

Name- Aditi Tiwari

Roll No- 76

Subject Name- Cost and Management Accounting

Company Name- GameStop Corp (GME)

GameStop Corp (GME)-

GameStop Corp. engages in the retail of multichannel video game, consumer electronics, and wireless services. It operates through the following segments: United States, Canada, Australia, and Europe. The United States segment includes the retail operations and electronic commerce websites www.gamestop.com and www.thinkgeek.com, Game Informer magazine, and Kongregate. The Canada segment comprises of retail and e-commerce business. The Australia segment refers to the retail and e-commerce operations in Australia and New Zealand. The Europe segment pertains to the retail and e-commerce operations in the European countries. The company was founded by Daniel A. DeMatteo in 1996 and is headquartered in Grapevine, TX.

Authorized Capital-

Authorized capital for GME is US\$436 million (2020).

Top 5 Shareholders-

Stockholder	Stake	Shares Owned	Total value (\$)	Shares bought / sold	Total change
The Vanguard Group, Inc.	7.65%	5,849,038	1,073,356,963	-116,438	-1.95%
BlackRock Fund Advisors	0.0619	4735324	868979307	-2050815	-0.3022
SSgA Funds Management, Inc.	0.021	1606900	294882219	-251635	-0.1354
Geode Capital Management LLC	0.0098	752985	138180277	78453	0.1163
Charles Schwab Investment Managem...	0.0088	672727	123452132	-323514	-0.3247

Competitors-

The main competitors of GameStop include Dollar General (DG), Chipotle Mexican Grill (CMG), Carvana (CVNA), eBay (EBAY), Coupang (CPNG), O'Reilly Automotive (ORLY), Walgreens Boots Alliance (WBA), Match Group (MTCH), Ross Stores (ROST), and AutoZone (AZO). These companies are all part of the "computer & electronics retail" industry.

Position in the market (market share)-

Market share for GME is 1.31%.

Brief History-

In 1984, two Harvard Business School classmates — James McCurry and Gary M Kusin — founded Babbage's, a Dallas, Texas-based software retailer which was named after Charles Babbage. An early investor named Ross Perot helped them open its first store in Dallas's North Park Center. Their focus shifted to video games and Babbage's began selling Nintendo games in 1987. A year later, the company went public, and by 1991, video games helped it get around two-thirds of sales.

From 1994 to 1996, Babbage's merged with Software Etc and went on to create NeoStar Retail Group. As the companies were merged, Babbage's founder McCurry took the seat of NeoStar chairman. Kusin retained his title of President and Daniel DeMatteo remained the Software Etc President. Software Etc chairman Leonard Riggio became chairman of NeoStar's executive committee.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)	2017	2018	2019
Net sales	8547.10	8285.30	6466.00
Cost of sales	6062.20	5977.20	4557.30
Gross profit	2484.90	2308.10	1908.70
Selling, general and administrative expenses	2031.90	1994.20	1922.70
Goodwill impairments	0.00	970.70	363.90
Asset impairments	13.80	45.20	21.70
Operating (loss) earnings	439.20	(702.00)	(399.60)
Interest income	(1.50)	(5.70)	(11.30)
Interest expense	56.80	56.80	38.50
(Loss) earnings from continuing operations before income taxes	(426.80)	(753.10)	(426.80)
Income tax expense	153.50	41.70	37.60
Net (loss) income from continuing operations	230.40	(794.80)	(464.40)
(Loss) income from discontinued operations, net of tax	(195.70)	121.80	(6.50)
Net (loss) income	34.70	(673.00)	(470.90)
Basic (loss) earnings per share:			
Continuing operations	2.27	(7.79)	(5.31)
Discontinued operations	(1.93)	1.19	(0.08)
Basic (loss) earnings per share	0.34	(6.59)	(5.38)
Diluted (loss) earnings per share:			
Continuing operations	2.27	(7.79)	(5.31)
Discontinued operations	(1.93)	1.19	(0.08)
Diluted (loss) earnings per share	0.34	(6.59)	(5.38)
Weighted-average shares outstanding:			
Basic	101.40	102.10	87.50
Diluted	101.50	102.10	87.50

Common Size Income Statement			
(in millions, except per share data)	2017	2018	2019
Net sales	100.00%	100.00%	100.00%
Cost of sales	70.93%	72.14%	70.48%
Gross profit	29.07%	27.86%	29.52%
Selling, general and administrative expenses	23.77%	24.07%	29.74%
Goodwill impairments	0.00%	11.72%	5.63%
Asset impairments	0.16%	0.55%	0.34%
Operating (loss) earnings	5.14%	-8.47%	-6.18%
Interest income	-0.02%	-0.07%	-0.17%
Interest expense	0.66%	0.69%	0.60%
(Loss) earnings from continuing operations before income taxes	-4.99%	-9.09%	-6.60%
Income tax expense	1.80%	0.50%	0.58%
Net (loss) income from continuing operations	2.70%	-9.59%	-7.18%
(Loss) income from discontinued operations, net of tax	-2.29%	1.47%	-0.10%
Net (loss) income	0.41%	-8.12%	-7.28%
Basic (loss) earnings per share:	0.00%	0.00%	0.00%
Continuing operations	0.03%	-0.09%	-0.08%
Discontinued operations	-0.02%	0.01%	0.00%
Basic (loss) earnings per share	0.00%	-0.08%	-0.08%
Diluted (loss) earnings per share:	0.00%	0.00%	0.00%
Continuing operations	0.03%	-0.09%	-0.08%
Discontinued operations	-0.02%	0.01%	0.00%
Diluted (loss) earnings per share	0.00%	-0.08%	-0.08%
Weighted-average shares outstanding:	0.00%	0.00%	0.00%
Basic	1.19%	1.23%	1.35%
Diluted	1.19%	1.23%	1.35%

CONSOLIDATED STATEMENTS OF OPERATIONS				YOY Comparison	
(in millions, except per share data)	2017	2018	2019	17 vs 18	18 vs 19
Net sales	8547.10	8285.30	6466.00	(261.80)	(1819.30)
Cost of sales	6062.20	5977.20	4557.30	(85.00)	(1419.90)
Gross profit	2484.90	2308.10	1908.70	(176.80)	(399.40)
Selling, general and administrative expenses	2031.90	1994.20	1922.70	(37.70)	(71.50)
Goodwill impairments	0.00	970.70	363.90	970.70	(606.80)
Asset impairments	13.80	45.20	21.70	31.40	(23.50)
Operating (loss) earnings	439.20	(702.00)	(399.60)	(1141.20)	302.40
Interest income	(1.50)	(5.70)	(11.30)	(4.20)	(5.60)
Interest expense	56.80	56.80	38.50	0.00	(18.30)
(Loss) earnings from continuing operations before income taxes	(426.80)	(753.10)	(426.80)	(326.30)	326.30
Income tax expense	153.50	41.70	37.60	(111.80)	(4.10)
Net (loss) income from continuing operations	230.40	(794.80)	(464.40)	(1025.20)	330.40
(Loss) income from discontinued operations, net of tax	(195.70)	121.80	(6.50)	317.50	(128.30)
Net (loss) income	34.70	(673.00)	(470.90)	(707.70)	202.10
Basic (loss) earnings per share:					
Continuing operations	2.27	(7.79)	(5.31)	(10.06)	2.48
Discontinued operations	(1.93)	1.19	(0.08)	3.12	(1.27)
Basic (loss) earnings per share	0.34	(6.59)	(5.38)	(6.93)	1.21
Diluted (loss) earnings per share:					
Continuing operations	2.27	(7.79)	(5.31)	(10.06)	2.48
Discontinued operations	(1.93)	1.19	(0.08)	3.12	(1.27)
Diluted (loss) earnings per share	0.34	(6.59)	(5.38)	(6.93)	1.21
Weighted-average shares outstanding:					
Basic	101.40	102.10	87.50	0.70	(14.60)
Diluted	101.50	102.10	87.50	0.60	(14.60)

CONSOLIDATED BALANCE SHEETS (in millions, except par value per share)			
Assets	2017	2018	2019
Current Assets:			
Cash and cash equivalents	669.40	864.40	1624.40
Receivables, net	220.90	138.60	134.20
Merchandise inventories, net	1121.50	12.50	1250.50
Prepaid expenses and other current assets	128.90	115.20	118.60
Assets held for sale	0.00	660.10	0.00
Total current assets	2140.70	3018.40	3127.70
Property and equipment, net	471.00	351.00	321.30
Operating lease right-of-use assets	0.00	0.00	0.00
Deferred income taxes	59.00	158.20	147.30
Goodwill	1725.20	1350.50	363.90
Other noncurrent assets	72.80	71.00	50.60
Total assets	4975.90	5041.60	4044.30
Liabilities & Stockholders' Equity			
Current liabilities:			
Accounts payable	616.60	892.30	1051.90
Accrued liabilities and other current liabilities	1090.90	950.10	780.00
Current portion of operating lease liabilities		50.90	0.00
Current portion of debt, net		0.00	349.20
Total current liabilities	1761.50	1930.80	2181.10
Long-term debt, net	960.30	817.90	471.60
Operating lease liabilities	0.00	0.00	0.00
Other long-term liabilities	122.30	73.40	55.40
Total liabilities	2721.80	2827.00	2708.10
Stockholders' equity:			
Additional paid-in capital	0.00	22.10	27.70
Accumulated other comprehensive loss	(47.30)	12.20	(54.30)
Retained earnings	2301.30	2180.10	1362.70
Total stockholders' equity	2254.10	2214.50	1336.20
Total liabilities and stockholders' equity	4975.90	5041.60	4044.30

CONSOLIDATED Common Size BALANCE SHEETS (in millions, except par value per share)			
Assets	2017	2018	2019
Current Assets			
Cash and cash equivalents	13.45%	17.15%	40.17%
Receivables, net	4.44%	2.75%	3.32%
Merchandise inventories, net	22.54%	0.25%	30.92%
Prepaid expenses and other current assets	2.59%	2.28%	2.93%
Assets held for sale	0.00%	13.09%	0.00%
Total current assets	43.02%	59.87%	77.34%
Property and equipment, net	9.47%	6.96%	7.94%
Operating lease right-of-use assets	0.00%	0.00%	0.00%
Deferred income taxes	1.19%	3.14%	3.64%
Goodwill	34.67%	26.79%	9.00%
Other noncurrent assets	1.46%	1.41%	1.25%
Total assets	100.00%	100.00%	100.00%
	0.00%	0.00%	0.00%
Liabilities & Stockholders' Equity	0.00%	0.00%	0.00%
Current liabilities:	0.00%	0.00%	0.00%
Accounts payable	12.39%	17.70%	26.01%
Accrued liabilities and other current liabilities	21.92%	18.85%	19.29%
Current portion of operating lease liabilities	0.00%	1.01%	0.00%
Current portion of debt, net	0.00%	0.00%	8.63%
Total current liabilities	35.40%	38.30%	53.93%
Long-term debt, net	19.30%	16.22%	11.66%
Operating lease liabilities	0.00%	0.00%	0.00%
Other long-term liabilities	2.46%	1.46%	1.37%
Total liabilities	54.70%	56.07%	66.96%
	0.00%	0.00%	0.00%
Stockholders' equity:	0.00%	0.00%	0.00%
Additional paid-in capital	0.00%	0.44%	0.68%
Accumulated other comprehensive loss	-0.95%	0.24%	-1.34%
Retained earnings	46.25%	43.24%	33.69%
Total stockholders' equity	45.30%	43.92%	33.04%
Total liabilities and stockholders' equity	100.00%	100.00%	100.00%

CONSOLIDATED BALANCE SHEETS (in millions, except par value per share)				YOY Comparison	
Assets	2017	2018	2019	17 vs 18	18 vs 19
Current Assets					
Cash and cash equivalents	669.40	864.40	1624.40	195.00	760.00
Receivables, net	220.90	138.60	134.20	(82.30)	(4.40)
Merchandise inventories, net	1121.50	12.50	1250.50	(1109.00)	1238.00
Prepaid expenses and other current assets	128.90	115.20	118.60	(13.70)	3.40
Assets held for sale	0.00	660.10	0.00	660.10	(660.10)
Total current assets	2140.70	3018.40	3127.70	877.70	109.30
Property and equipment, net	471.00	351.00	321.30	(120.00)	(29.70)
Operating lease right-of-use assets	0.00	0.00	0.00	0.00	0.00
Deferred income taxes	59.00	158.20	147.30	99.20	(10.90)
Goodwill	1725.20	1350.50	363.90	(374.70)	(986.60)
Other noncurrent assets	72.80	71.00	50.60	(1.80)	(20.40)
Total assets	4975.90	5041.60	4044.30	65.70	(997.30)
Liabilities & Stockholders' Equity					
Current liabilities:					
Accounts payable	616.60	892.30	1051.90	275.70	159.60
Accrued liabilities and other current liabilities	1090.90	950.10	780.00	(140.80)	(170.10)
Current portion of operating lease liabilities		50.90	0.00	50.90	(50.90)
Current portion of debt, net		0.00	349.20	0.00	349.20
Total current liabilities	1761.50	1930.80	2181.10	169.30	250.30
Long-term debt, net	960.30	817.90	471.60	(142.40)	(346.30)
Operating lease liabilities	0.00	0.00	0.00	0.00	0.00
Other long-term liabilities	122.30	73.40	55.40	(48.90)	(18.00)
Total liabilities	2721.80	2827.00	2708.10	105.20	(118.90)
Stockholders' equity:					
Additional paid-in capital	0.00	22.10	27.70	22.10	5.60
Accumulated other comprehensive loss	(47.30)	12.20	(54.30)	59.50	(66.50)
Retained earnings	2301.30	2180.10	1362.70	(121.20)	(817.40)
Total stockholders' equity	2254.10	2214.50	1336.20	(39.60)	(878.30)
Total liabilities and stockholders' equity	4975.90	5041.60	4044.30	65.70	(997.30)

Year on Year Comparison-

Fiscal 2019 Compared to Fiscal 2018-

Net Sales-

Net sales decreased \$1,819.3 million, or 22.0%, in fiscal 2019 compared to fiscal 2018. The decrease in net sales was primarily attributable to a decrease in comparable store sales of 19.4% and the impact of 321 net global store closures. The decrease in comparable store sales was primarily driven by lower demand for the current generation consoles from Sony and Microsoft as they near the end of their console cycle, a decline in software sales as well as a decline of audio-related and other accessories related to the growth in battle-royale gaming in fiscal 2018. The decrease in sales of software was primarily due to a reduction in the number and success of title releases compared to the prior year. These decreases were partially offset by an increase in sales of Nintendo Switch products and collectibles.

Gross Profit-

Gross profit decreased \$399.4 million, or 17.3%, in fiscal 2019 compared to fiscal 2018, and gross profit as a percentage of net sales increased to 29.5% in fiscal 2019 compared to 27.9% in fiscal 2018. The increase in gross profit as a percentage of net sales was primarily due to a shift in product mix to higher margin products, driven by the decline in lower margin video game hardware sales, as well as lower promotional activity in the fiscal 2019 holiday season compared to the fiscal 2018 holiday season.

Fiscal 2018 Compared to Fiscal 2017-

Net Sales-

Net sales decreased \$261.8 million, or 3.1%, in fiscal 2018 compared to fiscal 2017. The decrease in net sales was primarily attributable to fiscal 2017 including 53 weeks compared to 52 weeks in fiscal 2018, the impact of 117 store closures (net of openings), the negative impact of foreign exchange rate fluctuations and a decrease in comparable stores sales of 0.3%. Sales for the 53rd week included in fiscal 2017 were approximately \$132.7 million. The decrease in comparable store sales was primarily driven by a decrease in software sales, partially offset by an increase in sales of collectibles and hardware and accessories. The decrease in sales of software was primarily due to weaker new title releases in the first half of fiscal 2018 and weakening demand as a result of increasing digital adoption, partially offset by an increase in sales of Nintendo Switch titles due to the expansion of the hardware install base and increase of new release titles. The increase in sales of collectibles was primarily driven by new and improved product offerings. The increase in sales of hardware and accessories was primarily driven by growth in sales of audio-related and other accessories associated with the battle-royale gaming genre.

Gross Profit-

Gross profit decreased \$176.8 million, or 7.1%, in fiscal 2018 compared to fiscal 2017, and gross profit as a percentage of net sales decreased to 27.9% in fiscal 2018 compared to 29.1% in fiscal 2017. Gross profit for the 53rd week included in fiscal 2017 was approximately \$34.7 million. The decrease in gross profit as a percentage of net sales was primarily driven by a shift in product mix to lower margin hardware products, primarily driven by the decline in software sales, and higher software promotional activity in the fiscal 2018 holiday season.

Description of Items in an Income Statement and Balance Sheet-

1. **Sales Revenue-** Sales revenue is the income received by a company from its sales of goods or the provision of services. In accounting, the terms “sales” and “revenue” can be, and often are, used interchangeably to mean the same thing.
2. **Cost of goods sold (COGS)-** (COGS) includes all of the costs and expenses directly related to the production of goods. COGS excludes indirect costs such as overhead and sales & marketing. COGS is deducted from revenues (sales) in order to calculate gross profit and gross margin.
3. **Depreciation and Amortization Expenses-** Amortization and depreciation are non-cash expenses on a company's income statement. Depreciation represents the cost of capital assets on the balance sheet being used over time, and amortization is the similar cost of using intangible assets like goodwill over time.
4. **Depreciation-** Depreciation is an amount that reflects the loss in value of a company's fixed asset. Equipment, vehicles and machines lose value with time, and companies record it incrementally through depreciation. This amount shows the portion of the asset's cost used up during the accounting period.
5. **Gross income-** Gross income refers to the total income earned by an individual on a paycheck before taxes and other deductions.
6. **Interest expense-** An interest expense is the cost incurred by an entity for borrowed funds. Interest expense is a non-operating expense shown on the income statement. It represents interest payable on any borrowings – bonds, loans, convertible debt or lines of credit.
7. **Income Tax-** Income tax is the amount of tax a company is liable to pay to its local government. Income tax is an expense on profits earned for a specific accounting period. Tax expense is reported in the income statement and is based on the matching principle as tax is a proportion of profits for a particular period.
8. **Net Income-** Net income (NI), also called net earnings, is calculated as sales minus cost of goods sold, selling, general and administrative expenses, operating expenses, depreciation, interest, taxes, and other expenses.
9. **EBITDA Margin-** The EBITDA margin is a measure of a company's operating profit as a percentage of its revenue. The acronym EBITDA stands for earnings before interest, taxes, depreciation, and amortization. Knowing the EBITDA margin allows for a comparison of one company's real performance to others in its industry.
10. **Total Account Receivable-** - Accounts receivable (AR) is the balance of money due to a firm for goods or services delivered or used but not yet paid for by customers. Accounts receivables are listed on the balance sheet as a current asset. AR is any amount of money owed by customers for purchases made on credit.
11. **Other Current Asset-** Other current assets (OCA) is a category of things of value that a company owns, benefits from, or uses to generate income that can be converted into cash within one business cycle.
12. **Total Current Assets-** Total current assets is the aggregate amount of all cash, receivables, prepaid expenses, and inventory on an organization's balance sheet. These assets are classified as current assets if there is an expectation that they will be converted into cash within one year.
13. **Net Property Plant and Equipment-** Net PP&E is short for Net Property Plant and Equipment. Property Plant and Equipment is the value of all buildings, land, furniture, and other physical capital that a business has purchased to run its business. The term "Net" means that it is "Net" of accumulated depreciation expenses.

14. **Long Term Investments-** A long-term investment is an account on the asset side of a company's balance sheet that represents the company's investments, including stocks, bonds, real estate, and cash. Long-term investments are assets that a company intends to hold for more than a year.
15. **Intangible Assets-** An intangible asset is a non-physical asset that has a multi-period useful life. Examples of intangible assets are patents, copyrights, customer lists, literary works, trademarks, and broadcast rights. The balance sheet aggregates all of a company's assets, liabilities, and shareholders' equity.
16. **Net Goodwill-** Goodwill is an intangible asset that is associated with the purchase of one company by another. Specifically, goodwill is the portion of the purchase price that is higher than the sum of the net fair value of all of the assets purchased in the acquisition and the liabilities assumed in the process.
17. **Other Intangible Assets-** Sum of the carrying amounts of all intangible assets, excluding goodwill, as of the balance sheet date, net of accumulated amortization and impairment charges.
18. **Other Assets-** Other assets is a grouping of accounts that is listed as a separate line item in the assets section of the balance sheet. This line item contains minor assets that do not naturally fit into any of the main asset categories, such as current assets or fixed assets.
19. **Tangible Assets-** Tangible assets are physical; they include cash, inventory, vehicles, equipment, buildings and investments. Intangible assets do not exist in physical form and include things like accounts receivable, pre-paid expenses, and patents and goodwill.
20. **Total Assets-** The meaning of total assets is all the assets, or items of value, a small business owns. Included in total assets is cash, accounts receivable (money owing to you), inventory, equipment, tools etc.
21. **Liabilities and Shareholder's Equity-** Liabilities represent a company's debts, while equity represents stockholders' ownership in the company. Total liabilities and stockholders' equity must equal the total assets on your balance sheet in order for the balance sheet to balance.
22. **Account Payable-** Accounts payable include short-term debt owed to suppliers. They appear as current liabilities on the balance sheet. Accounts payable are the opposite of accounts receivable, which are current assets that include money owed to the company.
23. **Income Tax Payable-** Income tax payable is a type of account in the current liabilities section of a company's balance sheet. It is compiled of taxes due to the government within one year. The calculation of income tax payable is according to the prevailing tax law in the company's home country.
24. **Other Current Liabilities-** Other current liabilities, in financial accounting, are categories of short-term debt that are lumped together on the liabilities side of the balance sheet. The term "current liabilities" refers to items of short-term debt that a firm must pay within 12 months.
25. **Total Current Liabilities-** "Total current liabilities" is the sum of accounts payable, accrued liabilities and taxes. Long-term liabilities include the following: Bonds payable is the total of all bonds at the end of the year that are due and payable over a period exceeding one year.
26. **Long Term Debt-** Long Term Debt is classified as a non-current liability on the balance sheet, which simply means it is due in more than 12 months' time.
27. **Other Liabilities-** "Other liabilities" on a balance sheet is a general category of debts or obligations that don't fit into the other categories listed. This category is used to ensure the company is listing all of its debts and obligations for shareholders and other interested parties.
28. **Total Liabilities-** Total liabilities are the combined debts and obligations that an individual or company owes to outside parties.
29. **Retained Earnings-** retained earnings are the cumulative net earnings or profits of a company after accounting for dividend payments. It is also called earnings surplus and represents the

reserve money, which is available to the company management for reinvesting back into the business.

30. **Total Shareholder's Equity-** Take the sum of all assets in the balance sheet and deduct the value of all liabilities.
31. **Total Equity-** Total equity is the amount invested in a company by investors in exchange for stock, plus all subsequent earnings of the business, minus all subsequent dividends paid out.

Bibliography-

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