

(CASE 4-3 CONTINUED)

	January 29, 2011	January 30, 2010	January 31, 2009
Operating expenses	220,018	200,356	236,840
Selling, general and administrative expenses	12,211	13,625	14,784
Depreciation and amortization	392	254	22,299
Impairment on long-lived assets	<u>232,621</u>	<u>214,235</u>	<u>273,923</u>
Total operating expenses	49,838	34,863	4,328
Operating income	730	357	—
Costs on early extinguishment of debt	—	—	2,797
Impairment on marketable securities	<u>13,203</u>	<u>17,371</u>	<u>17,491</u>
Interest expense	35,905	17,135	(15,960)
Net income (loss) before income taxes	11,393	3,615	(3,682)
Income tax provision (benefit)	<u>\$ 24,512</u>	<u>\$ 13,520</u>	<u>\$ (12,278)</u>
Net income (loss)			
Less: Net income attributed to noncontrolling interest	400	353	612
Net income (loss) attributed to Perry Ellis International, Inc.	<u>\$ 24,112</u>	<u>\$ 13,167</u>	<u>\$ (12,890)</u>
Net income (loss) attributed to Perry Ellis International, Inc. per share:			
Basic	<u>\$ 1.84</u>	<u>\$ 1.04</u>	<u>\$ (0.89)</u>
Diluted	<u>\$ 1.70</u>	<u>\$ 1.01</u>	<u>\$ (0.89)</u>
Weighted average number of shares outstanding:			
Basic	13,110	12,699	14,416
Diluted	14,149	13,005	14,416

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES
 FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In Part)
 FOR THE YEARS ENDED JANUARY 29, 2011, JANUARY 30, 2010 AND
 JANUARY 31, 2009

2. Summary of Significant Accounting Policies (In Part)

The following is a summary of the Company's significant accounting policies:
PRINCIPLES OF CONSOLIDATION – The consolidated financial statements include the accounts of Perry Ellis International, Inc. and its wholly-owned and controlled subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The ownership interest in consolidated subsidiaries of non-controlling shareholders is reflected as noncontrolling interest. The Company's consolidation principles would also consolidate any entity in which the Company would be deemed a primary beneficiary.

USE OF ESTIMATES— The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts in the consolidated financial statements and the accompanying footnotes. Actual results could differ from those estimates.

Required

1. Comment on the principles of consolidation.
2. Does it appear that there is a 100% ownership in all consolidated subsidiaries?
- b. Comment on the use of estimates.
- c. Would you expect an impairment in marketable securities?
- d. What type of "special item" would be "costs on early extinguishment debt"?

CASE 4-4 THE BIG ORDER

On October 15, 1990, United Airlines (UAL Corporation) placed the largest wide-body aircraft order in commercial aviation history—60 Boeing 747-400s and 68 Boeing 777s—with an estimated value of \$22 billion. With this order, United became the launch customer for the B777. This order was equally split between firm orders and options.

Required

- a. Comment on when United Airlines should record the purchase of these planes.
- b. Comment on when Boeing should record the revenue from selling these planes.
- c. Speculate on how firm the commitment was on the part of United Airlines to accept delivery of these planes.
- d. 1. Speculate on the disclosure for this order in the 1990 financial statements and notes of United Airlines.
 2. Speculate on the disclosure for this order in the 1990 annual report of United Airlines. (Exclude the financial statements and notes.)
- e. 1. Speculate on the disclosure for this order in the 1990 financial statements and notes of Boeing.
 2. Speculate on the disclosure for this order in the 1990 annual report of Boeing. (Exclude the financial statements and notes.)

CASE 4-5 CELTICS

Boston Celtics Limited Partnership II and Subsidiaries presented the following consolidated statements of income for 1998, 1997, and 1996.

BOSTON CELTICS LIMITED PARTNERSHIP II AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF INCOME

	For the Year Ended		
	June 30, 1998	June 30, 1997	June 30, 1996
Revenues:			
Basketball regular season	\$39,107,960	\$31,813,019	\$35,249,625
Ticket sales	28,002,469	23,269,159	22,071,992
Television and radio broadcast rights fees	8,569,485	7,915,626	7,458,651
Other, principally promotional advertising	<u>75,679,914</u>	<u>62,997,804</u>	<u>64,780,268</u>
Costs and expenses:			
Basketball regular season			
Team	40,401,643	40,941,156	27,891,264
Game	2,820,107	2,386,042	2,606,218
General and administrative	13,464,566	13,913,893	15,053,333
Selling and promotional	4,819,478	4,680,168	2,973,488
Depreciation	208,162	189,324	140,894
Amortization of NBA franchise and other intangible assets	<u>165,035</u>	<u>164,702</u>	<u>164,703</u>
	<u>61,878,991</u>	<u>62,275,285</u>	<u>48,829,900</u>
	13,800,923	722,519	15,950,368
Interest expense	(6,017,737)	(5,872,805)	(6,387,598)
Interest income	6,402,366	6,609,541	8,175,184
Net realized gains (losses) on disposition of marketable securities and other short-term investments	<u>(18,235)</u>	<u>361,051</u>	<u>(101,138)</u>
Income from continuing operations before income taxes	14,167,317	1,820,306	17,636,816
Provision for income taxes	<u>1,900,000</u>	<u>1,400,000</u>	<u>1,850,000</u>
Income from continuing operations	12,267,317	420,306	15,786,816

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