Financial statements are used to determine a company's financial health. These statements are used by financial analysts, business owners, lenders, and stakeholders to determine if the company is worth investing in. The financial data assist these investors in making accurate financial selections. This part of the paper will focus on comparing the balance sheet of Coca-Cola and Pepsi. The balance sheet reports the assets, liabilities, and equity at a point in time.

Assets. Companies acquire assets to yield a return for their shareholders. Assets are expected to produce economic benefits in the form of revenues, either directly, such as with inventory, or indirectly, such as with a manufacturing plant that produces inventories for sale. To create stockholder value, assets must yield income that is in excess of the cost of the funds used to acquire the assets.

Cash. A company's cash position is vital to evaluate because a company needs money to pay expenses, both near and long-term. Coca-Cola's cash position in 2020 was $6.7b. The following year, the company increased its cash position to $9.6b, about 25% of the sales. This trend indicates that the company is holding more cash in relation to sales, which means that the company is financially solvent for the short term.

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| --- | --- | --- |
|  | 2021 | 2020 |
| Coca-Cola | $9,684 | $6,795 |
| Pepsi | $5,596 | $8,185 |

On the other hand, Pepsi reported $8.1b of cash in 2020 and $5.5b in 2021. A declining cash trend may indicate that the company is spending more money than it is taking due to acquiring additional assets or paying off some of its existing obligations.

Account receivable represents a line of credit extended by a company and typically has terms that require payments due within a relatively short period. Coca-Cola reported $3.5b in receivables then Pepsi totaled $8.6b. Such a big difference in receivables can tell us a great deal about the competitors in the same industry. In competitive industries, some attempt to gain an advantage by offering better credit terms, causing an increase in sales and receivables. Before jumping to a conclusion, we will need to investigate the other components, such as average days' sales outstanding, which is an excellent indicator for measuring a company's sales channel and customers. For example, Pepsi may book significant revenue but never receive customer payment. This may force a write-off in the future and depress future earnings.

Inventory represents a company’s raw materials, work in progress, and finished product. In 2021 Coca-Cola reported $3.4b in inventories, and Pepsi totaled $4.3b. Both companies have a long history that allowed them to optimize their inventory management framework and provide visibility into inventory levels and production numbers to prevent shortages or overproductions.

Overall, the company’s total assets are quite stable compared to the previous year. Pepsi’s current value of total assets is estimated at $92.3b, and Coca-Cola totaled $94.3b.