

Learning Module 9: Analysis of Income Taxes

FINANCIAL STATEMENT ANALYSIS

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testing

Effective Tax Rate

$$\text{effective tax rate} = \frac{\text{income tax expense}}{\text{pre-tax income}}$$

- The effective tax rate, which is calculated as the reported income tax expense amount on the income statement divided by the pre-tax income.

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- The effective tax rate, which is calculated as the reported income tax expense amount on the income statement divided by the pre-tax income.

Cash Tax Rate

$$\text{cash tax rate} = \frac{\text{tax paid in cash that period (cash tax)}}{\text{pre-tax income}}$$

- The cash tax rate, which is the tax paid in cash that period (cash tax) divided by pre-tax income.

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- The cash tax rate, which is the tax paid in cash that period (cash tax) divided by pre-tax income.