Viacom Inc.
Form 10-Q
April 28, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-32686

VIACOM INC.
(Exact name of registrant as specified in its charter)

DELAWARE	20-3515052
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1515 Broadway
New York, NY 10036
(212) 258-6000
(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Class of Stock	Shares Outstanding

	as of April 15, 2016
Class A common stock, par value $0.001 per share	49,434,379
Class B common stock, par value $0.001 per share	346,608,679

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PART I – FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements.
VIACOM INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Quarter Ended March 31,		Six Months Ended March 31,	
(in millions, except per share amounts)	2016	2015	2016	2015
Revenues	$3,001	$3,078	$6,155	$6,422
Expenses:				
Operating	1,654	2,056	3,247	3,679
Selling, general and administrative	705	721	1,372	1,452
Depreciation and amortization	56	57	111	112
Restructuring	—	206	—	206
Total expenses	2,415	3,040	4,730	5,449
Operating income	586	38	1,425	973
Interest expense, net	(155)	(166)	(310)	(326)
Equity in net earnings of investee companies	35	42	66	75
Other items, net	(6)	(12)	(4)	(30)
Earnings/(loss) before provision for income taxes	460	(98)	1,177	692
Provision for income taxes	(151)	50	(407)	(227)
Net earnings/(loss) (Viacom and noncontrolling interests)	309	(48)	770	465
Net earnings attributable to noncontrolling interests	(6)	(5)	(18)	(18)
Net earnings/(loss) attributable to Viacom	$303	$(53)	$752	$447
Basic earnings/(loss) per share attributable to Viacom	$0.76	$(0.13)	$1.90	$1.10
Diluted earnings/(loss) per share attributable to Viacom	$0.76	$(0.13)	$1.89	$1.09
Weighted average number of common shares outstanding:				
Basic	396.1	402.5	396.4	406.6
Diluted	397.4	402.5	397.9	411.4
Dividends declared per share of Class A and Class B common stock	$0.40	$0.33	$0.80	$0.66

See accompanying notes to Consolidated Financial Statements

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VIACOM INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Quarter Ended March 31,		Six Months Ended March 31,	
(in millions)	2016	2015	2016	2015
Net earnings/(loss) (Viacom and noncontrolling interests)	$309	$(48)	$770	$465
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustments	22	(158)	(18)	(262)
Defined benefit pension plans	1	(1)	(4)	(21)
Cash flow hedges	2	—	1	—
Available for sale securities	—	(1)	—	(1)
Other comprehensive income/(loss) (Viacom and noncontrolling interests)	25	(160)	(21)	(284)
Comprehensive income/(loss)	334	(208)	749	181
Less: Comprehensive income attributable to noncontrolling interest	5	1	14	12
Comprehensive income/(loss) attributable to Viacom	$329	$(209)	$735	$169

See accompanying notes to Consolidated Financial Statements

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VIACOM INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions, except par value)	March 31, 2016	September 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 480	$ 506
Receivables, net	2,784	2,807
Inventory, net	806	786
Prepaid and other assets	664	479
Total current assets	4,734	4,578
Property and equipment, net	879	947
Inventory, net	3,876	3,616
Goodwill	11,436	11,456
Intangibles, net	333	340
Other assets	1,307	1,206
Total assets	$ 22,565	$ 22,143
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 343	$ 506
Accrued expenses	679	748
Participants' share and residuals	848	860
Program obligations	692	703
Deferred revenue	413	481
Current portion of debt	1,033	18
Other liabilities	462	537
Total current liabilities	4,470	3,853
Noncurrent portion of debt	11,496	12,267
Participants' share and residuals	322	351
Program obligations	288	356
Deferred tax liabilities, net	531	150
Other liabilities	1,290	1,348
Redeemable noncontrolling interest	221	219
Commitments and contingencies (Note 6)		
Viacom stockholders' equity:		
Class A common stock, par value $0.001, 375.0 authorized; 49.4 and 50.1 outstanding, respectively	—	—
Class B common stock, par value $0.001, 5,000.0 authorized; 346.8 and 348.0 outstanding, respectively	—	—
Additional paid-in capital	10,073	10,017
Treasury stock, 400.1 and 398.0 common shares held in treasury, respectively	(20,825)	(20,725)
Retained earnings	15,192	14,780
Accumulated other comprehensive loss	(551)	(534)
Total Viacom stockholders' equity	3,889	3,538
Noncontrolling interests	58	61
Total equity	3,947	3,599
Total liabilities and equity	$ 22,565	$ 22,143

See accompanying notes to Consolidated Financial Statements

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VIACOM INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended March 31,	
(in millions)	2016	2015
OPERATING ACTIVITIES		
Net earnings (Viacom and noncontrolling interests)	$770	$465
Reconciling items:		
Depreciation and amortization	111	112
Feature film and program amortization	2,106	2,581
Equity-based compensation	52	51
Equity in net earnings and distributions from investee companies	(62)	(71)
Deferred income taxes	377	46
Operating assets and liabilities, net of acquisitions:		
Receivables	52	329
Inventory, program rights and participations	(2,500)	(2,567)
Accounts payable and other current liabilities	(508)	(248)
Other, net	(114)	(18)
Net cash provided by operating activities	284	680
INVESTING ACTIVITIES		
Acquisitions and investments, net	(44)	5
Capital expenditures	(54)	(64)
Net cash flow used in investing activities	(98)	(59)
FINANCING ACTIVITIES		
Borrowings	—	990
Debt repayments	—	(600)
Commercial paper	250	75
Purchase of treasury stock	(100)	(1,506)
Dividends paid	(318)	(273)
Excess tax benefits on equity-based compensation awards	—	39
Exercise of stock options	3	126
Other, net	(43)	(79)
Net cash flow used in financing activities	(208)	(1,228)
Effect of exchange rate changes on cash and cash equivalents	(4)	(87)
Net change in cash and cash equivalents	(26)	(694)
Cash and cash equivalents at beginning of period	506	1,000
Cash and cash equivalents at end of period	$480	$306

See accompanying notes to Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Description of Business

Viacom is home to premier global media brands that create compelling television programs, motion pictures, short-form content, apps, games, consumer products, social media experiences and other entertainment content for audiences in 180 countries. Viacom operates through two reporting segments: Media Networks, which includes the Music & Entertainment Group, the Kids & Family Group and BET Networks, and Filmed Entertainment. The Media Networks segment provides entertainment content and related branded products for consumers in targeted demographics attractive to advertisers, content distributors and retailers. The Filmed Entertainment segment produces, finances, acquires and distributes motion pictures, television programming and other entertainment content under the Paramount Pictures, Paramount Vantage, Paramount Classics, Paramount Animation, Insurge Pictures, Nickelodeon Movies, MTV Films and Paramount Television brands. References in this document to “Viacom,” “Company,” “we,” “us” and “our” mean Viacom Inc. and our consolidated subsidiaries, unless the context requires otherwise.

Unaudited Interim Financial Statements

The accompanying unaudited consolidated quarterly financial statements have been prepared on a basis consistent with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and pursuant to the rules of the Securities and Exchange Commission (“SEC”). In the opinion of management, the accompanying unaudited financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of our results of operations, financial position and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results expected for the fiscal year ending September 30, 2016 (“fiscal 2016”) or any future period. These financial statements should be read in conjunction with our Form 10-K for the year ended September 30, 2015, as filed with the SEC on November 12, 2015 (the “2015 Form 10-K”).

Use of Estimates

Preparing financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as of the dates presented and the reported amounts of revenues and expenses during the periods presented. Significant estimates inherent in the preparation of the accompanying Consolidated Financial Statements include estimates of film ultimate revenues, product returns, potential outcome of uncertain tax positions, fair value of acquired assets and liabilities, fair value of equity-based compensation and pension benefit assumptions. Estimates are based on past experience and other considerations reasonable under the circumstances. Actual results may differ from these estimates.

Reclassification

Certain prior year amounts have been reclassified to conform to the fiscal 2016 presentation.

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-09 - Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements, such as requiring all income tax effects of awards to be recognized in the income statement when the awards vest or are settled and allowing a policy election to account for forfeitures as they occur. In addition, all related cash flows resulting from share-based payments will be reported as operating activities on the statement of cash flows. The guidance will be effective for the first interim period of our 2018 fiscal year, with early adoption permitted. The new standard will impact our financial statements by increasing or decreasing our income tax provision and increasing cash flow from operating activities.

In February 2016, the FASB issued ASU 2016-02 - Leases. ASU 2016-02 requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for most leases. For income statement purposes, leases will be classified as either operating or finance, generally resulting in straight-line expense recognition for operating leases (similar to current operating leases) and accelerated expense recognition for financing leases (similar to current capital leases). The guidance will be effective for the first interim period of our 2020 fiscal year, with early adoption permitted. We are currently evaluating the impact of the new standard.

In January 2016, the FASB issued ASU 2016-01 - Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Among other provisions, the new guidance requires the fair value measurement of investments in certain equity securities. For investments without readily determinable fair values, entities have the option to either measure these investments at fair value or at cost adjusted for changes in observable prices minus impairment. All changes in measurement will be recognized in net income. The guidance will be effective for the first interim period of our 2019 fiscal year. Early adoption is not permitted, except for certain provisions relating to financial liabilities. We are currently evaluating the impact of the new standard.

In November 2015, the FASB issued ASU 2015-17 - Income Taxes: Balance Sheet Classification of Deferred Taxes, which requires that all deferred taxes be classified as noncurrent in the balance sheet. The guidance is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted on either a prospective or retrospective basis. In the quarter ended December 31, 2015, we adopted the new guidance on a retrospective basis. As a result, our $99 million net deferred tax liability in the Consolidated Balance Sheet as of September 30, 2015 is presented as a deferred tax asset of $51 million within Other assets and $150 million in Deferred tax liabilities, net.

In May 2014, the FASB issued ASU 2014-09 - Revenue from Contracts with Customers, a comprehensive revenue recognition model that supersedes the current revenue recognition requirements and most industry-specific guidance. The guidance provides a five step framework to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services. The guidance will be effective for the first interim period of our 2019 fiscal year (with early adoption permitted beginning fiscal year 2018), and allows adoption either under a full retrospective or a modified retrospective approach. We are currently evaluating the impact of the new standard.

NOTE 2. INVENTORY

Our total inventory consists of the following:

Inventory (in millions)	March 31, 2016	September 30, 2015
Film inventory:		
Released, net of amortization	$ 684	$ 576
Completed, not yet released	143	55
In process and other	847	806
Total film inventory, net of amortization	1,674	1,437
Television productions	50	8
Total film and television production inventory	1,724	1,445
Original programming:		
Released, net of amortization	1,189	1,161
In process and other	525	599
Total original programming, net of amortization	1,714	1,760
Acquired program rights, net of amortization	1,149	1,108
Home entertainment inventory	95	89
Total inventory, net	4,682	4,402
Less: current portion	(806)	(786)
Total inventory-noncurrent, net	$ 3,876	$ 3,616

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3. DEBT
Our total debt consists of the following:

Debt (in millions)	March 31, 2016	September 30, 2015
Senior Notes and Debentures:		
Senior notes due April 2016, 6.250%	368	368
Senior notes due December 2016, 2.500%	399	399
Senior notes due April 2017, 3.500%	499	498
Senior notes due October 2017, 6.125%	499	499
Senior notes due September 2018, 2.500%	497	497
Senior notes due April 2019, 2.200%	399	398
Senior notes due September 2019, 5.625%	550	550
Senior notes due December 2019, 2.750%	398	398
Senior notes due March 2021, 4.500%	494	494
Senior notes due December 2021, 3.875%	593	592
Senior notes due June 2022, 3.125%	296	296
Senior notes due March 2023, 3.250%	297	297
Senior notes due September 2023, 4.250%	1,234	1,233
Senior notes due April 2024, 3.875%	544	543
Senior debentures due December 2034, 4.850%	593	592
Senior debentures due April 2036, 6.875%	1,066	1,066
Senior debentures due October 2037, 6.750%	75	75
Senior debentures due February 2042, 4.500%	244	244
Senior debentures due March 2043, 4.375%	1,088	1,085
Senior debentures due June 2043, 4.875%	246	246
Senior debentures due September 2043, 5.850%	1,228	1,228
Senior debentures due April 2044, 5.250%	544	544
Commercial paper	250	—
Capital lease and other obligations	128	143
Total debt	12,529	12,285
Less: current portion	(1,033)	(18)
Total noncurrent portion of debt	$ 11,496	$ 12,267

The total unamortized discount and issuance fees and expenses related to our senior notes and debentures was $469 million as of March 31, 2016 and $478 million as of September 30, 2015. The fair value of our senior notes and debentures was approximately $12.4 billion as of March 31, 2016. The valuation of our publicly traded debt is based on quoted prices in active markets.

Credit Facility

At March 31, 2016, there were no amounts outstanding under our $2.5 billion revolving credit facility due November 2019. The credit facility is used for general corporate purposes and to support commercial paper outstanding. The amount of unused capacity under the credit facility, after deducting commercial paper outstanding of $250 million with a weighted average maturity of 26 days and weighted average interest rate of 1.28%, was $2.25 billion as of March 31, 2016. The credit facility has one principal financial covenant that requires our interest coverage for the most recent four consecutive fiscal quarters to be at least 3.0x, which we met as of March 31, 2016.

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NOTE 4. PENSION BENEFITS
The components of net periodic benefit cost for our defined benefit pension plans, which are currently frozen to future benefit accruals, are set forth below.

Net Periodic Benefit Cost (in millions)	Quarter Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
Interest cost	$8	$10	$17	$22
Expected return on plan assets	(9)	(11)	(19)	(24)
Recognized actuarial loss	2	2	3	3
Loss on pension settlement	—	—	—	24
Net periodic benefit cost	$1	$1	$1	$25

NOTE 5. REDEEMABLE NONCONTROLLING INTEREST
We are subject to a redeemable put option, payable in a foreign currency, with respect to an international subsidiary. The put option expires in December 2022 and is classified as Redeemable noncontrolling interest in the Consolidated Balance Sheets.

The activity reflected within redeemable noncontrolling interest is as follows:

Redeemable Noncontrolling Interest	Six Months Ended March 31,	
(in millions)	2016	2015
Beginning balance	$219	$216
Net earnings	9	8
Distributions	(12)	(12)
Translation adjustment	(16)	(23)
Redemption value adjustment	21	5
Ending Balance	$221	$194

NOTE 6. COMMITMENTS AND CONTINGENCIES
Commitments
As more fully described in Note 11 of the 2015 Form 10-K, our commitments primarily consist of programming and talent commitments, operating and capital lease arrangements, and purchase obligations for goods and services. These arrangements result from our normal course of business and represent obligations that may be payable over several years.
Contingencies
We have certain indemnification obligations with respect to leases primarily associated with the previously discontinued operations of Famous Players Inc. (“Famous Players”). In addition, we have certain indemnities provided by the acquirer of Famous Players. These lease commitments amounted to approximately $250 million as of March 31, 2016. The amount of lease commitments varies over time depending on expiration or termination of individual underlying leases, or of the related indemnification obligation, and foreign exchange rates, among other things. We may also have exposure for certain other expenses related to the leases, such as property taxes and common area maintenance. We have recorded a liability of $192 million with respect to such obligations as of March 31, 2016. We believe our accrual is sufficient to meet any future obligations based on our consideration of

available financial information, the lessees’ historical performance in meeting their lease obligations and the underlying economic factors impacting the lessees’ business models.

Legal Matters

Litigation is inherently uncertain and always difficult to predict. However, based on our understanding and evaluation of the relevant facts and circumstances, we believe that the legal matters described below and other litigation to which we are a party are not likely, in the aggregate, to have a material adverse effect on our results of operations, financial position or operating cash flows.

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In July 2015, the Directorate-General for Competition ("DG Comp") of the European Commission (the "Commission") issued a Statement of Objections (the "SO") to the six major Hollywood film studios, including Paramount Pictures, and to Sky UK ("Sky"), in connection with DG Comp's investigation into whether conventional territorial restrictions in agreements licensing content to pay television broadcasters impeded European Union ("EU") single market imperatives in an anti-competitive way. The SO directed at Paramount takes issue with certain geo-filtering provisions in Paramount's 2009 and 2014 agreements with Sky, which were designed to enforce the territorial nature of the content Paramount licenses for distribution on Sky's online and mobile pay television platforms. In addition, the SO challenges certain provisions in the 2009 agreement regarding Sky's satellite distribution of Paramount content. While we believe that Paramount's licensing practices in the EU are consistent with the region's competition and other rules, Paramount has chosen to reach agreement with the Commission rather than prolong the dispute. Subject to final Commission approval, Viacom and Paramount will give binding commitments to neither enforce nor renew the types of geo-filtering clauses in premium pay television license agreements that were described in the SO and that restrict European Economic Area ("EEA") broadcasters from responding to unsolicited requests by consumers located in a different territory in the EEA. No admission of liability will be made. The commitments permit Paramount to continue to license films through premium pay television license agreements in Europe on an exclusive territorial basis. In addition, the agreement eliminates the possibility of fines and enables the Commission to close similar pending cases against Viacom and Paramount relating to broadcasters in Italy, France, Germany and Spain. If Paramount's commitments do not receive final Commission approval and the Commission ultimately decides that violations have in fact occurred, it has the power to impose fines. Any such decision would be subject to judicial review in the EU's General Court and, thereafter, the Court of Justice of the EU. The full process, including appeals, could last several years.

In November 2015, Robert J. Casey, II, a Viacom shareholder, commenced a shareholder derivative action in the Court of Chancery of the State of Delaware naming, as defendants, all of the members of our Board of Directors, our Chief Financial Officer and our Controller. The complaint alleged breaches of fiduciary duties and unjust enrichment in connection with (i) our decision to recognize a pre-tax charge in the second quarter of fiscal 2015, reflecting the impact of write-downs of underperforming programming, costs associated with workforce reductions and the accelerated amortization of programming expenses, as we publicly announced on April 6, 2015, (ii) our decision to temporarily pause our stock repurchase program in order to stay within our target leverage ratio, also as publicly announced on April 6, 2015, and (iii) the matters relating to the European Statement of Objections, as discussed above. The complaint was filed following communication to Mr. Casey's counsel that the Board unanimously determined not to authorize commencement of a civil action against members of management in connection with the above matters, as requested by Mr. Casey's counsel in previous demand letters. In January 2016, we moved to dismiss the complaint, and Mr. Casey filed an amended complaint in March 2016. On April 7, Mr. Casey voluntarily dismissed the action. The dismissal was approved by the court on the same day.

In January 2016, E.F. Greenberg, a putative Viacom shareholder, commenced a shareholder derivative action in the Court of Chancery of the State of Delaware against the Company and all the current members of our Board of Directors. The complaint alleges breaches of the fiduciary duties of loyalty and candor, waste of corporate assets, and unjust enrichment in connection with compensation arrangements between Viacom and Sumner and Shari Redstone since October 1, 2013. CBS Corporation and its directors were also named in the complaint in connection with arrangements between CBS and Mr. Redstone and Ms. Redstone. In March 2016, Mr. Greenberg voluntarily dismissed the action, and the dismissal was approved by the court.

NOTE 7. STOCKHOLDERS' EQUITY

The components of stockholders' equity are as follows:

	Six Months Ended March 31, 2016	Six Months Ended March 31, 2015
Stockholders' Equity		

(in millions)	Total Viacom Stockholders' Equity	Noncontrolling Interests	Total Equity	Total Viacom Stockholders' Equity	Noncontrolling Interests	Total Equity
Beginning Balance	$3,538	$ 61	$3,599	$3,719	$ 28	$3,747
Net earnings	752	18	770	447	18	465
Other comprehensive loss (1)	(17)	(4)	(21)	(278)	(6)	(284)
Noncontrolling interests	(21)	(17)	(38)	(5)	(21)	(26)
Dividends declared	(318)	—	(318)	(269)	—	(269)
Purchase of treasury stock	(100)	—	(100)	(1,500)	—	(1,500)
Equity-based compensation and other	55	—	55	189	—	189
Ending Balance	$3,889	$ 58	$3,947	$2,303	$ 19	$2,322

(1) The components of other comprehensive loss are net of tax expense of $5 million and a tax benefit of $11 million for the six months ended March 31, 2016 and 2015, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8. RESTRUCTURING

Our restructuring liability as of March 31, 2016 by reporting segment is as follows:
2015 Restructuring Liability

(in millions)	Media Networks	Filmed Entertainment	Corporate	Total
September 30, 2015	$ 87	$ 51	$ 9	$147
Severance payments	(37)	(16)	(3)	(56)
March 31, 2016	$ 50	$ 35	$ 6	$91

The liability as of March 31, 2016 is related to future severance payments in connection with the restructuring plan undertaken in fiscal 2015, as further described in Note 14 of the 2015 Form 10-K. We anticipate that substantially all of the liability associated with the restructuring plan will be paid by September 30, 2016.

NOTE 9. EARNINGS PER SHARE

Basic earnings per common share is computed by dividing Net earnings attributable to Viacom by the weighted average number of common shares outstanding during the period. The determination of diluted earnings per common share includes the weighted average number of common shares plus the dilutive effect of equity awards based upon the application of the treasury stock method. Anti-dilutive common shares were excluded from the calculation of diluted earnings per common share.

The following table sets forth the weighted average number of common shares outstanding used in determining basic and diluted earnings per common share and anti-dilutive common shares:

Weighted Average Number of Common Shares Outstanding and Anti-dilutive Common Shares	Quarter Ended March 31,		Six Months Ended March 31,	
(in millions)	2016	2015	2016	2015
Weighted average number of common shares outstanding, basic	396.1	402.5	396.4	406.6
Dilutive effect of equity awards	1.3	—	1.5	4.8
Weighted average number of common shares outstanding, diluted	397.4	402.5	397.9	411.4
Anti-dilutive common shares	13.2	8.6	13.0	4.3

NOTE 10. SUPPLEMENTAL CASH FLOW AND OTHER INFORMATION

Our supplemental cash flow information is as follows:

Supplemental Cash Flow Information	Six Months Ended March 31,	
(in millions)	2016	2015
Cash paid for interest	$302	$305
Cash paid for income taxes	$204	$211

Accounts Receivable

We had $567 million and $577 million of noncurrent trade receivables as of March 31, 2016 and September 30, 2015, respectively. Accounts receivables are principally related to content distribution arrangements at Media Networks and long-term television license arrangements at Filmed Entertainment. These amounts are included within Other assets - noncurrent in our Consolidated Balance Sheets. Such amounts are due in accordance with the underlying terms of the respective agreements with companies that are investment grade or with which we have historically done business under similar terms. We have determined that credit loss allowances are generally not considered necessary for these amounts.

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Variable Interest Entities
In the normal course of business, we enter into joint ventures or make investments with business partners that support our underlying business strategy and provide us the ability to enter new markets to expand the reach of our brands, develop new programming and/or distribute our existing content. In certain instances, an entity in which we make an investment may qualify as a variable interest entity (“VIE”). In determining whether we are the primary beneficiary of a VIE, we assess whether we have the power to direct matters that most significantly impact the activities of the VIE and have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.
Unconsolidated Variable Interest Entities: We have an unconsolidated investment in Prism TV Private Limited (“Prism”), a 50% owned joint venture in India that qualifies as a VIE. In connection with our investment, we do not have the power to direct matters that most significantly impact the activities of Prism and therefore we do not qualify as the primary beneficiary. Our carrying value in Prism was $157 million and $145 million as of March 31, 2016 and September 30, 2015, respectively.

Consolidated Variable Interest Entities: Our Consolidated Balance Sheets include amounts related to consolidated VIEs totaling $212 million in assets and $56 million in liabilities as of March 31, 2016, and $207 million in assets and $54 million in liabilities as of September 30, 2015. The consolidated VIEs’ revenues, expenses and operating income were not significant for all periods presented.
Income Taxes
Our effective income tax rate was 32.8% and 34.6% in the quarter and six months ended March 31, 2016, respectively. Discrete tax expense of $21 million contributed 1.8 percentage points to the effective income tax rate in the six months. This discrete tax expense was principally related to a reduction in qualified production activity tax benefits as a result of retroactively reenacted legislation.
Our effective income tax rate was 51.0% in the quarter ended March 31, 2015, which included restructuring and programming charges that contributed 19.8 percentage points to the effective income tax rate. Our effective tax rate was 32.8% in the six months ended March 31, 2015. Discrete tax expense of $23 million in the six months, taken together with the restructuring and programming charges and a pension settlement loss, contributed 1.0 percentage point to the effective income tax rate. This discrete tax expense was principally related to a reduction in qualified production activity tax benefits as a result of retroactively reenacted legislation.
NOTE 11. FAIR VALUE MEASUREMENTS
The following table summarizes our financial assets and liabilities measured and recorded at fair value on a recurring basis as of March 31, 2016 and September 30, 2015:

Financial Asset/(Liability)		Quoted Prices In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
(in millions)	Total	Level 1	Level 2	Level 3
March 31, 2016				
Marketable securities	$ 108	$ 108	$ —	$ —
Derivatives	(7)	—	(7)	—
Total	$ 101	$ 108	$ (7)	$ —
September 30, 2015				
Marketable securities	$ 100	$ 100	$ —	$ —

Derivatives	(10)