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MEMORANDUM FOR APA ECONOMISTS

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SUBJECT: Different Versions of TPTOOL for Printing Intermediate Results
and for Allowing Two Interest Rates

Summary

The standard TPTOOL report prints adjusted and unadjusted PLIs for each year but does not print intermediate results. The standard TPTOOL report also uses the same interest rate to adjust for all types of assets. Special versions of the TPTOOL report are available (1) to print out intermediate results, and (2) to use two different interest rates, one to adjust for other operating assets (“OOA”) and one to adjust for other assets. The different versions of TPTOOL can be summarized as follows, with the report names in bold face:

Intermediate Results Printed	One Interest Rate	Two Interest Rates
none	TPTOOL.rpt	TPTOOLtwoint.rpt
some	TPTOOLprintall.rpt	TPTOOLprintalltwoint.rpt
many	TPTOOLprintmega.rpt	TPTOOLprintmegatwoint.rpt

Intermediate Results

The discussion in this section refers for simplicity to the one-interest-rate versions, but it applies also to the two-interest-rate versions.

TPTOOLprintall.rpt, despite its name prints only a few intermediate results. These are:

- Unadjusted sales (column labeled “sale”)
- Unadjusted cogs (column labeled “cogs”)

- Unadjusted operating expense (column labeled “opexp”)
- Adjusted sales (column labeled “Asale”)
- Adjusted cogs (column labeled “Acogs”)
- Adjusted operating expense (column labeled “Aopexp”)

TPTOOLprintmega.rpt prints these plus many more intermediate results. The additional results printed by TPTOOLprintmega.rpt are as follows:

Calculations to Compute:	Column Heading in Printout	Explanation
Adjusted Sales:	Ave. Rec.[y] ¹	Average receivables, computed as average of beginning and end of year values
	Rec. Holding Pd.[y]	Average holding period of receivables expressed in years, computed as average receivables divided by sales
	Adj. to Rec.[y]	How the comparable’s average receivables would have to change in order to have the same receivables to sales ratio as the tested party
	$i/(i+h)[y]$	The interest rate for the year, divided by (one plus (the interest rate times the receivables holding period))
Adjusted Cogs:	Ave. Pay.[y]	Average payables, computed as average of beginning and end of year values
	Pay. Holding Pd.[y]	Average holding period of payables expressed in years, computed as average payables divided by cogs

¹“y” indicates the year. the years are numbered from -4 (earliest) to 0 (latest).

	Adj. to Pay.[y]	How the comparable's average payables would have to change in order to have the same payables to sales ratio as the tested party
	$i/(i+i*h)[y]$	The interest rate for the year, divided by (one plus (the interest rate times the payables holding period))
	Ave. Invt.[y]	Average inventory on FIFO basis, computed as average of beginning and end of year values
	Adj. to Inv.[y]	How the comparable's average inventory would have to change in order to have the same inventory to sales ratio as the tested party
Adjusted Operating Expense:	Ave. OOA[y]	Average other operating assets, computed as average of beginning and end of year values
	Adj. to OOA[y]	How the comparable's average other operating assets would have to change in order to have the same other operating assets to sales ratio as the tested party

TPTOOLprintmega.rpt has 122 columns and seems close exceeding available memory. When I tried to create a variant in which the font size throughout was 10 instead of Compustat's standard size 8, the software said out of memory and crashed.

Two Interest Rates

TPTOOL.rpt, TPTOOLprintall.rpt, and TPTOOLprintmega.rpt are all available in a "two-interest-rate" version, as listed in the summary table above, which allows one to use a different interest rate for the OOA adjustment. The two-interest-rate versions require one to enter in two sets of interest rates. One set (referred to in the report as the PPE interest rates) is used to adjust for OOA; the other set is used to adjust other assets.

To use a two-interest-rate version, one must first import the concepts file c:\users\weissler\concepts\twoint.txt. (Say yes, you wish to overwrite the existing concepts.) With these special concepts loaded, the normal, one-interest-rate versions of TPTOOL will not run. To restore the concepts to their usual state so that the normal

versions will run, load the concepts file `c:\users\weissler\concepts\oneint.txt`. (Again, say yes, you wish to overwrite the existing concepts.) As always, you must call a report up fresh after changing any of the concepts.