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CourseSmart Financial Statement Analysis: A Valuation Approach

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Computed value of existing options at above share value:

Range of exercise prices	\$ 0.75–9.41	\$ 9.69–18.41	\$ 19.42–22.69
Number of options (thousands)	3,047	6,943	5,531
Average exercise price (dollars)	7.14	16.92	21.52
Time to expiration (years)	3.0	5.5	6.5
Standard deviation of returns	0.55	0.55	0.55
Risk-free interest rate	0.0625	0.0625	0.0625
Black-Scholes value per option (dollars)	5.67	4.61	4.55
Marginal tax rate on ESOs	0.20	0.20	0.20
After-tax option value per option (dollars)	4.54	3.68	3.64
After-tax option value (thousands of dollars)	13,823	25,583	20,145
Total after-tax value of all options (thousands of dollars)	78,566		
Error (assumed ESO value – computed ESO value) (thousands of dollars)	78,566		
Minority interest:			
Book value of minority interest	3,588		
Book value of core operations and nonoperating net assets less debt claims	1,151,987		
Ratio of minority interest to net value	0.0031146		
Fair value of core operations and nonoperating net assets less debt claims	1,960,062		
Estimated fair value of minority interest	6,105		