

(CASE 4-5 CONTINUED)

	For the Year Ended		
	June 30, 1998	June 30, 1997	June 30, 1996
Discontinued operations:			
Income from discontinued operations (less applicable income taxes of \$30,000)			82,806
Gain from disposal of discontinued operations (less applicable income taxes of \$17,770,000)			38,330,907
	12,267,317	420,306	54,200,529
NET INCOME			
Net income applicable to interests of General Partners	306,216	62,246	1,291,014
Net income applicable to interests of Limited Partners	\$11,961,101	\$ 358,060	\$52,909,515
Per unit:			
Income from continuing operations—basic	\$ 2.45	\$ 0.07	\$ 2.68
Income from continuing operations—diluted	\$ 2.17	\$ 0.06	\$ 2.59
Net income—basic	\$ 2.45	\$ 0.07	\$ 9.18
Net income—diluted	\$ 2.17	\$ 0.06	\$ 8.89
Distributions declared	\$ 2.00	\$ 1.00	\$ 1.50

Required

- Comment on Amortization of NBA Franchise and Other Intangible Assets.
- Would the discontinued operations be included in projecting the future? Comment.
- The costs and expenses include team costs and expenses. Speculate on the major reason for the increase in this expense between 1996 and 1997.
- What were the major reasons for the increase in income from continuing operations between 1997 and 1998?
- Speculate on why distributions declared were higher in 1998 than 1996. (Notice that net income was substantially higher in 1996.)

CASE 4-6 HOMEBUILDING

D.R. HORTON, INC. AND SUBSIDIARIES*
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended September 30,		
	2010	2009	2008
	(In millions, except per share data)		
Homebuilding:			
Revenues:			
Home sales	\$4,302.3	\$3,563.6	\$ 6,164.3
Land/lot sales	7.4	40.3	354.3
	4,309.7	3,603.9	6,518.6
Cost of sales:			
Home sales	3,558.3	3,096.1	5,473.1
Land/lot sales	4.6	34.9	324.2
Inventory impairments and land option cost write-offs	64.7	407.7	2,484.5
	3,627.6	3,538.7	8,281.8
Gross profit (loss):			
Home sales	744.0	467.5	691.2
Land/lot sales	2.8	5.4	30.1
Inventory impairments and land option cost write-offs	(64.7)	(407.7)	(2,484.5)
	682.1	65.2	(1,763.2)
Selling, general and administrative expense	522.0	523.0	791.8
Goodwill impairment	—	—	79.4

*D.R. Horton, Inc. is one of the largest homebuilding companies in the United States." 10-K
Note: Net cash provided by operating activities, 2010 \$709,400,000; 2009 \$1,141,200,000; 2008 \$1,876,500,000

	Year Ended September 30,		
	2010	2009	2008
	(In millions, except per share data)		
Interest expense	86.3	100.2	39.0
Loss (gain) on early retirement of debt, net	4.9	(3.9)	2.6
Other (income)	(9.2)	(12.8)	(9.1)
	78.1	(541.3)	(2,666.9)
Financial Services:			
Revenues, net of recourse and reinsurance expense	90.5	53.7	127.5
General and administrative expense	77.2	78.1	100.1
Interest expense	1.9	1.5	3.7
Interest and other (income)	(10.0)	(10.4)	(11.4)
	21.4	(15.5)	35.1
Income (loss) before income taxes	99.5	(556.8)	(2,631.8)
(Benefit from) provision for income taxes	(145.6)	(7.0)	1.8
Net income (loss)	\$ 245.1	\$ (549.8)	\$ (2,633.6)
Basic net income (loss) per common share	\$ 0.77	\$ (1.73)	\$ (8.34)
Net income (loss) per common share assuming dilution	\$ 0.77	\$ (1.73)	\$ (8.34)
Cash dividends declared per common share	\$ 0.15	\$ 0.15	\$ 0.45

D.R. HORTON, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (In Part)

Note A – Summary of Significant Accounting Policies (In Part)

Inventories and Cost of Sales (In part)

For those assets deemed to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company's determination of fair value is primarily based on discounting the estimated cash flows at a rate commensurate with the inherent risks associated with the assets and related estimated cash flow streams. When an impairment charge for a community is determined, the charge is then allocated to each lot in the community in the same manner land and development costs are allocated to each lot. The inventory within each community is categorized as construction in progress and finished homes, residential land and lots developed and under development, and land held for development, based on the stage of production or plans for future development.

The Company typically does not purchase land for resale. However, when the Company owns land or communities under development that no longer fit into its development and construction plans and it is determined that the best use of the asset is the sale of the asset, the project is accounted for as land held for sale, assuming the land held for sale criteria are met. The Company records land held for sale at the lesser of its carrying value or fair value less estimated costs to sell. In performing impairment evaluation for land held for sale, several factors are considered including, but not limited to, prices for land in recent comparable sales transactions, market analysis studies, which include the estimated price a willing buyer would pay for the land and recent legitimate offers received. If the estimated fair value less costs to sell an asset is less than the current carrying value, the asset is written down to its estimated fair value less costs to sell.

Impairment charges are also recorded on finished homes in substantially completed communities when events or circumstances indicate that the carrying values are greater than the fair values less estimated costs to sell these homes. The key assumptions relating to the valuations are impacted by local market economic conditions and the actions of competitors, and are inherently uncertain. Due to uncertainties in the estimation process, actual results could differ from such estimates. The Company's quarterly assessments reflect management's

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