# Exhibit D Formulas for Asset Intensity Adjustments

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### **Definitions of Variables**

- AP = average accounts payable
- AR = average trade accounts receivable, net of allowance for bad debt
- cogs = cost of goods sold
- INV = average inventory, stated on FIFO basis
- opex = operating expenses (general, sales, administrative, and depreciation expenses)
- *PPE* = property, plant, and equipment, net of accumulated depreciation
- sales = net sales
- tc = total cost (cogs + opex)

#### Additional Definitions:

- h = average accounts payable or trade accounts receivable holding period, stated as a fraction of a year
- i =interest rate
- t =entity being tested
- c = comparable

#### Equations

#### If Cost of Goods Sold is controlled (sales in denominator of PLI):

Receivables Adjustment (RA):

$$RA = \left(\frac{AR_t}{\text{sales}_t} \times \text{sales}_c - AR_c\right) \times \frac{i}{1 + (i \times h_c)}$$

Payables Adjustment (PA):

$$PA = \left(\frac{AP_t}{\text{sales}_t} \times \text{sales}_c - AP_c\right) \times \frac{i}{1 + (i \times h_c)}$$

Inventory Adjustment (IA):

$$IA = \left(\frac{INV_t}{\text{sales}_t} \times \text{sales}_c - INV_c\right) \times i$$

PP&E Adjustment (PPEA):

$$PPEA = \left(\frac{PPE_t}{\text{sales}_t} \times \text{sales}_c - PPE_c\right) \times i$$

If Sales are controlled (costs in denominator of PLI): Receivables Adjustment (RA):

$$RA = \left(\frac{AR_t}{tc_t} \times tc_c - AR_c\right) \times \frac{i}{1 + (i \times h_c)}$$

Payables Adjustment (PA):

$$PA = \left(\frac{AP_t}{tc_t} \times tc_c - AP_c\right) \times \frac{i}{1 + (i \times h_c)}$$

Inventory Adjustment (IA):

$$IA = \left(\frac{INV_t}{tc_t} \times tc_c - INV_c\right) \times i$$

PP&E Adjustment (PPEA):

$$PPEA = \left(\frac{PPE_t}{tc_t} \times tc_c - PPE_c\right) \times i$$

## Adjustment of Comparables

 $\begin{aligned} \text{adjusted sales}_c &= \text{sales}_c + RA \\ \text{adjusted } \cos_c &= \cos_c + PA - IA \\ \text{adjusted } \operatorname{opex}_c &= \operatorname{opex}_c - PPEA \end{aligned}$ 

Depending on the specific facts, the equations above may use total costs (tc) or cost of goods sold (cogs).