##### **Create**a 10- to 12-slide presentation that addresses each question within the Comparative Analysis Case, pp. 824-825.

##### Coca-ColaCompany and PepsiCo, Inc.

The financial statements of **Coca-Cola** and **PepsiCo**are presented in [Appendices C](https://jigsaw.vitalsource.com/books/9781119175179/epub/OEBPS/a03.xhtml) and [D](https://jigsaw.vitalsource.com/books/9781119175179/epub/OEBPS/a04.xhtml), respectively. The companies' complete annual reports, including the notes to the financial statements, are available online. Stock price data can be found in the company's annual 10K, filed at the SEC.

##### Instructions

Use the companies' financial information to answer the following questions.

**(a)**What is the par or stated value of Coca-Cola's and PepsiCo's common or capital stock?

**(b)**What percentage of authorized shares was issued by Coca-Cola at December 31, 2014, and by PepsiCo at December 31, 2014?

**(c)**How many shares are held as treasury stock by Coca-Cola at December 31, 2014, and by PepsiCo at December 31, 2014?

**(d)**How many Coca-Cola common shares are outstanding at December 31, 2014? How many PepsiCo shares of capital stock are outstanding at December 31, 2014?

**(e)**What amounts of cash dividends per share were declared by Coca-Cola and PepsiCo in 2014? What were the dollar amount effects of the cash dividends on each company's stockholders' equity?

**(f)**What are Coca-Cola's and PepsiCo's return on common/capital stockholders' equity for 2014 and 2013? Which company gets the higher return on the equity of its shareholders?

**(g)**What are Coca-Cola's and PepsiCo's payout ratios for 2014?

**(h)**What was the market price range (high/low) for Coca-Cola's common stock and PepsiCo's capital stock during the fourth quarter of 2014? Which company's (Coca-Cola's or PepsiCo's) stock price increased more (%) during 2014?

**C Specimen Financial Statements: The Coca-Cola Company**

**The Coca-Cola Company** is the world's largest beverage company. It owns or licenses and markets more than 500 nonalcoholic beverage brands, primarily sparkling beverages, but also a variety of still beverages such as waters, enhanced waters, juices and juice drinks, ready-to-drink teas and coffees, and energy and sports drinks. Finished beverage products bearing Coca-Cola trademarks, sold in the United States since 1886, are now available in more than 200 countries. To access Coca-Cola's complete annual report, including notes to the financial statements, follow these steps:

1. Go to [**http://www.coca-colacompany.com/investors/**](http://www.coca-colacompany.com/investors/).
2. Select Financial Reports and Information and then click on 2014 Annual Report on Form 10-K.
3. The Notes to Consolidated Financial Statements begin on page 78.

| THE COCA-COLA COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME |
| --- |
| Year Ended December 31, | **2014**  | 2013 | 2012 |
| (In millions except per share data) |   |   |   |
| **NET OPERATING REVENUES** | **$ 45,998**  | $ 46,854 | $ 48,017 |
| Cost of goods sold | **17,889**  | 18,421 | 19,053 |
| **GROSS PROFIT** | **28,109**  | 28,433 | 28,964 |
| Selling, general and administrative expenses | **17,218**  | 17,310 | 17,738 |
| Other operating charges | **1,183**  | 895 | 447 |
| **OPERATING INCOME** | **9,708**  | 10,228 | 10,779 |
| Interest income | **594**  | 534 | 471 |
| Interest expense | **483**  | 463 | 397 |
| Equity income (loss) — net | **769**  | 602 | 819 |
| Other income (loss) — net | (**1,263**) | 576 | 137 |
| **INCOME BEFORE INCOME TAXES** | **9,325**  | 11,477 | 11,809 |
| Income taxes | **2,201**  | 2,851 | 2,723 |
| **CONSOLIDATED NET INCOME** | **7,124**  | 8,626 | 9,086 |
| Less: Net income attributable to noncontrolling interests | **26**  | 42 | 67 |
| **NET INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY** | **$  7,098**  | $  8,584 | $  9,019 |
| **BASIC NET INCOME PER SHARE**[1](https://jigsaw.vitalsource.com/books/9781119175179/epub/OEBPS/a03.xhtml#a03-note-0001) | **$   1.62**  | $   1.94 | $   2.00 |
| **DILUTED NET INCOME PER SHARE**[1](https://jigsaw.vitalsource.com/books/9781119175179/epub/OEBPS/a03.xhtml#a03-note-0001) | **$   1.60**  | $   1.90 | $   1.97 |
| **AVERAGE SHARES OUTSTANDING** | **4,387**  | 4,434 | 4,504 |
| Effect of dilutive securities | **63**  | 75 | 80 |
| **AVERAGE SHARES OUTSTANDING ASSUMING DILUTION** | **4,450**  | 4,509 | 4,584 |

1Calculated based on net income attributable to shareowners of The Coca-Cola Company.

| THE COCA-COLA COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME |
| --- |
| Year Ended December 31, | **2014**  | 2013  | 2012  |
| (In millions) |   |   |   |
| **CONSOLIDATED NET INCOME** | **$ 7,124**  | $ 8,626  | $ 9,086  |
| Other comprehensive income: |   |   |   |
|   Net foreign currency translation adjustment | (**2,382**) | (1,187) | (182) |
|   Net gain (loss) on derivatives | **357**  | 151  | 99  |
|   Net unrealized gain (loss) on available-for-sale securities | **714**  | (80) | 178  |
|   Net change in pension and other benefit liabilities | (**1,039**) | 1,066  | (668) |
| **TOTAL COMPREHENSIVE INCOME** | **4,774**  | 8,576  | 8,513  |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | **21**  | 39  | 105  |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLACOMPANY** | **$ 4,753**  | $ 8,537  | $ 8,408  |

| THE COCA-COLA COMPANY AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS |
| --- |
| December 31, | **2014**  | 2013  |
| (In millions except par value) |   |   |
| **ASSETS** |   |   |
|   CURRENT ASSETS |   |   |
|     Cash and cash equivalents | **$  8,958**  | $ 10,414  |
|     Short-term investments | **9,052**  | 6,707  |
|   TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | **18,010**  | 17,121  |
|     Marketable securities | **3,665**  | 3,147  |
|     Trade accounts receivable, less allowances of $331 and $61, respectively | **4,466**  | 4,873  |
|     Inventories | **3,100**  | 3,277  |
|     Prepaid expenses and other assets | **3,066**  | 2,886  |
|     Assets held for sale | **679**  | —  |
|   TOTAL CURRENT ASSETS | **32,986**  | 31,304  |
|   EQUITY METHOD INVESTMENTS | **9,947**  | 10,393  |
|   OTHER INVESTMENTS | **3,678**  | 1,119  |
|   OTHER ASSETS | **4,407**  | 4,661  |
|   PROPERTY, PLANT AND EQUIPMENT — net | **14,633**  | 14,967  |
|   TRADEMARKS WITH INDEFINITE LIVES | **6,533**  | 6,744  |
|   BOTTLERS' FRANCHISE RIGHTS WITH INDEFINITE LIVES | **6,689**  | 7,415  |
|   GOODWILL | **12,100**  | 12,312  |
|   OTHER INTANGIBLE ASSETS | **1,050**  | 1,140  |
|                  TOTAL ASSETS | **$ 92,023**  | $ 90,055  |
| **LIABILITIES AND EQUITY** |   |   |
|   CURRENT LIABILITIES |   |   |
|     Accounts payable and accrued expenses | **$  9,234**  | $  9,577  |
|     Loans and notes payable | **19,130**  | 16,901  |
|     Current maturities of long-term debt | **3,552**  | 1,024  |
|     Accrued income taxes | **400**  | 309  |
|     Liabilities held for sale | **58**  | —  |
|   TOTAL CURRENT LIABILITIES | **32,374**  | 27,811  |
|   LONG-TERM DEBT | **19,063**  | 19,154  |
|   OTHER LIABILITIES | **4,389**  | 3,498  |
|   DEFERRED INCOME TAXES | **5,636**  | 6,152  |
|   THE COCA-COLA COMPANY SHAREOWNERS' EQUITY |   |   |
|     Common stock, $0.25 par value; Authorized — 11,200 shares; |   |   |
|         Issued — 7,040 and 7,040 shares, respectively | **1,760**  | 1,760  |
|     Capital surplus | **13,154**  | 12,276  |
|     Reinvested earnings | **63,408**  | 61,660  |
|     Accumulated other comprehensive income (loss) | (**5,777**) | (3,432) |
|     Treasury stock, at cost — 2,674 and 2,638 shares, respectively | (**42,225**) | (39,091) |
|   EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY | **30,320**  | 33,173  |
|   EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS | **241**  | 267  |
|   TOTAL EQUITY | **30,561**  | 33,440  |
|       TOTAL LIABILITIES AND EQUITY | **$ 92,023**  | $ 90,055  |

| THE COCA-COLA COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS |
| --- |
| Year Ended December 31, | **2014**  | 2013  | 2012  |
| (In millions) |   |   |   |
| **OPERATING ACTIVITIES** |   |   |   |
| Consolidated net income | **$  7,124** | $  8,626  | $  9,086  |
| Depreciation and amortization | **1,976**  | 1,977  | 1,982  |
| Stock-based compensation expense | **209**  | 227  | 259  |
| Deferred income taxes | (**40**) | 648  | 632  |
| Equity (income) loss — net of dividends | (**371**) | (201) | (426) |
| Foreign currency adjustments | **415**  | 168  | (130) |
| Significant (gains) losses on sales of assets — net | **831**  | (670) | (98) |
| Other operating charges | **761**  | 465  | 166  |
| Other items | **149**  | 234  | 254  |
| Net change in operating assets and liabilities | (**439**) | (932) | (1,080) |
|   Net cash provided by operating activities | **10,615**  | 10,542  | 10,645  |
| **INVESTING ACTIVITIES** |   |   |   |
| Purchases of investments | (**17,800**) | (14,782) | (14,824) |
| Proceeds from disposals of investments | **12,986**  | 12,791  | 7,791  |
| Acquisitions of businesses, equity method investments and nonmarketable securities | (**389**) | (353) | (1,486) |
| Proceeds from disposals of businesses, equity method investments and nonmarketable securities | **148**  | 872  | 20  |
| Purchases of property, plant and equipment | (**2,406**) | (2,550) | (2,780) |
| Proceeds from disposals of property, plant and equipment | **223**  | 111  | 143  |
| Other investing activities | (**268**) | (303) | (268) |
|   Net cash provided by (used in) investing activities | (**7,506**) | (4,214) | (11,404) |
| **FINANCING ACTIVITIES** |   |   |   |
| Issuances of debt | **41,674**  | 43,425  | 42,791  |
| Payments of debt | (**36,962**) | (38,714) | (38,573) |
| Issuances of stock | **1,532**  | 1,328  | 1,489  |
| Purchases of stock for treasury | (**4,162**) | (4,832) | (4,559) |
| Dividends | (**5,350**) | (4,969) | (4,595) |
| Other financing activities | (**363**) | 17  | 100  |
|   Net cash provided by (used in) financing activities | (**3,631**) | (3,745) | (3,347) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | (**934**) | (611) | (255) |
| **CASH AND CASH EQUIVALENTS** |   |   |   |
| Net increase (decrease) during the year | (**1,456**) | 1,972  | (4,361) |
| Balance at beginning of year | **10,414**  | 8,442  | 12,803  |
|   Balance at end of year | **$  8,958**  | $ 10,414  | $  8,442  |

| THE COCA-COLA COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY |
| --- |
| Year Ended December 31, | **2014**  | 2013  | 2012  |
| (In millions except per share data) |   |   |   |
| **EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY NUMBER OF COMMON SHARES OUTSTANDING** |   |   |   |
|     Balance at beginning of year | **4,402**  | 4,469  | 4,526  |
|       Purchases of treasury stock | (**98**) | (121) | (121) |
|       Treasury stock issued to employees related to stock compensation plans | **62**  | 54  | 64  |
|     Balance at end of year | **4,366**  | 4,402  | 4,469  |
|   **COMMON STOCK** | **$  1,760**  | $  1,760  | $  1,760  |
|   **CAPITAL SURPLUS** |   |   |   |
|     Balance at beginning of year | **12,276**  | 11,379  | 10,332  |
|       Stock issued to employees related to stock compensation plans | **526**  | 569  | 640  |
|       Tax benefit (charge) from stock compensation plans | **169**  | 144  | 144  |
|       Stock-based compensation | **209**  | 227  | 259  |
|       Other activities | (**26**) | (43) | 4  |
|     Balance at end of year | **13,154**  | 12,276  | 11,379  |
| **REINVESTED EARNINGS** |   |   |   |
|     Balance at beginning of year | **61,660**  | 58,045  | 53,621  |
|       Net income attributable to shareowners of The Coca-Cola Company | **7,098**  | 8,584  | 9,019  |
|       Dividends (per share — $1.22, $1.12 and $1.02 in 2014, 2013 and 2012, respectively) | (**5,350**) | (4,969) | (4,595) |
|     Balance at end of year | **63,408**  | 61,660  | 58,045  |
|   **ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)** |   |   |   |
|     Balance at beginning of year | (**3,432**) | (3,385) | (2,774) |
|       Net other comprehensive income (loss) | (**2,345**) | (47) | (611) |
|     Balance at end of year | (**5,777**) | (3,432) | (3,385) |
|   **TREASURY STOCK** |   |   |   |
|     Balance at beginning of year | (**39,091**) | (35,009) | (31,304) |
|       Stock issued to employees related to stock compensation plans | **891**  | 745  | 786  |
|       Purchases of treasury stock | (**4,025**) | (4,827) | (4,491) |
|     Balance at end of year | (**42,225**) | (39,091) | (35,009) |
| **TOTAL EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY** | **$ 30,320**  | $ 33,173 | $ 32,790 |
| **EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS** |   |   |   |
|   Balance at beginning of year | **$    267**  | $   378  | $   286  |
|     Net income attributable to noncontrolling interests | **26**  | 42  | 67  |
|     Net foreign currency translation adjustment | (**5**) | (3) | 38  |
|     Dividends paid to noncontrolling interests | **(25)** | (58) | (48) |
|     Acquisition of interests held by noncontrolling owners | **—**  | (34) | (15) |
|     Contributions by noncontrolling interests | **—**  | 6  | —  |
|     Business combinations | **(22)** | 25  | 50  |
|     Deconsolidation of certain entities | **—**  | (89) | —  |
| **TOTAL EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS** | **$   241**  | $   267  | $   378  |