

Accounting finance for operation individual project report

Analysis of Consolidation of Starbucks Pvt Ltd Company

Muhammed Yasin.N

A report submitted in part fulfilment of the degree of

BSc (Hons) in

Commerce Supervisor:



Department of Commerce

Queens Margaret University , Edinburgh

August 15 , 2024

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Student Name: Muhammed Yasin.N

Date of Submission: August 15,2024

College Name: Cochin Arts & Science College Manakkakadav,Kakkanad

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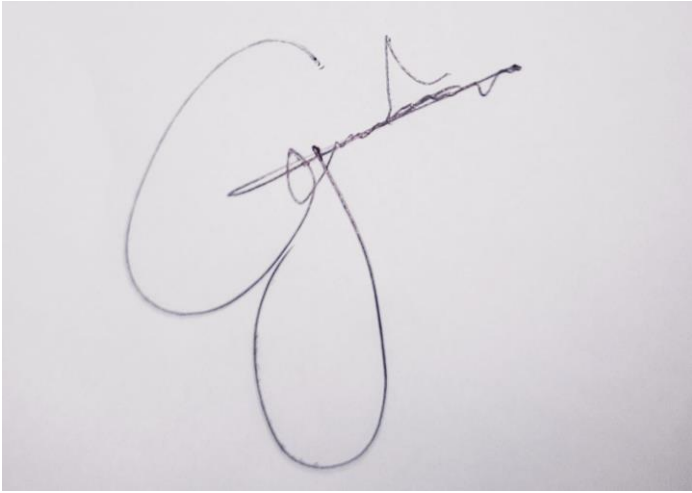


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1. Abstract

Starbucks Corporation, founded in 1971 in Seattle, Washington, was a global coffeehouse chain known for its specialty coffee beverages, teas, and a variety of food items. The company revolutionized the coffee experience by creating a "third place" between home & work where customers can relax & socialize. Starbucks operates thousands of stores worldwide, offering as consistent brand experience and a focus on quality.

2. Project Specification

1. Project Overview

Purpose: To develop and launch a new product line for Starbucks Coffee that meets customer preferences, aligns with brand values, and drives sales growth.

2. Objectives

1. Expand Product Offerings: Introduce a new product line that diversifies Starbucks' menu and attracts new customers.
2. Increase Market Share: Capture a larger share of the market by offering innovative and appealing products.

3. Scope:

- Development of new product concepts and recipes.
- Testing and refinement of products based on customer feedback.

4. Necessary conditions for operation:

1. Creation of Products:

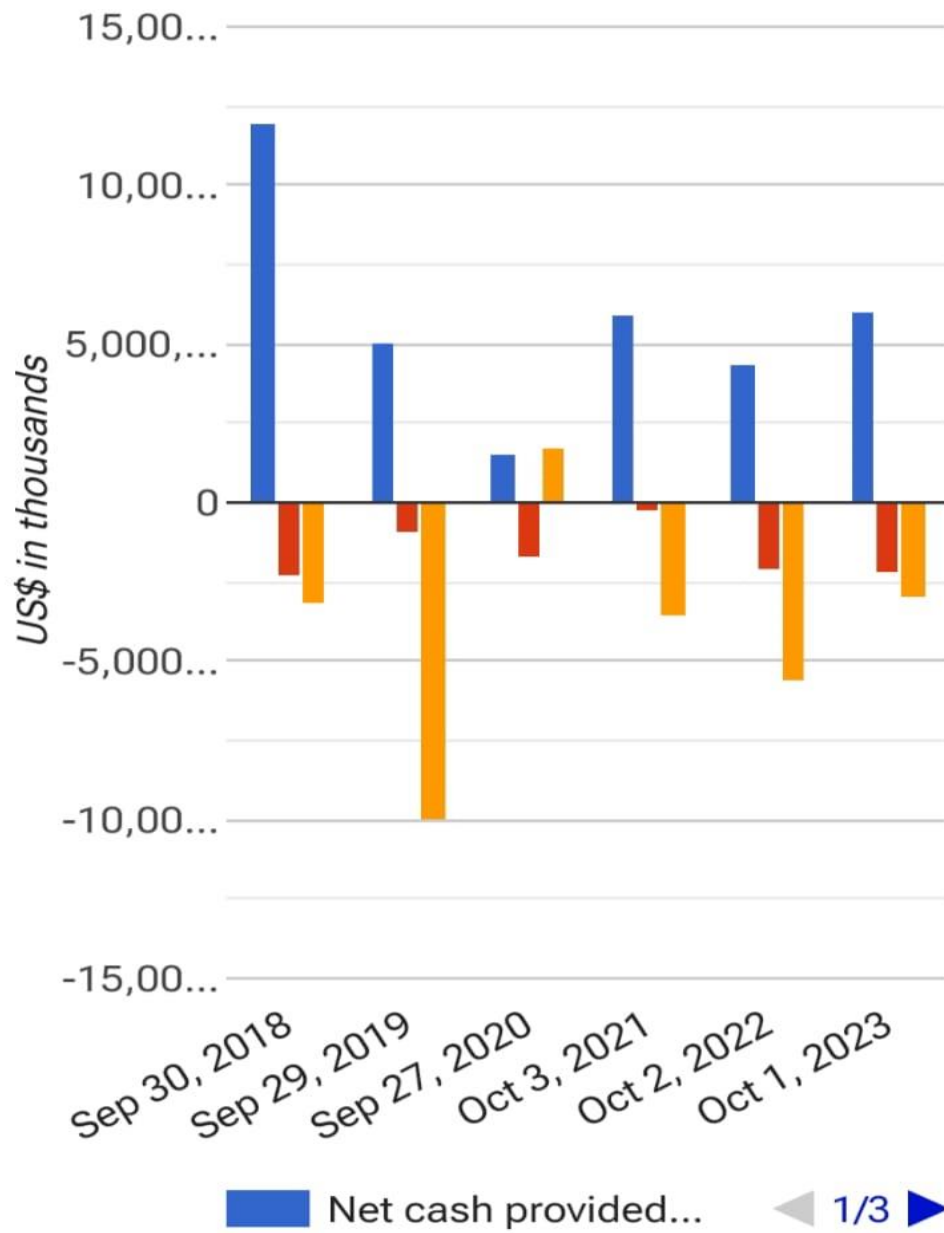
- Development of new recipes that satisfy Starbucks' strict specifications.

2. Presentation:

- Packaging that respects both the environment and the Starbucks trademark.

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Starbucks Corp., consolidated cash flow statement: selected items



STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

Fiscal Year Ended	Oct 1, 2023	Oct 2, 2022	Oct 3, 2021
OPERATING ACTIVITIES:			
Net earnings including noncontrolling interests	\$ 4,124.7	\$ 3,283.4	\$ 4,200.3
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	1,450.3	1,529.4	1,524.1
Deferred income taxes, net	(59.4)	(37.8)	(146.2)
Income earned from equity method investees	(301.8)	(268.7)	(347.3)
Distributions received from equity method investees	222.8	231.2	336.0
Gain on sale of assets	(91.3)	—	—
Net gain resulting from divestiture of certain operations	—	—	(864.5)
Stock-based compensation	302.7	271.5	319.1
Non-cash lease costs	1,365.9	1,497.7	1,248.6
Loss on retirement and impairment of assets	101.4	91.4	226.2
Other	26.8	(67.8)	(6.0)
Cash provided by/(used in) changes in operating assets and liabilities:			
Accounts receivable	(4.1)	(326.1)	(43.0)
Inventories	366.4	(641.0)	(49.8)
Income taxes payable	52.5	(149.6)	286.1
Accounts payable	100.1	345.5	189.9
Deferred revenue	(110.8)	(75.8)	(6.1)
Operating lease liability	(1,443.8)	(1,625.6)	(1,488.1)
Other operating assets and liabilities	(93.7)	339.6	609.8
Net cash provided by operating activities	6,008.7	4,397.3	5,989.1
INVESTING ACTIVITIES:			
Purchases of investments	(610.5)	(377.9)	(432.0)
Sales of investments	2.5	72.6	143.2
Maturities and calls of investments	616.9	67.3	345.5
Additions to property, plant and equipment	(2,333.6)	(1,841.3)	(1,470.0)
Proceeds from sale of assets	110.0	—	—
Net proceeds from the divestiture of certain operations	—	59.3	1,175.0
Other	(56.1)	(126.3)	(81.2)
Net cash used in investing activities	(2,270.8)	(2,146.3)	(319.5)
FINANCING ACTIVITIES:			
Net (payments)/proceeds from issuance of commercial paper	(175.0)	175.0	(296.5)
Net proceeds from issuance of short-term debt	114.6	36.6	215.1
Repayments of short-term debt	(78.8)	(36.6)	(349.8)
Net proceeds from issuance of long-term debt	1,497.8	1,498.1	—
Repayments of long-term debt	(1,000.0)	(1,000.0)	(1,250.0)
Proceeds from issuance of common stock	167.4	101.6	246.2
Cash dividends paid	(2,431.8)	(2,263.3)	(2,119.0)
Repurchase of common stock	(984.4)	(4,013.0)	—
Minimum tax withholdings on share-based awards	(89.3)	(127.2)	(97.0)
Other	(11.1)	(9.2)	—
Net cash used in financing activities	(2,990.6)	(5,638.0)	(3,651.0)
Effect of exchange rate changes on cash and cash equivalents	(14.2)	(250.3)	86.2
Net increase/(decrease) in cash and cash equivalents	733.1	(3,637.3)	2,104.8
CASH AND CASH EQUIVALENTS:			
Beginning of period	2,818.4	6,455.7	4,350.9
End of period	\$ 3,551.5	\$ 2,818.4	\$ 6,455.7
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest, net of capitalized interest	\$ 524.3	\$ 474.7	\$ 501.1
Income taxes	\$ 1,294.2	\$ 1,157.6	\$ 756.3

STARBUCKS CORPORATION											
CONSOLIDATED STATEMENTS OF EARNINGS											
(in millions USD, except per share data)					Horizontal Analysis				Vertical Analysis		
		Oct 2,	Oct 1,	Sep 30,							
		2016	2017	2018	2017	2018	2017	2018	2016	2017	2018
Fiscal Year Ended	Reference										
Net revenues:					\$ Amount	\$ Amount	% Change	% Change			
Company-operated stores	1	\$ 16,844.1	\$ 17,650.7	\$ 19,690.3	\$ 806.6	\$ 2,039.6	4.79%	11.56%	79.02%	78.84%	79.65%
Licensed stores	2	2,154.2	2,355.0	2,652.2	200.8	297.2	9.32%	12.62%	10.11%	10.52%	10.73%
Other	3	2,317.6	2,381.1	2,377.0	63.5	(4.1)	2.74%	-0.17%	10.87%	10.64%	9.62%
Total net revenues	4=1+2+3	21,315.9	22,386.8	24,719.5	1,070.9	2,332.7	5.02%	10.42%	100%	100%	100%
Cost of sales including occupancy costs	5	8,509.0	9,034.3	10,174.5	525.3	1,140.2	6.17%	12.62%	39.92%	40.36%	41.16%
Store operating expenses	6	6,064.3	6,493.3	7,193.2	429.0	699.9	7.07%	10.78%	28.45%	29.01%	29.10%
Other operating expenses	7	499.2	500.3	539.3	1.1	39.0	0.22%	7.80%	2.34%	2.23%	2.18%
Depreciation and amortization expenses	8	980.8	1,011.4	1,247.0	30.6	235.6	3.12%	23.29%	4.60%	4.52%	5.04%
General and administrative expenses	9	1,408.9	1,450.7	1,759.0	41.8	308.3	2.97%	21.25%	6.61%	6.48%	7.12%
Restructuring and impairments	10	0.0	153.5	224.4	153.5	70.9		46.19%		0.69%	0.91%
Total operating expenses	11=Sum 5 to 10	17,462.2	18,643.5	21,137.4	1,181.3	2,493.9	6.76%	13.38%	81.92%	83.28%	85.51%
Income from equity investees	12	318.2	391.4	301.2	73.2	(90.2)	23.00%	-23.05%	1.49%	1.75%	1.22%
Operating income	13=4-11+12	4,171.9	4,134.7	3,883.3	(37.2)	(251.4)	-0.89%	-6.08%	19.57%	18.47%	15.71%
Gain resulting from acquisition of joint venture	14	-	-	1,376.4	-	1,376.4					5.57%
Net gain resulting from divestiture of certain operations	15	5.4	93.5	499.2	88.1	405.7	1631.48%	433.90%	0.03%	0.42%	2.02%
Interest income and other, net	16	102.6	181.8	191.4	79.2	9.6	77.19%	5.28%	0.48%	0.81%	0.77%
Interest expense	17	(81.3)	(92.5)	(170.3)	(11.2)	(77.8)	13.78%	84.11%	-0.38%	-0.41%	-0.69%
Earnings before income taxes	18=Sum 13 to 17	4,198.6	4,317.5	5,780.0	118.9	1,462.5	2.83%	33.87%	19.70%	19.29%	23.38%
Income tax expense	19	1,379.7	1,432.6	1,262.0	52.9	(170.6)	3.83%	-11.91%	6.47%	6.40%	5.11%
Net earnings including noncontrolling interests	20=18-19	2,818.9	2,884.9	4,518.0	66.0	1,633.1	2.34%	56.61%	13.22%	12.89%	18.28%
Net earnings/(loss) attributable to noncontrolling interests	21	1.2	0.2	(0.3)	(1.0)	(0.5)	-83.33%	-250.00%	0.01%	0.00%	0.00%
Net earnings attributable to Starbucks	22=20+21	\$ 2,817.7	\$ 2,884.7	\$ 4,518.3	67.0	1,633.6	2.38%	56.63%	13.22%	12.89%	18.28%
Earnings per share — basic	23	\$ 1.91	\$ 1.99	\$ 3.27	0.1	1.3	4.19%	64.32%			
Earnings per share — diluted	24	\$ 1.90	\$ 1.97	\$ 3.24	0.1	1.3	3.68%	64.47%			
Weighted average shares outstanding:											
Basic	25	1,471.6	1,449.5	1,382.7	(22.1)	(66.8)	-1.50%	-4.61%			
Diluted	26	1,486.7	1,461.5	1,394.6	(25.2)	(66.9)	-1.70%	-4.58%			

STARBUCKS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	Oct 1, 2023	Oct 2, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,551.5	\$ 2,818.4
Short-term investments	401.5	364.5
Accounts receivable, net	1,184.1	1,175.5
Inventories	1,806.4	2,176.6
Prepaid expenses and other current assets	359.9	483.7
Total current assets	7,303.4	7,018.7
Long-term investments	247.4	279.1
Equity investments	439.9	311.2
Property, plant and equipment, net	7,387.1	6,560.5
Operating lease, right-of-use asset	8,412.6	8,015.6
Deferred income taxes, net	1,769.8	1,799.7
Other long-term assets	546.5	554.2
Other intangible assets	120.5	155.9
Goodwill	3,218.3	3,283.5
TOTAL ASSETS	\$ 29,445.5	\$ 27,978.4
LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)		
Current liabilities:		
Accounts payable	\$ 1,544.3	\$ 1,441.4
Accrued liabilities	2,145.1	2,137.1
Accrued payroll and benefits	828.3	761.7
Current portion of operating lease liability	1,275.3	1,245.7
Stored value card liability and current portion of deferred revenue	1,700.2	1,641.9
Short-term debt	33.5	175.0
Current portion of long-term debt	1,818.6	1,749.0
Total current liabilities	9,345.3	9,151.8
Long-term debt	13,547.6	13,119.9
Operating lease liability	7,924.8	7,515.2
Deferred revenue	6,101.8	6,279.7
Other long-term liabilities	513.8	610.5
Total liabilities	37,433.3	36,677.1
Shareholders' deficit:		
Common stock (\$0.001 par value) — authorized, 2,400.0 shares; issued and outstanding, 1,142.6 and 1,147.9 shares, respectively	1.1	1.1
Additional paid-in capital	38.1	205.3
Retained deficit	(7,255.8)	(8,449.8)
Accumulated other comprehensive income/(loss)	(778.2)	(463.2)
Total shareholders' deficit	(7,994.8)	(8,706.6)
Noncontrolling interests	7.0	7.9
Total deficit	(7,987.8)	(8,698.7)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)	\$ 29,445.5	\$ 27,978.4

Introduction: Starbucks Company

Overview about Company:

Starbucks Corporation is the most well-known chain of coffee shops worldwide .originally founded in the US city of Seattle in 1971. With operations in over 80 countries, the corporation boasts a network that exceeds 35,000 outlets.

Mission & Goals:

The organization wants to establish itself as a "third place" where individuals gather for relaxation and mingle in between their homes and places of employment.

Outlook: **Starbucks'** strong brand equity, smart investments, and dedication to customer joy put it in a solid position for long-term success. To fuel future expansion and financial success, the company will prioritize boosting its digital capabilities.

1. Analysis of Firm models

Management of the Supply Chain:

Examine Starbucks' sourcing strategy, including its ethical sourcing standards (such as Coffee and Farmer Equity (C.A.F.E.) standards).

2.Goals of Strategy

a. Improvement of the Market:

Geographic Expansion: Examine Starbucks' tactics for breaking into new domestic and foreign areas as well as how it handles localizing its products.

b. Innovation in Products:

Health & Wellness Trends: Examine how Starbucks responds to current trends in nutrition and plant-based offerings..

3. Analysis

1. Overview of the Company:

Starbucks Corporation is a popular global chain of cafes with over 35,000 branches in more than 80 countries. It started out in Seattle in 1971. It is well known for its high-quality coffee, creative drinks, and distinctive within the store experience.

2. The business idea:

Revenue Streams: Mainly meals, retail products, coffee & beverages, and agreements for licensing.

Supply Chain: Protects fair trade and sustainable coffee by emphasizing ethical sourcing through C.A.F.E. Practices.

3. Results from Method:

Market Expansion: Spreading into countries that are developing like India and China.

Product Innovation: Constantly introduces novel and seasonal products, such as options that are health-conscious.

4. Auditing Achievement:

Strengths: Robust profitability, steady revenue growth, and a high return on investment.

The challenges in mature regions are market saturation and high operational costs.

4. CRITICAL EVALUATION AND CONCLUSION

Conclusion:

Starbucks Corporation was a well-known world coffee company with a solid financial track record, creative business tactics, and a sound business plan. The company has great prospects for future growth with its concentration on market expansion, customer experience, and sustainability. However, by keep its position as the leader in the specialty coffee market, it needs to overcome obstacles such supply chain problems, market saturation, & opposition pressures.

Critical Evaluation of Starbucks:

Features:

Strength your Brand and Position on the Market:

Starbucks is an internationally recognized business with a large following globally. The company's premium positioning is strengthened by its constant focus on quality and client experience.

Diversification of goods and innovation:

Starbucks is an innovator in product innovation, regularly launching new food and drink offerings to cater to changing consumer tastes.
The organization efficiently utilizes digital resources.

Drawbacks:

High Costs of Activities:

Starbucks bears significant expenses associated with premium ingredients, retail management, and employee compensation. In marketplaces where there is competitors, such costs may have an effect on profit margins.

Growing Markets:

Between growing middle-class populations and rising coffee consumption, expanding into emerging markets like China and India offers substantial growth potential.

Technological Growth:

Upgrading digital platforms and employing cutting-edge technologies can further boost performance and customer experience.

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