

Starbucks SEC 10K

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Company Timeline

- 1971 – The first Starbucks store was opened
- 1984 – Starbucks tests the coffeehouse concept in their flag store in Seattle, WA
- 1985 – Il Giornale, owned by Howard Schultz, current Chairman and CEO, acquires Starbucks assets with the backing of local investors and changes it's name to Starbucks Corporation.
- 1991 – Becomes the first privately owned U.S. company to offer a stock option program that includes part-time employees.
- 1999 – Acquires Hear Music, a San Francisco-based music company.
- 2001 – Introduces ethical coffee-sourcing guidelines
- 2003 – Acquires Seattle Coffee Company
- 2005 – Acquires Ethos Water; Announces fifth two-for-one stock split
- 2015 – Announces sixth two-for-one stock split.
- 2018 – Opens it's first U.S. signing café for the hard of hearing and deaf.

Consolidated Statements of Earnings

- **Net Revenues** : \$22,386,600
- **Cost of Sales** : \$9,038,200
- **Gross Profit = Net Revenues – Cost of Sales**
$$\$22,386,600 - \$9,038,200 = \$13,348,400$$
- **The corporate tax rate** was 33.2% for the fiscal year ending in October 2017.

Consolidated Statements of Comprehensive Income

- The **Accumulated Other Comprehensive net income/(loss)** is (\$155,600,000) for 2017. It went up from (\$108,400,000) in 2016. The rise in comprehensive loss is accurate because Starbucks also had a higher income in 2017 than in 2016.
- The following items appear under Other Comprehensive Income (Loss):
 - Unrealized holding gains/(losses) on available-for-sale securities**
 - Unrealized gains/(losses) on cash flow hedging instruments**
 - Unrealized gains/(losses) on net investment hedging instruments**
 - Translation adjustment and other**
 - Reclassification adjustment for net (gains)/losses realized in net earnings for available-for-sale securities, hedging instruments, and translation adjustment**
- The account at the bottom of the Consolidated Statement of Comprehensive income is **Comprehensive Income Attributable to Starbucks: \$2,837,500.**

Consolidated Balance Sheets

- **Total Current Assets** : 2017 - \$5,283,400
- **Total Liabilities** : 2017 - \$4,220,700
- **Total Assets** : 2017 - \$14,365,600
- **Total Stockholder's Equity** : 2017 - \$5,450,100

- **Working Capital** = Current Assets – Current Liabilities
$$\$5,286,400 - \$4,220,700 = \$1,062,700$$
 - This was an increase from 2016's working capital of \$211,100.

Consolidated Balance Sheets : Ratio Analysis

- **Current Ratio** = Current Assets / Current Liabilities

$$\$5,283,400 / \$4,220,700 = 1.25$$

- The current ratio is over 1, which shows that they have the assets needed to cover their liabilities, should it be necessary to pay them suddenly.

- **Accounts Receivable Turnover** = Net Credit Sales / Average Net Accounts Receivable

- Starbucks does not list their credit sales individually on their SEC 10 K form. They consider them to be cash equivalents, since they usually resolve within two to five business days. They hold these accounts with financial institutions that exceed federally insured limits, but have not had any losses and perceive loss due to credit risk at a minimum.

Consolidated Balance Sheets : Ratio Analysis, cont.

- **Inventory Turnover** = Cost of Goods Sold / Average Inventory

$$\$9,038,200 / ((\$1,364,000 + \$1,378,500)/2)$$

$$\$9,038,200 / \$1,371,250 = 6.6 \text{ times}$$

- **Inventory Turnover Rate** = 365 / Inventory Turnover Ratio

$$365 / 6.6 = 55$$

- This means that it takes Starbucks around 55 days to turnover, or sell, their inventory.

Consolidated Statements of Cash Flows

- **Analysis of Operating, Investing, and Financing Activities:**

	2017	2016
Net cash provided by operating activities	\$4,174,300	\$4,575,100
Net cash used by investing activities	(\$850,000)	(\$2,222,900)
Net cash used by financing activities	(\$3,001,600)	(\$1,750,000)
Cash and cash equivalents, end of period	\$2,462,300	\$2,128,800

- Although Starbucks's cash flow from operations is at \$4,174,300, which was a \$400,800 decrease from the previous year, they are still providing cash flow from operations. They had an increase in financing activities in 2017 of \$1,251,600, as well as a decrease of \$1,372,900 in investing from 2016 to 2017.

Vertical Analysis: Statement of Earnings

	2017	% of Total Sales
Total Net Revenues	22,386,800	100%
(a) Cost of Sales	9,038,200	40%
(b) Store Operating Expenses	6,493,300	29%

- When looking at Starbucks's Statement of Earnings, we can see that the Cost of Sales (a) makes up 40% of the total net revenues. It was 40% in 2016 as well, and the store operating expenses (b) were . They had an increase in revenue, but also had the same amount of increase in cost of sales. After seeing this, I decided to take it one step further and check 2015 as well. For 2015, the cost of sales made up 40% of net revenue as well, and the store operating expenses were the same percentage as well. This shows that the business is stable, and growing year by year.

Vertical Analysis: Balance Sheets

	2017	% of Total Sales
Total Assets	14,365,600	100%
(c) Accounts Receivables	870,400	6%
(d) Inventories	1,364,000	9%

- Accounts Receivables (c) accounts for 6% of the total assets. It takes about 27 days for Starbucks to turnover their Accounts Receivables. Starbucks's inventories are at 9% of total assets. It takes around 22 days to turnover their inventory in a year, and they turnover 16 times. From looking at this, I see that Starbucks values their inventories at a lower cost, which would keep the dollar rate low. Their inventories also have decreased by \$14,500 from 2016 to 2017. This could be due to a lower cost of coffee this year.

Horizontal Analysis : Statement of Earnings

			Increase	(Decrease)
	2016	2017	\$	%
(a) Total Net Revenue	21,315,900	22,386,800	1,070,900	5.02%
(b) Cost of Sales	8,511,100	9,038,200	527,100	6.19%

- The total revenue (a) for Starbucks has increased year over year by 5.02%. Their Cost of Sales (b) has also increased by 6.19%. This shows that, while their cost of sales has increased, their revenue has kept up with that as well, and they grew at close to the same rate.