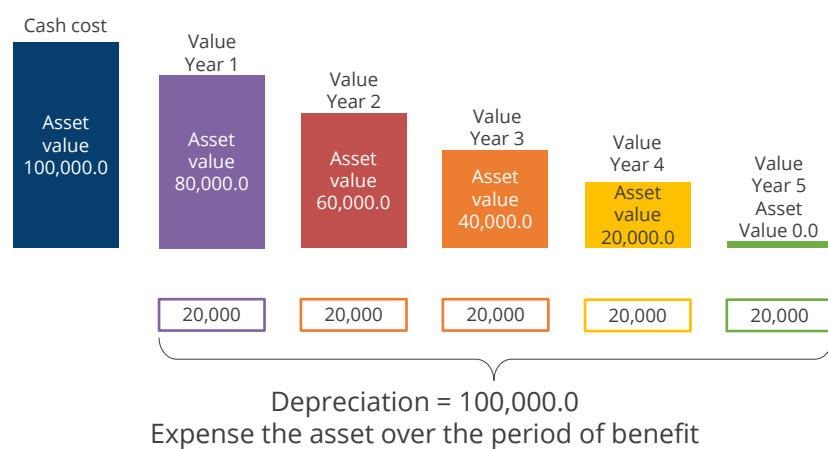
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Depreciation



5

Depreciation



6

Gross vs Net PP&E

Financial Statements Extract	
Property, plant and equipment at cost:	
Land	100,530.0
Buildings	49,470.0
Plant and equipment	25,000.0
Gross property, plant and equipment	175,000.0
Less accumulated depreciation	121,976.0
Net property, plant and equipment	53,024.0

Net property, plant and equipment is included in BS sub totals

7

BS – Forecasting Intangibles

B	Beginning	
A	Addition	Purchases
S	Subtraction	Amortization
E	Ending	

Finite life intangibles are amortized.
Indefinite life intangibles are tested annually for impairment.

8

Research and Development

Research

Costs aimed at the discovery of new knowledge are **expensed** as incurred

Development

Translate research into a plan or design of a new product or process. Costs are **capitalized**

Under U.S. rules, both research and development are expensed, apart from software related R&D costs

9

Financial Investments

Initial investment

	Assets =	Liabilities + Equity	
Financial investment	Cash down Investment up		Same as any asset purchase

What if the market value increases?

	Assets =	Liabilities + Equity	
Amortized cost	N/A	N/A	No effect on BS or IS
Fair value through profit and loss (FVPL)	Investment up		RE up (via IS)
Fair value through other comprehensive income (FVOCI)	Investment up		Equity up (via OCI)

10

Metrics

Capex Ratio

$$\frac{\text{Capital expenditure}}{\text{Sales}}$$

Investment
relative to sales

Increasing ratio
suggests growth

Average Age of PP&E

$$\frac{\text{Accumulated dep'n}}{\text{Gross PP\&E}}$$

Appraises the age of
PP&E

Ageing asset base
requires investment

Reinvestment Ratio

$$\frac{\text{Capital expenditure}}{\text{Depreciation}}$$

Are depreciating assets
being replaced

Assessing whether a
company is investing
for future growth

11

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