UKS31436.docx

by

Submission date: 15-Apr-2023 01:57AM (UTC-0400)
Submission ID: 2065117934
File name: UKS31436.docx (468.72K)
Word count: 3878
Character count: 22274

Academic year and term: 2022/2023 – Semester 2 (Spring)

Module title: Financial Performance Management

Type of assessment: Summative assessment – Individual Report

3,500 words (100% weighting)

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1.0 Introduction

1.1 Company history, size, and number of employees

One of the biggest cloud computing and online retailers in the world is Amazon. The business was established in 1994, and Seattle, Washington, is where its headquarters are, according to its official website. Amazon had more than 1.3 million employees as of 2021. There are both full-time and part-time employees working for the business, along with contractors (Amazon (2020). A series of grocery stores, cheap department stores and hypermarkets are all run by the international retail company Walmart. The business was established in 1962, and Bentonville, Arkansas serves as its corporate headquarters, according to its official website. Almost 2.2 million people are employed at Walmart worldwide as of 2021. There are both full-time and part-time individuals working for the business. Walmart is larger in size compared to Amazon in terms of both company size and employees (Walmart, 2022).

1.2 Why they are similar and in the same industry

Both Walmart and Amazon are regarded as part of the retail sector, more specifically the e-commerce and brick-and-mortar divisions. The competitive forces within an industry can be analyzed using Porter's Five Forces methodology. **Firstly,** because of the high start-up costs and established market competitors, the threat of new entrants in the retail industry is relatively minimal. **Secondly,** because of the scale and negotiating ability of big retailers like Amazon and Walmart, suppliers have relatively little negotiating power. **Thirdly,** because there are so many options on the market, consumers have a fair amount of bargaining power. **Fourthly,** the threat of alternatives is modest because comparable products are offered by a variety of sellers. **Lastly,** the retail industry's vast player base has led to a high level of intense competition (Mind Tools 2023).

As a result, Amazon and Walmart are direct competitors in the market because they both deal with similar competitive factors in the retail sector.

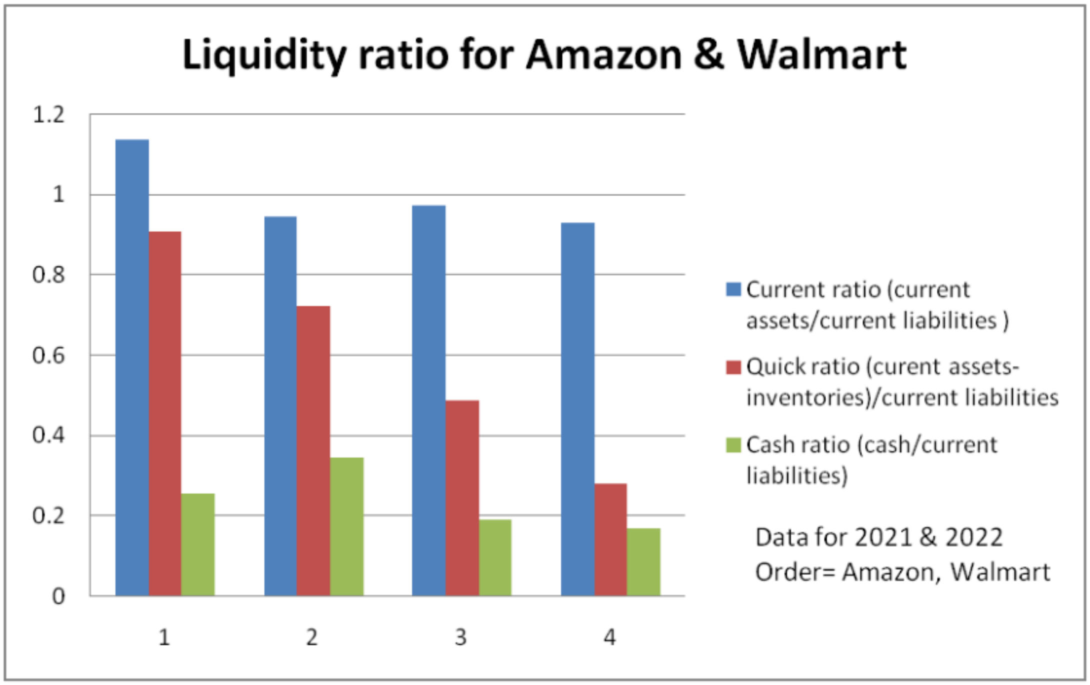
2.0 Part 1 Financial Performance Using Ratio Analysis

2.1 Liquidity ratio analysis

Table 1: Liquidity ratio analysis of Amazon and Walmart for 2021 & 2022

Input data For liquidity ratios	Amazon		Walmart	
	2021	2022	2021	2022
Current Assets	161580	146791	90067	81070
Current liabilities	142266	155393	92645	87379
Inventories	32640	34405	44949	56511
Cash	36220	53888	17741	14760
Liquidity ratios	2022	2021	2021	2022
Current ratio (current assets/current liabilities)	1.1357598	0.94464358	0.972173	0.9277973
Quick ratio (current assets-inventories)/current liabilities	0.9063304	0.72323721	0.486999	0.28106296
Cash ratio (cash/current liabilities)	0.2545935	0.34678525	0.191494	0.16891931

A. **Liquidity ratio analysis of Amazon and Walmart for 2021 & 2022**



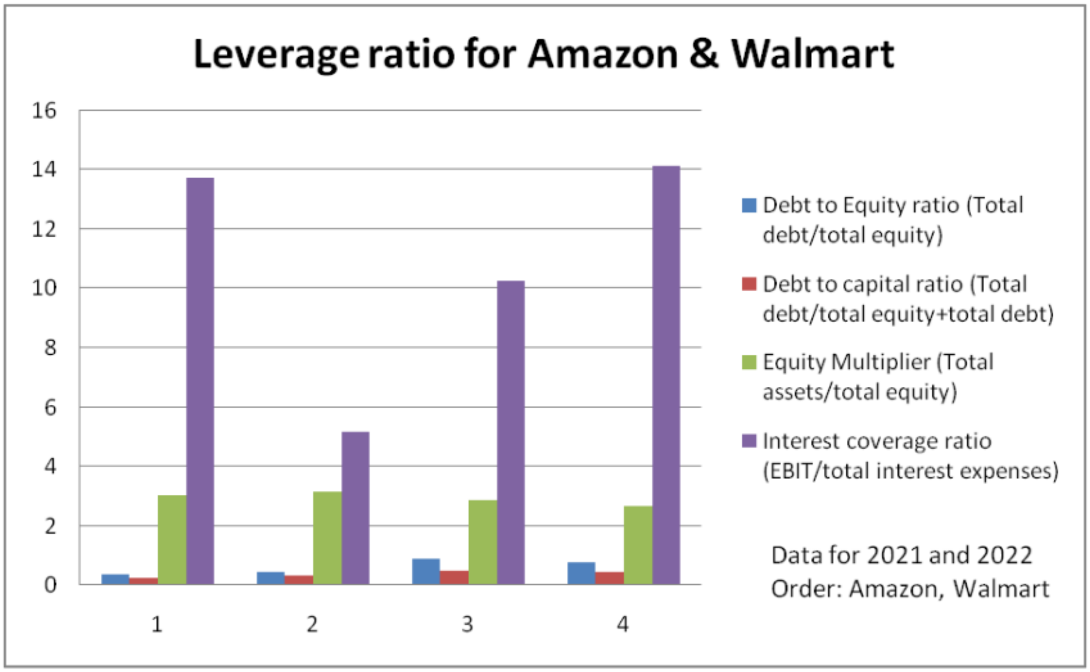
2.2 Leverage ratio analysis

Table 2: Leverage ratio analysis of Amazon and Walmart for 2021 & 2022

Input data For Leverage ratios	Amazon		Walmart	
	2021	2022	2021	2022
Total debt	48744	67150	77616	70797
Total Equity	138245	146043	87531	91891
Total Assets	420549	462675	252496	244860
EBIT (operating income)	24879	12248	22548	25942

Interest Expenses	1809	2367	2194	1836
Leverage ratios	**2021**	**2022**	**2021**	**2022**
Debt to Equity ratio (Total debt/total equity)	0.352591414	0.459796087	0.886725846	0.770445419
Debt to capital ratio (Total debt/total equity+total debt)	0.260678436	0.314972818	0.469981289	0.435170387
Equity Multiplier (Total assets/total equity)	3.042055771	3.168073786	2.884646582	2.664678804
Interest coverage ratio (EBIT/total interest expenses)	13.75290216	5.174482467	10.27711942	14.12962963

B. Leverage ratio analysis of Amazon and Walmart for 2021 & 2022



2.3 Critical discussion of the findings & comparative evaluation

In terms of liquidity

Amazon and Walmart's liquidity ratios for the years 2021 and 2022 offer some insight regarding the financial health information of the companies. The liquidity ratios group is used to determine a company's capacity to quickly turn assets into cash in order to satisfy short-term obligations.

The current ratio measures a company's capacity to cover its short-term obligations with its current assets by dividing current assets by current liabilities. From the analysis prepared in the report, it can be seen that Amazon's current ratio increased from 0.94 in 2021 to 1.14 in 2022 which indicated that the company is now better able to satisfy its short-term obligations (Berk and DeMarzo, 2017). Walmart's current ratio, which was 0.97 in 2021, dropped to 0.93 in 2018, indicating that it may face difficulties to pay the short-term debt due to decreased capacity to turn assets into cash.

The quick ratio gives a more cautious picture of a company's liquidity and is derived by deducting inventory from current assets and dividing the result by current liabilities. Amazon's fast ratio increased from 0.72 in 2021 to 0.91 in 2022, demonstrating a higher capacity to fulfil its short-term obligations without using inventories. Walmart may have liquidity problems since its quick ratio dropped from 0.49 in 2021 to 0.28 (Goel, 2016).

The cash ratio, which is determined by dividing cash by current liabilities, assesses a business's capacity to settle its immediate debts entirely with cash. Amazon's cash ratio dropped from 0.35 in 2021 to 0.25 in 2022, indicating that it could have to rely more on other assets to pay its short-term obligations (Goel, 2016). Walmart's cash ratio also decreased, from 0.19 in 2021 to 0.17 in 2022, suggesting that it may find it difficult to satisfy its short-term obligations entirely with cash.

Overall, compared to Walmart, it can be evaluated that Amazon is in a better position equipped with liquidity to satisfy its short-term obligations since its liquidity ratios have increased or stayed unchanged in 2022 (Samonas, 2015). Walmart, on the other hand, may experience liquidity problems as a result of a fall in its liquidity ratios in 2022. ***[Referred to Appendix 1 & 2]***

In terms of leverage

The liquidity ratio is a financial measure that is used to assess a company's capacity to use its current assets to fulfil its short-term liabilities. It indicates how well a business can swiftly turn its current assets—like cash, accounts receivable, and inventory—into cash to cover its current liabilities (such as accounts payable, short-term loans, and taxes) (Atrill and McLaney, 2018). In 2021 and 2022, Amazon's debt-to-equity ratio is lower than Walmart's. Walmart's debt-to-equity ratio is 0.8867 in 2021 compared to Amazon's 0.3526. Walmart's ratio had dropped to 0.7704 in 2022, while Amazon saw an improvement to 0.4598. From the same, it can be stated that compared to Walmart, Amazon has been able to retain a lower amount of debt relative to equity. On the other hand, In both years, Amazon's debt-to-capital ratio has been lower than Walmart's. Walmart has a ratio of 0.4700, while Amazon has 0.2607 in 2021 as derived from the calculations. Walmart's ratio dropped to 0.4352 in 2022, while Amazon's grew to 0.3150. This shows that compared to Walmart, Amazon relied less on debt financing.

In both years, Amazon's equity multiplier is greater than Walmart's. Walmart's ratio is 2.8846 in 2021 compared to Amazon's 3.0421. Walmart's ratio dropped to 2.6647 in 2022, while Amazon's grew to 3.1681. This shows that Amazon is more leveraged than Walmart and that a larger percentage of its assets are financed by debt. While the same has been beneficial in generating more return to shareholders, it can be evaluated that fixed payment obligations (such as interest payment) of Amazon can increase compared to Walmart which may decrease the profitability of Amazon.

In both years, Amazon's interest coverage ratio is higher than Walmart's. Walmart's ratio was 10.2771 in 2021 compared to Amazon's 13.7529. The ratio percentage climbed of the company Walmart had climbed to 14.1296 in 2022, while Amazon's ratio declined to 5.1745. This can be used to make an evaluation that as compared to Walmart, Amazon is better able to cover its interest costs out of operational revenues. Overall, based on the analysis above, it can be evaluated that Amazon is in a stronger financial situation compared to Walmart in terms of leverage (Samonas, 2015). Amazon has less debt and has relied less on debt financing, which makes them more able compared to Walmart to pay its interest costs. ***[Referred to Appendix 1 & 2]***

3.0 Part 2 Balanced Scorecard of Amazon

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Four key aspects are taken into account by the balanced scorecard: financial, customer, internal company operations, and learning and growth. Each of these goals may be defined and measured with its assistance, and it makes sure that every component of the organisation is in line with the company's strategic goals. The BSC is frequently used to translate the mission and strategy of an organisation into measurable objectives and outcomes that can be monitored and assessed over time. In order to measure the organization's financial success, including revenue growth, profitability, and return on investment, the BSC takes a financial perspective (Kaplan, 2010). The retention, loyalty, and satisfaction rates of customers are calculated from their point of view. The internal business process perspective is used to assess the efficacy and efficiency of the organization's operations. The learning and growth method places a primary emphasis on the organization's human and capital resources, including employee development, technology, and innovation. The BSC assists companies in making data-driven decisions and adjusting their strategies as necessary to meet their objectives by monitoring and tracking performance across several dimensions. The development of the Balance Scorecard can be done here from the perspective of Amazon as follows:

Dimensions	**Objectives**	**Measures**	**Targets (goals)**	**Initiatives**

Financial	Maintain a healthy financial position and revenue ensure sufficient cash, increase shareholders' equity value, and reduce the cost of operations.	Increase in the Operating profit (EBIT) which has reduced in 2022; Reduce the amount of debt which can decrease the expenses like interest expenses and can increase profitability overall; Reduce the number of liabilities which is reflected in the ratio analysis presented in the above section (Amazon 2022).	Increase the current and quick ratio to at least 1.2 and 1; Reducing debt to equity ratio to 0.4 from the figure of 0.46 in 2022; Increase the source of revenue and decrease the amount of debt by payment of the same; Increase the cash ratio by generating cash through an increase in EBIT; Increase the interest coverage ratio to around 10% which has decreased near 6% in 2022	The initiatives towards cost control measures are necessary which will decrease the unnecessary costs for Amazon and will increase EBIT which can in turn increase the revenue and interest coverage (Salterio, 2012). Further, Amazon needs to consider the repayment of long-term debt which can decrease the liability from the balance sheet and can reduce fixed costs like interest expenses.

Customer	While the vision, mission, and strategies of Amazon have been ***"customer obsession rather than competitor focus, passion for invention, commitment to operational excellence, and long-term thinking. Amazon strives to be Earth's most customer-centric company, Earth's best employer, and Earth's safest place to work"***, the objective of a balanced scorecard approach in this perspective will be to offer the best services to the customers through customer satisfaction, retention, and loyalty (Amazon 2020).	Offer faster and more reliable delivery of the products through the use of Amazon Go, Same day delivery, and others; Increase the range of products in different categories where the increase of renowned brands over local and new brands is necessary; Increase the product information quality measures and reporting of the same through the use of different industrial benchmarks; Offer quality guidance and personalized recommendations through the feedback and review of the customers (Bleier et al., 2019).	Increase the number of customers of Amazon Prime membership, development of fulfilment centres in different areas, and use technologies like robotics and drones in packaging and delivery services which can ensure faster delivery and increased customer satisfaction. Increase in the branded and quality products through the publication of quality reports from different perspectives and customer feedback which can help a prospective customer choose their products. Increase in the efficiency of customer care services through the use of AI-powered chatbots, voice support, quick and hassle-free return and exchange of products, and others.	The initiatives to increase the use of technologies like a drone, AI, robotics, and others in the packaging and delivery of products is necessary to increase customer satisfaction and fulfil their vision of customer obsession. Additionally, the improvement in customer care service, product listing, product quality information, and others like personalized recommendations and customer reviews can be offered more widely to increase customer satisfaction (Ives et al., 2019).

Internal Process	Improve the working conditions of the customers which had faced several criticisms from different newspaper reports and others (Kelly, 2021); Improvement in employee engagement and employee turnover rate as Amazon has the highest turnover rate among Fortune 500 companies; Streamlining the process of decision-making which can reduce the delays in business decisions; Improve data privacy and security to reduce the leakage of customer data.	Taking necessary initiatives for employee well-being through offering proper working conditions, better leave availability, increased facilities to customers like shopping discounts and rewards, flexible work schedules, and others can increase employee morale and reduce turnover. Tightening of data security protocols, anti-theft measurements, and secure payment gateway through trusted service providers. Making a proper decision-making system which can ensure power to line and divisional managers (Busco and Quattrone, 2015).	To reduce employee turnover and increase customer satisfaction, To increase data safety and privacy, To improve the decision-making ability of the different managers.	Initiatives regarding data protection protocols, employee wellbeing initiatives with career development opportunities, and better decision-making are to be taken.

Learning & growth	Provide more training programmes, workshops, and courses for employees to develop new skills, become familiar with cutting-edge technologies, and keep up with market trends; Encourage learning by setting up programmes where experienced workers can mentor and instruct fresh colleagues; Encourage employees to share their expertise and experiences to foster a culture of lifelong learning (Amazon, 2022).	Develop programmes that help people gain new skills, like the Amazon Technical Academy, which trains non-technical staff to help them move into technical roles. Amazon made plans to invest $1 billion in leadership training programmes for staff members in 2021, with a focus on inclusion, equity, and diversity (Amazon 2021). Such programs can help Amazon to improve the overall learning and growth of the organization.	To reduce employee turnover which affects the learning process, To upskill the employees through different training programs, To promote a culture of learning by encouraging employees to share their experiences and ideas.	The initiatives regarding learning & development such as the Leadership development program of $ 1 billion for 300000 employees and others are necessary. Further, fostering a culture of learning and growth is also necessary.

4.0 Part 3 Impact of the Coronavirus Pandemic on financial performance

4.1 Impact on financial performance

According to a Forbes report, a spike in the demand for online shopping during the pandemic caused Amazon's Q1 2020 earnings to exceed forecasts. The business also had to pay for greater cleaning and safety precautions, as well as a $4 billion investment in COVID-19-related projects, in order to protect its workers and clients. According to CNBC, Amazon beat forecasts for its third quarter of 2020 results, with net sales rising by 37% to $96.1 billion and net income rising by 197% to $6.3 billion. The company blamed the pandemic-related rise in online purchasing as well as the expansion of its cloud computing and advertising operations for outstanding results. Amazon's financial performance was significantly impacted by the COVID-19 outbreak. Lockdowns and other social isolation measures caused a boom in internet shopping, which benefitted Amazon significantly. Amazon reported a net income of $5.2 billion for the second quarter of 2020, up from $2.6 billion for the same time in 2019 (Palmer, 2020). This was mostly brought on by the rise in popularity of cloud computing services and online commerce, which are Amazon's main industries. The evidence of the same can be seen from the consolidated income statement of the company for 2020 to 2022. The operating expenses have increased to $501735 from $363165 in 2020 where the increase has been 27.65%. As a result of the same, it can be seen the operating profit had decreased to $12248m from $24178m in 2022 and the net loss has been reported. Nonetheless, Amazon also had certain difficulties as a result of the pandemic. The business had to invest a lot of money in putting safety precautions in place for its employees, such as supplying personal protective equipment and stepping up cleaning and sanitizing efforts. The company suffered from higher costs and decreased profit margins as a result.

Amazon's net sales during the second quarter of 2020, which totalled $88.9 billion, were up 40% from the same period in 2019, according to ResearchFDI. Regarding COVID-19's effect on Amazon's financial performance, it has been widely stated that the pandemic significantly boosted the company's earnings. Due to lockdowns and other social segregation measures, more individuals started purchasing online, which caused Amazon's revenues to soar. The company's financial records indicate that Amazon's net sales in 2020 climbed 38% over the prior year to reach $386 billion. Moreover, it more than doubled from $11.6 billion in 2019 to $21.3 billion in 2020, the company's net income. It's crucial to remember, though, that the pandemic also had detrimental repercussions on Amazon's business, including supply chain disruptions, higher expenditures for safety precautions, and increased employee benefit costs. Concerns have also been raised on how Amazon's dominance may affect small enterprises and workers in the retail industry. Operating income for the business rose by 89% to $5.8 billion (Takefman, 2022). The increasing demand, however, also resulted in supply chain interruptions and higher expenses for keeping delivery obligations.

4.2 Impact on non-financial Performance

As per the report by UNI Global (2020), Amazon exactingly held 50% of the U.S. e-commerce market, which during the crisis of COVID-19, demand for some services, like home grocery delivery, increased by around 90% while the traditional grocery stores had become temporarily closed in many countries. As a result, traffic to Amazon.com increased by as much as 20%. On the other hand, the internal system of Amazon like working conditions and others was shattered and they faced a lot of criticism. As per the own research of the report, More than 19,000 instances of Covid-19 among Amazon employees had been documented in just the United States as of October 2020. The research also says that due to underreporting and Amazon's lack of transparency, the actual number of occurrences is probably far higher (Cardinaels and Veen-Dirks, 2010).

The report describes the high number of cases as well as the inadequate safety precautions and worker support during the epidemic. For instance, the report claims that many employees lacked access to personal protective equipment (PPE) or were not given enough time to wash and sanitize their hands. The report also emphasizes the high levels of pressure and stress that employees experienced as a result of the pandemic's heightened demand and production goals. On the other hand, a contrary view can be experienced from the report of CNBC by Palmer (2020), Amazon has received plaudits for how it responded to the pandemic, putting in place a number of safeguards to ensure the health and security of both its workers and consumers. This has involved stepping up cleaning and sanitization efforts, putting social distancing policies in place in warehouses and distribution hubs, and equipping staff with personal protective equipment.

5.0 Conclusion

From the development of the analysis of the present report, it can be concluded that Amazon and Walmart have been identical competitors and belong to the same industry of online retail. From the use of Porter's five force analysis, it can be stated that there have been the same issues like competition and buyers' bargaining power which can affect both of them. In terms of the financial ratios analyzed in the present report, it can be stated that Amazon has been in a better position in terms of liquidity and leverage which can enable them to generate higher Interest coverage and pay off its liabilities. On the other hand, Walmart has been able to increase the performance of the company significantly in terms of generating higher revenue whereas the same has decreased by around 5% for Amazon. From the approach of Balanced Scorecard by Kaplan (2010), it can be stated that there have been some strategic priorities like improvement of working conditions of the employees, and increase employee wellbeing, including the concepts of training and leadership development as the $1bn Leadership Development Program announced in 2021. Moreover, Amazon needs to work on the areas of customer satisfaction through the use of technologies and initiatives like drones and robotics and a same-day delivery approach through Prime membership which can increase delivery efficiency. Lastly, from considering the impact of Covid 19 on financial and non-financial performance, it can be concluded that the revenue and profit have increased significantly although the increase in expenses has resulted in a decrease in performance.

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Appendices

Appendix 1: Excerpts of Annual report of Amazon

AMAZON.COM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Year Ended December 31,		
	2020	2021	2022
Net product sales	$ 215,915	$ 241,787	$ 242,901
Net service sales	170,149	228,035	271,082
Total net sales	386,064	469,822	513,983
Operating expenses:			
Cost of sales	233,307	272,344	288,831
Fulfillment	58,517	75,111	84,299
Technology and content	42,740	56,052	73,213
Sales and marketing	22,008	32,551	42,238
General and administrative	6,668	8,823	11,891
Other operating expense (income), net	(75)	62	1,263
Total operating expenses	363,165	444,943	501,735
Operating income	22,899	24,879	12,248
Interest income	555	448	989
Interest expense	(1,647)	(1,809)	(2,367)
Other income (expense), net	2,371	14,633	(16,806)
Total non-operating income (expense)	1,279	13,272	(18,184)
Income (loss) before income taxes	24,178	38,151	(5,936)
Benefit (provision) for income taxes	(2,863)	(4,791)	3,217
Equity-method investment activity, net of tax	16	4	(3)
Net income (loss)	$ 21,331	$ 33,364	$ (2,722)
Basic earnings per share	$ 2.13	$ 3.30	$ (0.27)
Diluted earnings per share	$ 2.09	$ 3.24	$ (0.27)
Weighted-average shares used in computation of earnings per share:			
Basic	10,005	10,117	10,189
Diluted	10,198	10,296	10,189

See accompanying notes to consolidated financial statements.

AMAZON.COM, INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	December 31, 2021	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 36,220	$ 53,888
Marketable securities	59,829	16,138
Inventories	32,640	34,405
Accounts receivable, net and other	32,891	42,360
Total current assets	161,580	146,791
Property and equipment, net	160,281	186,715
Operating leases	56,082	66,123
Goodwill	15,371	20,288
Other assets	27,235	42,758
Total assets	$ 420,549	$ 462,675
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 78,664	$ 79,600
Accrued expenses and other	51,775	62,566
Unearned revenue	11,827	13,227
Total current liabilities	142,266	155,393
Long-term lease liabilities	67,651	72,968
Long-term debt	48,744	67,150
Other long-term liabilities	23,643	21,121
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock ($0.01 par value; 500 shares authorized; no shares issued or outstanding)	—	—
Common stock ($0.01 par value; 100,000 shares authorized; 10,644 and 10,757 shares issued; 10,175 and 10,242 shares outstanding)	106	108
Treasury stock, at cost	(1,837)	(7,837)
Additional paid-in capital	55,437	75,066
Accumulated other comprehensive income (loss)	(1,376)	(4,487)
Retained earnings	85,915	83,193
Total stockholders' equity	138,245	146,043
Total liabilities and stockholders' equity	$ 420,549	$ 462,675

See accompanying notes to consolidated financial statements.

(Source: Annual report)

Appendix 2: Excerpts of Annual report of Walmart

Walmart Inc.
Consolidated Statements of Income

(Amounts in millions, except per share data)	Fiscal Years Ended January 31, 2022	2021	2020
Revenues:			
Net sales	$ 567,762	$ 555,233	$ 519,926
Membership and other income	4,992	3,918	4,038
Total revenues	572,754	559,151	523,964
Costs and expenses:			
Cost of sales	429,000	420,315	394,605
Operating, selling, general and administrative expenses	117,812	116,288	108,791
Operating income	25,942	22,548	20,568
Interest:			
Debt	1,674	1,976	2,262
Finance lease	320	339	337
Interest income	(158)	(121)	(189)
Interest, net	1,836	2,194	2,410
Loss on extinguishment of debt	2,410	—	—
Other (gains) and losses	3,000	(210)	(1,958)
Income before income taxes	18,696	20,564	20,116
Provision for income taxes	4,756	6,858	4,915
Consolidated net income	13,940	13,706	15,201
Consolidated net income attributable to noncontrolling interest	(267)	(196)	(320)
Consolidated net income attributable to Walmart	$ 13,673	$ 13,510	$ 14,881
Net income per common share:			
Basic net income per common share attributable to Walmart	$ 4.90	$ 4.77	$ 5.22
Diluted net income per common share attributable to Walmart	4.87	4.75	5.19
Weighted-average common shares outstanding:			
Basic	2,792	2,831	2,850
Diluted	2,805	2,847	2,868
Dividends declared per common share	$ 2.20	$ 2.16	$ 2.12

See accompanying notes.

Walmart Inc.
Consolidated Balance Sheets

(Amounts in millions)	As of January 31, 2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,760	$ 17,741
Receivables, net	8,280	6,516
Inventories	56,511	44,949
Prepaid expenses and other	1,519	20,861
Total current assets	81,070	90,067
Property and equipment, net	94,515	92,201
Operating lease right-of-use assets	13,758	13,642
Finance lease right-of-use assets, net	4,351	4,005
Goodwill	29,014	28,983
Other long-term assets	22,152	23,598
Total assets	$ 244,860	$ 252,496
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	$ 410	$ 224
Accounts payable	55,261	49,141
Accrued liabilities	26,060	37,966
Accrued income taxes	851	242
Long-term debt due within one year	2,803	3,115
Operating lease obligations due within one year	1,483	1,466
Finance lease obligations due within one year	511	491
Total current liabilities	87,379	92,645
Long-term debt	34,864	41,194
Long-term operating lease obligations	13,009	12,909
Long-term finance lease obligations	4,243	3,847
Deferred income taxes and other	13,474	14,370
Commitments and contingencies		
Equity:		
Common stock	276	282
Capital in excess of par value	4,839	3,646
Retained earnings	86,904	88,763
Accumulated other comprehensive loss	(8,766)	(11,766)
Total Walmart shareholders' equity	83,253	80,925
Noncontrolling interest	8,638	6,606
Total equity	91,891	87,531

(Source: Annual report)

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ORIGINALITY REPORT

9%	5%	1%	7%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

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