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9B19B004

the Evolution of the coca-cola company’s Financial Disclosures, 1920–2017

Mitchell Stein and Martin Persson wrote this note solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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A billion hours ago, human life appeared on Earth. A billion minutes ago, Christianity emerged. A billion seconds ago, the Beatles performed on the Ed Sullivan Show. A billion Coca-Colas ago was yesterday morning.

Roberto C. Goizueta, chief executive officer (CEO) of the Coca-Cola Company, 1996[[1]](#footnote-1)

HISTORY OF THE COCA-COLA COMPANY[[2]](#footnote-2)

John S. Pemberton, an American pharmacist, created the Coca-Cola formula in Atlanta, Georgia, in 1886. Pemberton’s accountant, Frank Robinson, designed the iconic Coca-Cola logo. In the first year of operations, Pemberton sold, on average, nine glasses of Coca-Cola per day. Today, the Coca-Cola Company has over 3,500 distinct products with combined sales of over 1.7 billion units per day, or 19,400 per second.

Pemberton patented the Coca-Cola formula in 1887, and in 1892, Asa Candler, a businessman, acquired the then–privately held Coca-Cola Company for US$2,300[[3]](#footnote-3) (or just over $60,000 in 2018’s dollars). When Candler sold the first bottling rights for the Coca-Cola product in 1899, the business began to shift from production and distribution to licensing, a shift that proved tremendously successful in growing the Coca-Cola Company and a shift that became the standard for most of the modern soft-drink industry. Candler’s next big innovation was the introduction of the contoured bottle in 1915. The bottle, which became a hallmark, was then unique and so distinctive in its design that the bottle was identifiable even in the dark.

Candler ultimately sold the business in 1919 to a consortium of investors for $25 million (or just over $360 million in 2018’s dollars). A year later, this consortium took the Coca-Cola Company public through an initial public offering (IPO).

After its IPO, the Coca-Cola Company steadily grew its brand presence. Its signature product, Coca-Cola, became so ingrained in Western culture that it even managed to redefine the appearance of Santa Claus. This association between Coca-Cola and festive events, such as Christmas, proved successful. From the 1970s and onward, marketing efforts continued this trend by associating Coca-Cola with happiness.

Almost a decade after the Coca-Cola Company’s IPO, both the business and financial reporting landscape changed significantly. Legislation introduced in the 1930s required more detailed and more frequent reporting from publicly held companies. The Coca-Cola Company also changed significantly in that it became much larger and more complex. The company now bottles, distributes, and licenses its products around the world. However, despite this growth, the company’s operational structure has remained largely the same.

Because the company’s operations did not change, changes in its financial reporting disclosure can be assessed in isolation as a model of the evolution of a company’s financial reporting disclosure in response to the changing reporting landscape (see Exhibit 1). Thus, the Coca-Cola Company’s annual reports from 1920 onward serve as a good foundation for this note, the purpose of which is to introduce corporate disclosure and the expansion of such disclosures over time.

US DISCLOSURE LAWS AND REGULATIONS[[4]](#footnote-4)

The regulation of public companies in the United States came of age in the 1930s. In the five years leading up to the Wall Street Crash of 1929 and the onset of the Great Depression, investors in US capital markets had seen the Dow Jones Industrial Average rise 400 per cent.[[5]](#footnote-5) This unprecedented growth came to a crashing halt on October 28, 1929—a day noted in history as Black Monday. Panic selling sent corporate shares plummeting. After two years, the value of the Dow Jones had fallen 89 per cent from its peak in 1929; it would not recover to its pre-crash value until November 1954.[[6]](#footnote-6)

The absence of government oversight was partly blamed for the crisis. In response, Congress passed legislation that included the *Securities Act of 1933* and the *Securities Exchange Act of 1934*, both of which remain cornerstones of securities legislation in the United States. Further securities legislation has been passed in the decades since, such as the *Sarbanes–Oxley Act of 2002*, which was passed in response to the stock market downturn in 2001.[[7]](#footnote-7)

*Securities Act of 1933*

The primary goal of the *Securities Act of 1933*, also known as the “truth in securities” law, was to help investors make informed investment decisions. The Act set two objectives:

* It required that investors must receive financial and other significant information concerning securities being offered for public sale; and
* It prohibited deceit, misrepresentations, and other fraud in the sale of securities.[[8]](#footnote-8)

To accomplish these two objectives, the Act required companies listed in the United States to register their public securities with the government. These filings were required to include the following information:

* a description of the company’s properties and business;
* a description of the security to be offered for sale;
* information about the management of the company; and
* financial statements certified by independent accountants.[[9]](#footnote-9)

*Securities Exchange Act of 1934*

The *Securities Exchange Act of 1934* built upon the progress made by the *Securities Act of 1933* by creating the US Securities and Exchange Commission (SEC). The SEC was endowed with a broad mandate to oversee and regulate all areas of the securities industry. To accomplish this, the Act operationalized the annual filing requirements as of 1933, requiring public companies to file quarterly reports with the SEC. These filings are the subject of this exercise and are referenced in Exhibits 2–13.

*Sarbanes–Oxley Act of 2002*[[10]](#footnote-10)

The *Sarbanes–Oxley Act of 2002* was passed by Congress with the aim of protecting investors from fraudulent activities by public companies. Like the securities acts of the 1930s, the *Sarbanes–Oxley Act* was a response to a series of corporate scandals, such as those at Enron Corporation, WorldCom, and Tyco International plc, and the ensuing market downturn in the early 2000s.

The Act contained a number of key provisions, such as the requirement for companies to provide disclosure regarding the adequacy of internal controls and for senior managers to certify the accuracy of their companies’ securities filing (see Exhibit 2). The Act also created the Public Company Accounting Oversight Board, which was given the mandate to oversee the auditors of public companies through registration, inspection, standard setting, and enforcement.

THE EVOLUTION OF THE COCA-COLA COMPANY’S CORPORATE DISCLOSURE

The Coca-Cola Company had its IPO in 1920 and, since then, it has published almost 100 annual reports. Whereas the core of the company’s business has remained the same, its annual reports have changed dramatically over time (see Exhibit 1). The Coca-Cola Company’s first annual report was two pages long and contained an income statement and a balance sheet (see Exhibit 3). A letter to shareholders and an analysis of the surplus account (today known as a statement of retained earnings) were added in 1921 (see Exhibits 4–5). These changes were followed by the addition of notes to the financial statements in 1949, a table of contents in 1961 (see Exhibits 6–7), and cash flow statements in 1971 (see Exhibits 8–9). Some of these additions were due to changes to securities regulation, such as those described earlier, whereas others were voluntary responses to market conditions and investors’ demands. The sum of these changes, however, has created an annual report that, as of 2017, extended to 170 pages (see Exhibits 7 and 9–13).

Exhibit 1: Changes to Financial Reporting for The Coca-Cola Company, 1920–2000

|  |  |
| --- | --- |
| Number of Pages in the Annual Report |  |
|  | Year |

Note: Each textbox represents the first time the item was presented in the annual report; MD&A = management discussion and analysis.

Source: Created by the note authors.

Exhibit 2: The Coca-Cola Company, Certification Pursuant to 18 USC. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF the *Sarbanes-Oxley Act of 2002*

In connection with the Annual Report of The Coca-Cola Company (the ‘‘Company’’) on Form 10-K for the period ended December 31, 2003 (the ‘‘Report’’), I, Douglas N. Daft, Chairman, Board of Directors, and Chief Executive Officer of the Company and I, Gary P. Fayard, Executive Vice President and Chief Financial Officer of the Company, each certify, pursuant to 18 USC. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. to my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DOUGLAS N. DAFT

Douglas N. Daft

*Chairman, Board of Directors, and*

*Chief Executive Officer*

February 27, 2004

/s/ GARY P. FAYARD

Gary P. Fayard

*Executive Vice President and*

*Chief Financial Officer*

February 27, 2004

Source: The Coca-Cola Company, *Form 10-K, Annual Report for the Fiscal Year Ended December 31, 2013*, Exhibit 32.1, accessed March 5, 2019, https://www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2014/02.201 3-annual-report-on-form-10-k.pdf.

Exhibit 3: The Coca-Cola Company, Annual Financial Statement, 1920

Consolidated Condensed Balance Sheet as of December 31, 1920

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Assets** | **(US$)** |  | **Liabilities** | **(US$)** |
| Current Assets |  |  | Current Liabilities |  |
| Inventories at cost or market |  |  | Notes and accounts payable | 8,890,241.63 |
| whichever was lower | 6,610,557.64 |  | Preferred dividend payable | 350,000.00 |
|  |  |  | Estimated federal income and |  |
| Other book and miscellaneous |  |  | excess profits tax | 300,000.00 |
| assets | 4,295,900.33 |  |  |  |
| Prepaid values | 88,977.90 |  | Capital Accounts |  |
|  |  |  | Preferred stock outstanding | 10,000,000.00 |
| Fixed Assets |  |  | Common stock outstanding | 15,010,000.00 |
| Land, buildings, and machinery | 4,250,680.97 |  | Capital surplus | 4,590,000.00 |
|  |  |  | Surplus | 1,066,097.79 |
| Intangible Assets |  |  |  |  |
| Formulae, trade mark, and |  |  |  |  |
| goodwill | 24,960,222.58 |  |  | 30,666,097.79 |
|  | **40,206,339.42** |  |  | **40,206,339.42** |

Profit and Loss Statement for Year Ended December 31, 1920

|  |  |
| --- | --- |
|  | **(US$)** |
| Net Sales | 32,341,428.61 |
| Less: Cost of operations | 29,567,159.16 |
| Profit from Operations | 2,774,269.45 |
| Less: Other deductions from income | 335,103.47 |
| Net Income | 2,439,165.98 |
| Deductions for Federal Taxes and Dividends, Net | 2,136,018.36 |
| Net Amount Added to Surplus | 303,147.62 |

|  |  |  |  |
| --- | --- | --- | --- |
| We hereby certify that the above condensed balance sheet has been prepared from our audited report for the twelve months ended December 31st, 1920. | | | |
| Wolf and Company Accountants General Office, Chicago, Illinois | | | |
| New York  Philadelphia  Atlanta | Milwaukee  Indianapolis  Tulsa, Oklahoma | Chicago  Kansas City  Des Moines | Oklahoma City  Muskogee  Fort Worth |

Source: Created by the note authors from the Coca-Cola Company, *Annual Report*, 1920, ProQuest Historical Annual Reports Database, accessed April 9, 2019, www.proquest.com/products-services/pq\_hist\_annual\_repts.html.

Exhibit 4: Excerpt of Letter to Shareholders,

The Coca-Cola Company, Annual Report, 1921

February 27th, 1922

To the Stockholders:

Your Board of Directors submits herewith its annual report of the business of The Coca-Cola Company and its subsidiaries for the year ended December 31st, 1921.

The comparative consolidated balance sheet showing the financial condition of the company as at December 31st, 1921, and at December 31st, 1920, together with a statement of income and profit and loss showing the results of the operations for the years ended December 31st, 1921, is appended.

In spite of adverse business conditions in practically all lines, it will be noted that the net profit for the year amounted to nearly four million dollars before writing down inventories, after which it was over two and three-quarter million dollars. This is equivalent to about $3.25 per share for the common capital stock after provision for preferred stock dividend, Federal taxes and depreciation. The average profit per gallon was 17.4c as compared with 13.1c for 1920. With large bad debt losses in many lines, particularly in the South, we are glad to be able to report that ours have been less than one-tenth of one per cent of sales.

Although the Company’s good will is by far its most valuable asset, it will be noted with satisfaction that it is rapidly building up its tangible assets. More than a million dollars has been added to its net tangibles during the year ended December 31st, 1921, and the total of net tangible assets has now been increased to almost seven million dollars.

The outstanding achievement of the year 1921 is the large reduction of Notes Payable to banks. By reference to the balance sheet it will be noted that this indebtedness has been reduced from eight million five hundred thousand dollars to two million one hundred thousand dollars, a net reduction for the year of a little more than six million four hundred thousand dollars. The interest alone on this indebtedness amounted to sufficient to pay a common stock dividend of one dollar per share. Three items of extraordinary expense, which were necessary expenses incident to conditions peculiar to 1921—Exchange on Foreign Funds, $52,298.39; Interest Paid, $506,057.70; Legal Expense, $235,703.43—will all be very much less for 1922. It is well to call your attention to the fact that, while the cash on hand shows a considerable decrease, this is practically accounted for in the increase of accounts receivable.

. . .

The Coca-Cola Company for France operates our Paris bottling plant. This being its first year, an operating loss was sustained. However, we are confident it will prove to be a profitable investment.

Source: Excerpted by the note authors from the Coca-Cola Company, *Annual Report*, 1920, ProQuest Historical Annual Reports Database, accessed April 9, 2019, www.proquest.com/products-services/pq\_hist\_annual\_repts.html.

Exhibit 5: The Coca-Cola Company, Analysis of Surplus Account, 1921

|  |  |
| --- | --- |
| (in US$) |  |
| **Analysis of Surplus Account** |  |
| Profit for 1921 from profit and loss statement | 2,345,990.13 |
| Less preferred and common dividends paid (see footnote) | 1,200,000.00 |
| Net profit left to add to surplus | 1,145,990.13 |
| Surplus at beginning of year | 1,062,054.77 |
| Surplus at December 31, 1921 | 2,208,044.90 |
| **Footnote** |  |
| June 30, 1921 — Preferred | 350,000.00 |
| October 31, 1921 — Common | 500,000.00 |
| December 31, 1921 — Preferred | 350,000.00 |
|  | 1,200,000.00 |

Source: Created by the note authors from the Coca-Cola Company, *Annual Report*, 1921, ProQuest Historical Annual Reports Database, accessed April 9, 2019, www.proquest.com/products-services/pq\_hist\_annual\_repts.html.

Exhibit 6: The Coca-Cola Company, Annual Report, 1961 — Table of Contents

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| --- | --- |
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Source: Excerpted from the Coca-Cola Company, *Annual Report*, 1961, ProQuest Historical Annual Reports Database, accessed April 9, 2019, www.proquest.com/products-services/pq\_hist\_annual\_repts.html.

Exhibit 7: The Coca-Cola Company, Annual Report, 2017 — Table of Contents

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| --- | --- | --- |
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Source: Excerpted from the Coca-Cola Company, *Form 10-K, Annual Report for the Fiscal Year Ended December 31, 2017*, ii, accessed March 5, 2019, www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2018/2017-10K.pdf.

Exhibit 8: The Coca-Cola Company, Consolidated Statement of Cash Flow, 1970

The Coca-Cola Company and Subsidiaries Source and Application of Working Capital

|  |  |  |
| --- | --- | --- |
| **year ended December 31 (in US$)** | **1969** | **1970** |
| **Source of Working Capital** |  |  |
| **From Operations** |  |  |
| Net profit for year | 130,238,315 | 146,875,967 |
| Non-cash items: |  |  |
| Provision for depreciation | 42,897,455 | 48,217,732 |
| Deferred income taxes | 3,065,059 | 2,576,573 |
| Other | 3,446,219 | 7,372,151 |
| **Total from Operations** | **179,647,048** | **205,042,423** |
| Disposals of property, plant, and equipment | 16,311,019 | 12,650,252 |
| Proceeds from exercise of stock options | 3,014,969 | 5,734,201 |
| Other items, net | (408,860) | 663,122 |
|  | 198,564,176 | 224,089,998 |
| **Application of Working Capital** |  |  |
| Cash dividends | 75,822,222 | 84,827,947 |
| Additions to property, plant, and equipment | 112,295,638 | 104,987,754 |
| Increase in miscellaneous investments and other assets | 3,331,163 | 12,025,324 |
| Decrease in long-term debt | 4,158,487 | 6,054,600 |
|  | 195,607,510 | 207,895,625 |
| **Increase in Working Capital** | 2,956,666 | 16,194,373 |
| Working Capital at the Beginning of Year | 221,826,583 | 224,783,249 |
| Working Capital at the End of Year | 224,783,249 | 240,977,622 |

Source: Excerpted from the Coca-Cola Company, *Annual Report*, 1970, ProQuest Historical Annual Reports Database, accessed April 9, 2019, www.proquest.com/products-services/pq\_hist\_annual\_repts.html.

Exhibit 9: The Coca-Cola Company, Consolidated Statement of Cash Flow, 2017

|  |  |  |  |
| --- | --- | --- | --- |
| **year ended December 31 (in US$ millions)** | **2015** | **2016** | **2017** |
| **Operating Activities** |  |  |  |
| Consolidated net income | 7,366 | 6,550 | 1,283 |
| (Income) loss from discontinued operations | — | — | (101) |
| Net income from continuing operations | 7,366 | 6,550 | 1,182 |
| Depreciation and amortization | 1,970 | 1,787 | 1,260 |
| Stock-based compensation expense | 236 | 258 | 219 |
| Deferred income taxes | 73 | (856) | (1,256) |
| Equity (income) loss, net of dividends | (122) | (449) | (628) |
| Foreign currency adjustments | (137) | 158 | 281 |
| Significant (gains) losses on sales of assets, net | (374) | 1,146 | 1,459 |
| Other operating charges | 929 | 647 | 1,218 |
| Other items | 744 | (224) | (269) |
| Net change in operating assets and liabilities | (157) | (221) | 3,529 |
| Net cash provided by operating activities | 10,528 | 8,796 | 6,995 |
| **Investing Activities** |  |  |  |
| Purchases of investments | (15,831) | (15,499) | (16,520) |
| Proceeds from disposals of investments | 14,079 | 16,624 | 15,911 |
| Acquisitions of businesses, equity method investments, and nonmarketable securities | (2,491) | (838) | (3,900) |
| Proceeds from disposition of businesses, equity method investments, and nonmarketable securities | 565 | 1,035 | 3,821 |
| Purchases of property, plant, and equipment | (2,553) | (2,262) | (1,675) |
| Proceeds from disposals of property, plant, and equipment | 85 | 150 | 104 |
| Other investing activities | (40) | (209) | (126) |
| Net cash provided by (used in) investing activities | (6,186) | (999) | (2,385) |
| **Financing Activities** |  |  |  |
| Issuances of debt | 40,434 | 27,281 | 29,857 |
| Payments of debt | (37,738) | (25,615) | (28,768) |
| Issuances of stock | 1,245 | 1,434 | 1,595 |
| Purchases of stock for treasury | (3,564) | (3,681) | (3,682) |
| Dividends | (5,741) | (6,043) | (6,320) |
| Other financing activities | 251 | 79 | (91) |
| Net cash provided by (used in) financing activities | (5,113) | (6,545) | (7,409) |
| **Cash Flows from Discontinued Operations** |  |  |  |
| Net cash provided by (used in) operating activities from discontinued operations | — | — | 111 |
| Net cash provided by (used in) investing activities from discontinued operations | — | — | (65) |
| Net cash provided by (used in) financing activities from discontinued operations | — | — | (38) |
| Net cash provided by (used in) discontinued operations | — | — | 8 |
| **Effect of Exchange Rate Changes on Cash and Equivalents** | (878) | (6) | 242 |
| **Cash and Cash Equivalents** |  |  |  |
| Net increase (decrease) during the year | (1,649) | 1,246 | (2,549) |
| Balance at beginning of year | 8,958 | 7,309 | 8,555 |
| Balance at end of year | 7,309 | 8,555 | 6,006 |

Source: Adapted from the Coca-Cola Company, *Form 10-K, Annual Report for the Fiscal Year Ended December 31, 2017*, 75, accessed March 5, 2019, www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2018/201 7-10K.pdf.

Exhibit 10: The Coca-Cola Company, Consolidated Balance Sheet, 2017

|  |  |  |
| --- | --- | --- |
| **year ended December 31 (in US$ millions except par value)** | **2016** | **2017** |
| **ASSETS** |  |  |
| Current Assets |  |  |
| Cash and cash equivalents | 8,555 | 6,006 |
| Short-term investments | 9,595 | 9,352 |
| Total Cash, Cash Equivalents, and Short-Term Investments | 18,150 | 15,358 |
| Marketable securities | 4,051 | 5,317 |
| Trade accounts receivable, less allowances of $477 and $466, respectively | 3,856 | 3,667 |
| Inventories | 2,675 | 2,655 |
| Prepaid expenses and other assets | 2,481 | 2,000 |
| Assets held for sale | 2,797 | 219 |
| Assets held for sale — discontinued operations | — | 7,329 |
| Total Current Assets | 34,010 | 36,545 |
| Equity method investments | 16,260 | 20,856 |
| Other investments | 989 | 1,096 |
| Other assets | 4,248 | 4,560 |
| Property, Plant, and Equipment, net | 10,635 | 8,203 |
| Trademarks with indefinite lives | 6,097 | 6,729 |
| Bottlers’ franchise rights with indefinite lives | 3,676 | 138 |
| Goodwill | 10,629 | 9,401 |
| Other intangible assets | 726 | 368 |
| **TOTAL ASSETS** | **87,270** | **87,896** |
| **LIABILITIES AND EQUITY** |  |  |
| Current Liabilities |  |  |
| Accounts payable and accrued expenses | 9,490 | 8,748 |
| Loans and notes payable | 12,498 | 13,205 |
| Current maturities of long-term debt | 3,527 | 3,298 |
| Accrued income taxes | 307 | 410 |
| Liabilities held for sale | 710 | 37 |
| Liabilities held for sale, discontinued operations | — | 1,496 |
| Total Current Liabilities | 26,532 | 27,194 |
| Long-term debt | 29,684 | 31,182 |
| Other liabilities | 4,081 | 8,021 |
| Deferred income taxes | 3,753 | 2,522 |
| The Coca-Cola Company Shareowners’ Equity |  |  |
| Common stock @ $0.25 par value; authorized 11,200 shares; issued 7,040 shares in 2016 and in 2017 | 1,760 | 1,760 |
| Capital surplus | 14,993 | 15,864 |
| Reinvested earnings | 65,502 | 60,430 |
| Accumulated other comprehensive income (loss) | (11,205) | (10,305) |
| Treasury stock @ cost; issued 2,752 shares in 2016 and 2,781 in 2017 | (47,988) | (50,677) |
| Equity Attributable to Shareowners of the Coca-Cola Company | 23,062 | 17,072 |
| Equity Attributable to Noncontrolling Interests | 158 | 1,905 |
| Total Equity | 23,220 | 18,977 |
| **TOTAL LIABILITIES AND EQUITY** | **$ 87,270** | **$ 87,896** |

Source: Adapted from the Coca-Cola Company, *Form 10-K, Annual Report for the Fiscal Year Ended December 31, 2017*, 74, accessed March 5, 2019, www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2018/201 7-10K.pdf.

Exhibit 11: The Coca-Cola Company, Consolidated Statements of Income, 2017

|  |  |  |  |
| --- | --- | --- | --- |
| **year ended December 31 (in US$ millions except per-share data)** | **2015** | **2016** | **2017** |
| Net Operating Revenues | 44,294 | 41,863 | 35,410 |
| Cost of goods sold | 17,482 | 16,465 | 13,256 |
| Gross Profit | 26,812 | 25,398 | 22,154 |
| Selling, general and administrative expenses | 16,427 | 15,262 | 12,496 |
| Other operating charges | 1,657 | 1,510 | 2,157 |
| Operating Income | 8,728 | 8,626 | 7,501 |
| Interest income | 613 | 642 | 677 |
| Interest expense | 856 | 733 | 841 |
| Equity income (loss), net | 489 | 835 | 1,071 |
| Other income (loss), net | 631 | (1,234) | (1,666) |
| Income from Continuing Operations before Income Taxes | 9,605 | 8,136 | 6,742 |
| Income taxes from continuing operations | 2,239 | 1,586 | 5,560 |
| Net Income from Continuing Operations | 7,366 | 6,550 | 1,182 |
| Income from discontinued operations [net of income taxes of $0 (2015), $0 (2016), and $47 (2017)] | — | — | 101 |
| Consolidated Net Income | 7,366 | 6,550 | 1,283 |
| Less: Net income attributable to noncontrolling interests | 15 | 23 | 35 |
| Net Income Attributable to Shareowners of the Coca-Cola Company | 7,351 | 6,527 | 1,248 |
| **(in US$)** |  |  |  |
| Basic net income per share from continuing operations | 1.69 | 1.51 | 0.28 |
| Basic net income per share from discontinued operations | — | — | 0.02 |
| Basic Net Income per Share | 1.69 | 1.51 | 0.29 |
| Diluted net income per share from continuing operations | 1.67 | 1.49 | 0.27 |
| Diluted net income per share from discontinued operations | — | — | 0.02 |
| Diluted Net Income per Share | 1.67 | 1.49 | 0.29 |
|  |  |  |  |
| Average Shares Outstanding, Basic | 4,352 | 4,317 | 4,272 |
| Effect of dilutive securities | 53 | 50 | 52 |
| Average Shares Outstanding, Diluted | 4,405 | 4,367 | 4,324 |

Source: Adapted from the Coca-Cola Company, *Form 10-K, Annual Report for the Fiscal Year Ended December 31, 2017*, 72, accessed March 5, 2019, www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2018/201 7-10K.pdf.

Exhibit 12: The Coca-Cola Company,

Consolidated Statements of Shareowners’ Equity, 2017

|  |  |  |  |
| --- | --- | --- | --- |
| **year ended December 31** | **2015** | **2016** | **2017** |
| **Number of Common Shares Outstanding** |  |  |  |
| Balance at beginning of year | 4,366 | 4,324 | 4,288 |
| Treasury stock issued to employees related to stock compensation plans | 44 | 50 | 53 |
| Purchases of stock for treasury | (86) | (86) | (82) |
| Balance at end of year | 4,324 | 4,288 | 4,259 |
| **(in US$ millions except per-share data)** |  |  |  |
| **Common Stock** | 1,760 | 1,760 | 1,760 |
| **Capital Surplus** |  |  |  |
| Balance at beginning of year | 13,154 | 14,016 | 14,993 |
| Stock issued to employees related to stock compensation plans | 532 | 589 | 655 |
| Tax benefit (charge) from stock compensation plans | 94 | 130 | — |
| Stock-based compensation expense | 236 | 258 | 219 |
| Other activities | — | — | (3) |
| Balance at end of year | 14,016 | 14,993 | 15,864 |
| **Reinvested Earnings** |  |  |  |
| Balance at beginning of year | 63,408 | 65,018 | 65,502 |
| Net income attributable to shareowners of the Coca-Cola Company | 7,351 | 6,527 | 1,248 |
| Dividends [per share: $1.32 (2015), $1.40 (2016), $1.48 (2017)] | (5,741) | (6,043) | (6,320) |
| Balance at end of year | 65,018 | 65,502 | 60,430 |
| **Accumulated Other Comprehensive Income (Loss)** |  |  |  |
| Balance at beginning of year | (5,777) | (10,174) | (11,205) |
| Net other comprehensive income (loss) | (4,397) | (1,031) | 900 |
| Balance at end of year | (10,174) | (11,205) | (10,305) |
| **Treasury Stock** |  |  |  |
| Balance at beginning of year | (42,225) | (45,066) | (47,988) |
| Treasury stock issued to employees related to stock compensation plans | 696 | 811 | 909 |
| Purchases of stock for treasury | (3,537) | (3,733) | (3,598) |
| Balance at end of year | (45,066) | (47,988) | (50,677) |
| **Total Equity Attributable to Shareowners** | **25,554** | **23,062** | **17,072** |
| **Equity Attributable to Noncontrolling Interests** |  |  |  |
| Balance at beginning of year | 241 | 210 | 158 |
| Net income attributable to noncontrolling interests | 15 | 23 | 35 |
| Net foreign currency translation adjustment | (18) | (13) | 38 |
| Dividends paid to noncontrolling interests | (31) | (25) | (15) |
| Contributions by noncontrolling interests | — | 1 | — |
| Business combinations | (3) | — | 1,805 |
| Deconsolidation of certain entities | — | (34) | (157) |
| Other activities | 6 | (4) | 41 |
| **Total Equity Attributable to Noncontrolling Interests** | **210** | **158** | **1,905** |

Source: Adapted from the Coca-Cola Company, *Form 10-K, Annual Report for the Fiscal Year Ended December 31, 2017*, 76, accessed March 5, 2019, www.coca- colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2018/20 17-10K.pdf.

Exhibit 13: The Coca-Cola Company, Operating Segments, 2017

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **(in US$ millions)** | **Europe, Middle East & Africa** | **Latin America** | **North America** | **Asia Pacific** | **Bottling Investments** | **Corporate** | **Eliminations** | **Consolidated** |
| Net Operating Revenues |  |  |  |  |  |  |  |  |
| Third party | 7,332 | 3,956 | 8,651 | 4,767 | 10,524 | 138 | — | 35,368 |
| Intersegment | 42 | 73 | 1,986 | 409 | 81 | — | (2,549) | 42 |
| Total Net Operating Revenues | 7,374 | 4,029 | 10,637 | 5,176 | 10,605 | 138 | (2,549) | 35,410 |
| Operating income (loss) | 3,646 | 2,214 | 2,578 | 2,163 | (1,117) | (1,983) | — | 7,501 |
| Interest income | — | — | 44 | — | — | 633 | — | 677 |
| Interest expense | — | — | — | — | — | 841 | — | 841 |
| Depreciation and amortization | 91 | 37 | 411 | 65 | 454 | 202 | — | 1,260 |
| Equity income (loss), net | 48 | (3) | (3) | 11 | 878 | 140 | — | 1,071 |
| Income (loss) from continuing operations before income taxes | 3,706 | 2,211 | 2,307 | 2,179 | (2,345) | (1,316) | — | 6,742 |
| Identifiable operating assets | 5,475 | 1,896 | 17,619 | 2,072 | 4,493 | 27,060 | — | 58,615 |
| Investments | 1,238 | 891 | 112 | 177 | 15,998 | 3,536 | — | 21,952 |
| Capital expenditures | 81 | 55 | 541 | 50 | 662 | 286 | — | 1,675 |

Source: Created by the note authors from the Coca-Cola Company, *Form 10-K, Annual Report for the Fiscal Year Ended December 31, 2017*, accessed March 5, 2019, www.co ca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2018/2017-10K.pdf.

1. Robert C. Goizueta, “The Real Essence of Business,” remarks to the Executives’ Club of Chicago, Chicago, Illinois, November 20, 1996, The Goizueta Foundation, accessed March 7, 2019, www.goizuetafoundation.org/real-essence. [↑](#footnote-ref-1)
2. The Coca-Cola Company, *125 Years of Sharing Happiness*, 2011, accessed March 7, 2019, www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2011/05/Coca-Cola\_125\_years\_booklet.pdf. [↑](#footnote-ref-2)
3. All dollar amounts are in USD unless otherwise specified. [↑](#footnote-ref-3)
4. “The Laws that Govern the Securities Industry,” US Securities and Exchange Commission, October 1, 2013, accessed March 7, 2019, www.sec.gov/about/laws.shtml. [↑](#footnote-ref-4)
5. The Dow Jones Industrial Average was a stock market index that tracks the stock performance of a predetermined set of 30 large public companies based in the United States. [↑](#footnote-ref-5)
6. Gary Richardson, Alejandro Komai, Michael Gou, and Daniel Park, “Stock Market Crash of 1929,” Federal Reserve History, November 22, 2013, accessed March 7, 2019, www.federalreservehistory.org/Events/DetailView/74. [↑](#footnote-ref-6)
7. Other important securities acts include the *Trust Indenture Act of 1939*, *Investment Company Act of 1940*, *Investment Advisers Act of 1940*, and, more recently, the *Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010* and the *Jumpstart Our Business Startups Act of 2012*. [↑](#footnote-ref-7)
8. “The Laws that Govern the Securities Industry,” op. cit. [↑](#footnote-ref-8)
9. Ibid. [↑](#footnote-ref-9)
10. *Sarbanes–Oxley Act of 2002* (Pub. L. 107–204, 116 Stat. 745), accessed March 7, 2019, http://legcounsel.house.gov/Co mps/Sarbanes-oxley%20Act%20Of%202002.pdf. [↑](#footnote-ref-10)