##### **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 |