Equity. Companies use equity as owner financing to support company initiatives, including implementing projects that will help a company create value for the firm. Unlike debt, equity does not come with promised coupon payments, but instead that owners of equity shares will share in the profits of a company, whether through receipt of dividends or through gaining share value of the company on the market. Equity is comprised of Common Stock held by common shareholders, Retained Earnings, Accumulated Comprehensive Income/Loss, and Treasury Stock. Additionally, equity can be broken apart between equity attributable to shareholders of a parent company and equity attributable to noncontrolling interests, subsidiaries of the company of interest.

Common stock refers to shares owned by common stockholders, who purchase common shares, as opposed to preferred shares which are different in nature. Common stock is initially listed on the balance sheet with a very low par value, often as low as $0.01, and differences from the par value to the book value of common stock is accounted for with the capital surplus account. Coca Cola has had 7040 shares out of 11,200 issued in both FYE 2020 and 2021. Their Common Stock value increased over $500 million between the two years, from $19.3 billion to $19.8 billion, but common stock actually decreased as a percentage of Assets, moving from 20.2% of Assets in 2021 to 19.2% of Assets in 2020. Pepsi has 1380 shares out of 3,600 issued in FYE 2020 and 2021. Its common stock value increased by about $100 million between FYE 2020 and 2021, from $3.9 Billion to $4 Billion, in addition to rising from 4.2% of Assets in 2020 to 4.3% of Assets in 2021. All these values are in book value, coming from the Balance Sheet. Since Coca Cola’s Common Stock decreased as a percentage of Assets, this likely demonstrates that they did a higher percentage of debt financing in 2021 than in 2020, while Pepsi’s capital structure likely did not change much between the two years, as the equity account did not shift.

Retained Earnings refers to all the net profits that a company invests back into itself in order to fund projects and operations throughout its life. From 2020 to 2021, Coke’s Retained Earnings grew $2.5 Billion from $66.5 Billion to $69 Billion, although this account decreased from 76% to 73% of Assets between the two years. From 2020 to 2021, Pepsi’s Retained Earnings increased $1.8 Billion from $63.4 Billion to $65.2 Billion, as well as increasing from 68% to 70.5% of Assets between the two years. Coke’s reduction in Retained Earnings, proportionally against Assets, may demonstrate they are choosing to pay out more dividends in 2021 than in 2020, while Pepsi’s increase in Retained Earnings could reflect Pepsi’s increase in net income or their reduction of dividends to shareholders.

Accumulated Other Comprehensive Income/Loss refers to unrealized gains or losses that occur when an investment, pension plan or hedging transaction has appreciated or depreciated in fair value, but no sale transaction has occurred to realize the gain or loss (Tuovila 2021). For Coke, their Accumulated Other Comprehensive Loss fell between the two years, becoming less negative by $300 million and reducing from -16.7% to -15.19% of Assets. For Pepsi, their Accumulated Other Comprehensive Loss fell between the two years, becoming less negative by $600 million and reducing from -16.6% to -16.1% of Assets. Treasury Stock refers to stock buybacks that companies do. For Coke, they had $600 million less Treasury Stock in 2021 than in 2020, reducing its proportion of Assets from 59.6% of Assets to 54.7% of Assets. Pepsi, meanwhile, changed reduced its Treasury Stock about $200 million between the two years, although their Treasury Stock hardly changed as a proportion of Assets. For Coke, this shows that they did less stock repurchasing in 2021, while Pepsi did a similar amount between the two years.

After these accounts are enumerated, Stockholders’ Equity can be broken down into that which is attributable to the parent company and what is attributable to subsidiary companies. Coca Cola’s Equity attributable to owners of Coca-Cola increased $3.7 Billion from $19.3 Billion to $23 Billion between 2020 to 2021, which corresponds to an increase from 22.1% to 24.4% of Assets. Meanwhile, Equity attributable to noncontrolling interests decreased over $100 Million from $2 Billion to $1.9 Million, along with a fall from 2.3% to 2% of Assets. Pepsi’s Equity attributable to owners of Pepsi increased over $2.5 Billion from $13.5 Billion to $16 Billion between 2020 to 2021, which resulted in an increase from 14.5% to 17.4% of Assets. Equity attributable to noncontrolling interests increased $10 Billion and a marginal increase in proportion of Assets between the two years. Coke’s change in proportion of equity attributable to parent and subsidiary companies, may show that Coke decreased its holdings in subsidiary firms. Meanwhile, Pepsi’s increase in both equity categories fits in with its overall increase in Equity from 2020 to 2021.

Both companies saw increases in overall Equity, as Coke’s Equity rose from $3.6 Billion from $21.3 to $24.9 Billion, as well as a rise of 24.4% to 26.4% of Assets. Pepsi’s Equity increased $2.6 Billion from $13.6 Billion to $16.2 Billion between the two years, alongside with an increase from 14.5% to 17.5% of Assets. Examining Coke and Pepsi’s Balance Sheet Equity reflects some of the changes that have occurred between the two years for both companies, as well as different financing compositions and usage for both companies.