



Coca-Cola

NYSE: CCBA

SEC 10-K

FRANK DOUGLAS ACCT 220

A BRIEF HISTORY: COCA-COLA

COCA-COLA'S MISSION STATEMENT:

"TO REFRESH THE WORLD IN MIND, BODY AND SPIRIT. TO INSPIRE MOMENTS OF OPTIMISM AND HAPPINESS THROUGH OUR BRANDS AND ACTIONS."

- COCA-COLA BEGAN IN 1886 IN ATLANTA GEORGIA WHEN DR. JOHN S. PEMBERTON CREATED A FLAVORED SYRUP AND BEGAN MARKETING HIS CONCOCTION TO PHARMACIES IN THE AREA. DR. PEMBERTON DISCOVERED THAT MIXING THE SYRUP WITH CARBONATED WATER , WAS VERY ENJOYABLE AND EASILY MARKETABLE AS A TONIC.
- JUST TWO YEARS AFTER CREATING COCA-COLA, DR. PEMBERTON SOLD HIS BUSINESS TO ASA G. CANDLER, AN ATLANTA BUSINESSMAN. UNDER NEW MANAGEMENT, DISTRIBUTION OF COCA-COLA GREW THE OPERATIONS BEYOND ATLANTA.
- IN 1894 JOSEPH BIEDENHARN OF MISSISSIPPI, INSTALLED BOTTLING MACHINERY IN THE REAR OF HIS SODA FOUNTAIN, BECOMING THE FIRST TO PUT COCA-COLA IN BOTTLES. FIVE YEARS LATER LARGE SCALE BOTTLING OPERATIONS FLOODED THE MARKET AND SATISFIED THE DEMAND FOR PORTABLE PORTIONS OF SODA.
- WHEN IN 1899, THREE ENTERPRISING BUSINESSMEN FROM CHATTANOOGA, PURCHASED THE BOTTLING RIGHTS FROM ASA CANDLER FOR JUST \$1. BENJAMIN THOMAS, JOSEPH WHITEHEAD AND JOHN LUPTON HAD DEVELOPED THE COCA-COLA WORLDWIDE BOTTLING SYSTEM.
- 1916, BOTTLERS APPROVED THE UNIQUE CONTOUR BOTTLE. COCA-COLA'S BOTTLE WAS SO DISTINCTIVE THAT IT COULD BE EASILY RECOGNIZED AT FIRST GLANCE.
- 1919, COCA-COLA IS PURCHASED FOR \$25 MILLION BY ERNEST WOODRUFF. THE COMPANY WAS REINCORPORATED AS A DELAWARE CORPORATION AND STOCK WAS PUT UP FOR PUBLIC SALE ON THE NEW YORK STOCK EXCHANGE
- IN THE 1970S COCA-COLA STARTED TO BRAND THEIR PRODUCTS TO BE ASSOCIATED WITH FUN, FRIENDS AND GOOD TIMES. THIS GAVE THE BRAND A SIGNIFICANT BOOST IN EXPOSURE TO CONSUMERS.

TODAY, DAILY SERVINGS OF COCA-COLA ARE ESTIMATED AT 1.9 BILLION GLOBALLY.



INCOME STATEMENT

Year Ended December 31, (In millions except percentages and per share data)	2017		2016		2015		Percent Change	
							2017 vs. 2016	2016 vs. 2015
NET OPERATING REVENUES	\$	35,410	\$	41,863	\$	44,294	(15)%	(5)%
Cost of goods sold		13,256		16,465		17,482	(19)	(6)
GROSS PROFIT		22,154		25,398		26,812	(13)	(5)
GROSS PROFIT MARGIN		62.6%		60.7%		60.5%		
Selling, general and administrative expenses		12,496		15,262		16,427	(18)	(7)
Other operating charges		2,157		1,510		1,657	43	(9)
OPERATING INCOME		7,501		8,626		8,728	(13)	(1)
OPERATING MARGIN		21.2%		20.6%		19.7%		
Interest income		677		642		613	6	5
Interest expense		841		733		856	15	(14)
Equity income (loss) — net		1,071		835		489	28	71
Other income (loss) — net		(1,666)		(1,234)		631	(35)	*
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES		6,742		8,136		9,605	(17)	(15)
Income taxes from continuing operations		5,560		1,586		2,239	251	(29)
Effective tax rate		82.5%		19.5%		23.3%		
NET INCOME FROM CONTINUING OPERATIONS		1,182		6,550		7,366	(82)	(11)
Income from discontinued operations (net of income taxes of \$47, \$0 and \$0, respectively)		101		—		—	*	*
CONSOLIDATED NET INCOME		1,283		6,550		7,366	(80)	(11)
Less: Net income attributable to noncontrolling interests		35		23		15	55	45
NET INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	\$	1,248	\$	6,527	\$	7,351	(81)%	(11)%
BASIC NET INCOME PER SHARE¹	\$	0.29	\$	1.51	\$	1.69	(81)%	(11)%
DILUTED NET INCOME PER SHARE¹	\$	0.29	\$	1.49	\$	1.67	(81)%	(10)%

* Calculation is not meaningful.

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

- Coca-Cola uses a single step income sheet
- Net Operating Revenues (in millions) for 2017 and 2016 respectively were \$35,410 and \$41,863
- Gross Profits (in millions) for 2017 and 2016 respectively were \$22,154 and \$25,398
- Net Income (in millions) for 2017 was \$1,283 and in 2016 \$6,550

BALANCE SHEET

December 31,	2017		2016	
(In millions except par value)				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$	6,006	\$	8,555
Short-term investments		9,352		9,595
TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		15,358		18,150
Marketable securities		5,317		4,031
Trade accounts receivable, less allowances of \$477 and \$466, respectively		3,667		3,836
Inventories		2,655		2,675
Prepaid expenses and other assets		2,000		2,481
Assets held for sale		219		2,797
Assets held for sale — discontinued operations		7,329		—
TOTAL CURRENT ASSETS		36,545		34,010
EQUITY METHOD INVESTMENTS		20,856		16,260
OTHER INVESTMENTS		1,096		989
OTHER ASSETS		4,560		4,248
PROPERTY, PLANT AND EQUIPMENT — net		8,203		10,635
TRADEMARKS WITH INDEFINITE LIVES		6,729		6,097
BOTTLERS' FRANCHISE RIGHTS WITH INDEFINITE LIVES		138		3,676
GOODWILL		9,401		10,629
OTHER INTANGIBLE ASSETS		368		726
TOTAL ASSETS	\$	87,896	\$	87,270
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$	8,748	\$	9,490
Loans and notes payable		13,205		12,498
Current maturities of long-term debt		3,298		3,527
Accrued income taxes		410		307
Liabilities held for sale		37		710
Liabilities held for sale — discontinued operations		1,496		—
TOTAL CURRENT LIABILITIES		27,194		26,532
LONG-TERM DEBT		31,182		29,684
OTHER LIABILITIES		8,021		4,081
DEFERRED INCOME TAXES		2,522		3,753
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		15,864		14,993
Reinvested earnings		60,430		65,502
Accumulated other comprehensive income (loss)		(10,305)		(11,205)
Treasury stock, at cost — 2,781 and 2,752 shares, respectively		(50,677)		(47,988)
EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY		17,072		23,062
EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS		1,905		158
TOTAL EQUITY		18,977		23,220
TOTAL LIABILITIES AND EQUITY	\$	87,896	\$	87,270

- TOTAL ASSETS

ACCOUNTS RECEIVABLE

December 31,	2017	2016	Increase (Decrease)	Percent Change
Cash and cash equivalents	\$ 6,006	\$ 8,555	\$ (2,549)	(30)%
Short-term investments	9,352	9,595	(243)	(3)
Marketable securities	5,317	4,051	1,266	31
Trade accounts receivable — net	3,667	3,856	(189)	(5)
Inventories	2,655	2,675	(20)	(1)
Prepaid expenses and other assets	2,000	2,481	(481)	(19)
Assets held for sale	219	2,797	(2,578)	(92)
Assets held for sale — discontinued operations	7,329	—	7,329	—
Equity method investments	20,856	16,260	4,596	28
Other investments	1,096	989	107	11
Other assets	4,560	4,248	312	7
Property, plant and equipment — net	8,203	10,635	(2,432)	(23)
Trademarks with indefinite lives	6,729	6,097	632	10
Bottlers' franchise rights with indefinite lives	138	3,676	(3,538)	(96)
Goodwill	9,401	10,629	(1,228)	(12)
Other intangible assets	368	726	(358)	(49)
Total assets	\$ 87,896	\$ 87,270	\$ 626	1 %
Accounts payable and accrued expenses	\$ 8,748	\$ 9,490	\$ (742)	(8)%
Loans and notes payable	13,205	12,498	707	6
Current maturities of long-term debt	3,298	3,527	(229)	(6)
Accrued income taxes	410	307	103	34
Liabilities held for sale	37	710	(673)	(95)
Liabilities held for sale — discontinued operations	1,496	—	1,496	—
Long-term debt	31,182	29,684	1,498	5
Other liabilities	8,021	4,081	3,940	97
Deferred income taxes	2,522	3,753	(1,231)	(33)
Total liabilities	\$ 68,919	\$ 64,050	\$ 4,869	8 %
Net assets	\$ 18,977	\$ 23,220	\$ (4,243)	(18)%

Inventory

	2017	2016
Net Sales	\$35,410	\$41,863
Cost of Goods Sold	13,256	16,465
Gross Profit	22,154	25,398
Gross Profit Percentage	62.6%	60.7

Coca-Cola's inventory is described as a First in First out (FIFO) inventory

- Coca-Cola dropped in net sales from last year from \$41,863 in 2016 to \$35,410 in 2017.
- Gross profit and Cost of goods sold had also decreased. The Gross profit percentage was larger in 2017 than 2016 with with 63 cents gross profit on every dollar sold in 2017 and 61 cents on every dollar sold in 2016.
- Reducing the cost of goods sold actually increased the gross profit percentage in relation to net sales.

PROPERTY, PLANT, AND EQUIPMENT

December 31,		2017		2016
Land	\$	334	\$	589
Buildings and improvements		3,917		4,574
Machinery, equipment and vehicle fleet		12,198		16,093
		16,449		21,256
Less accumulated depreciation		8,246		10,621
Property, plant and equipment — net	\$	8,203	\$	10,635

ANALYSIS

- Coca-Cola recognizes a \$29 million decrease in Allowances in 2017 from 2016. The company is reinvesting in foreign markets and expecting to generate more assets in the long run. There is an expectation that there will be dips at interim periods to adjust for exchange rate and taxation. "We do expect that it will have an impact on our revenue in interim periods. The cumulative-effect adjustment upon adoption of the new revenue recognition standard as of January 1, 2018 is comprised primarily of the Company's estimated variable consideration and is expected to decrease the opening balance of retained earnings by less than \$350 million, net of tax."

CONCLUSION

- Coca-Cola is expanding into foreign markets and learning to navigate exchange rates and taxation. Their primary focus is in international markets and have been working together with a sister bottling company based in Venezuela to expand their products (soda, syrups, ect.) into other markets.

BIBLIOGRAPHY

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