Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics

Bachelor Thesis

Financial analysis of Coca Cola Company

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Aidana Kaziyemova

Economics and Management

Thesis title

Financial Analysis of Coca Cola company

Objectives of thesis

The purpose of this bachelor thesis is the analysis and evaluation of the current financial condition of the company Coca Cola and provision of prediction of possible future development.

Methodology

The whole work consists of two parts: theoretical and analytical. The first part describes theory and methods of financial analysis using methods of synthesis, induction, deduction, extraction etc. The second section contains financial analysis of the company where numerous methods financial analysis as well as technical and fundamental analysis are used.

The proposed extent of the thesis

40 pages

Keywords

Financial analysis, horizontal analysis, vertical analysis, ratio analysis, Coca Cola

Recommended information sources

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Prague on 04. 03. 2016

Declaration

I declare that I have worked on my bachelor thesis titled "Financial analysis of Coca Cola Company" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 14.03.2015 ________________________Aidana Kaziyemova

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I would like to thank my supervisor Petr Prochazka, for his advice, motivation and support during my work on this thesis.

Financial analysis of Coca Cola Company

Finanční analýza Coca Cola Company

Summary:

The purpose of this bachelor thesisis the analysis and evaluation of the current financial condition of the Coca Cola Company and the development of possible recommendations for improvement or perfection.
The thesis divided into two parts: theoretical and analytical part. The first part described importance and methods of financial statements analysis as well as its users. The second section contained basic information about the company and numerous financial analyzing tools as horizontal, vertical and ratio analysis.

Souhrn:

Cílem této práce je analýza a vyhodnocení současného finančního stavu Coca Cola Company a vývoj možných návrhů na zlepšení nebo dokonalosti.
Práce se dělí na dvě části: teoretickou a analytickou část. První část popsaný význam a metody analýzy finančních výkazech, jakož i jeho uživatele. Druhá část obsahovala základní informace o společnosti a četné finanční analyzačních nástrojů, jako jsou horizontální, vertikální a poměr analýzy.

Keywords: Coca Cola company, horizontal analysis, vertical analysis, ratio analysis.

Klíčová slova: Coca Cola, horizontální analýza, vertikální analýza, poměr.

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List of Abbreviation

TIE	Times interest earned ratio
EBIT	Earnings before interest taxes
EAT	Earnings after tax
ROA	Return on assets
ROE	Return on equity
GPM	Gross profit margin
NPM	Net profit margin
e.g.	for example

1. Introduction

Analysis of the financial condition of the company is an assessment of the past and current financial position and results of operations of the enterprise. Financial companies which set of indicators that reflect the process of formation and use of its funds. Management of any enterprise requires, above all, the knowledge of its initial state information. The need for financial analysis is always there, regardless of the type of economic relations, folding in society.

Financial analysis is essentially the "face" of the company. It is a system of generalized indicators that characterize the results of financial and economic activity of the company. These financial statements are the main sources of information for the analysis of the company's financial condition. After all, in order to make a decision is necessary to analyze the availability of funding the feasibility and effectiveness of their deployment and use, the solvency of the company, its financial relationships with partners. Evaluation of these indicators is necessary for effective company management. With their help managers carry out the planning, control, improve and refine the direction of its activities.

Properly conducted financial analysis makes it possible to identify and address deficiencies in financial activities and find the reserves to improve the financial condition of the company and its ability to pay, to predict financial results based on the actual condition of economic activity and the availability of equity and debt.

In addition, every companies use a different form of financial statements. The aim of this bachelor thesis is to analyze financial statements of Coca Cola company through widely used tools and methods.

2. Objectives and methodology

2.1. Objectives

The purpose of this bachelor thesis is the analysis and evaluation of the current financial condition of the company and the development of possible recommendations for improvement or perfection.

2.2. Methodology:

The whole work consisted of two parts: theoretical and analytical.The first part described importance and methods of financial statement analysis as well as its users. The second section contained basic information about the company and numerous financial analyzing tools as horizontal, vertical analysis and ratio analysis.

3. Theoretical part

3.1. Characteristics of financial analysis

Financial analysis can not only assess the financial condition of the enterprise, but also to predict further development. However, managers must pay careful attention to the definition of indicators that will be used to evaluate: their wrong choice can lead to the fact that the analysis does not do any good.

Financial analysis is used both by the company and external stakeholders in the implementation of various market transactions or to provide information about the financial condition of the company to third parties.

The purpose of financial analysis is to identify the most effective ways to achieve profitability of the enterprise, the main task - the analysis of profitability and risk.

A financial analysis of a company can be carried out for comparison with other companies. For a one-off assessment makes sense to involve professional appraisers and auditors. This will improve the reliability of the estimates in the eyes of third parties. (http://fd.ru/articles/13375-red-finansovyy-analiz-predpriyatiya-kak-instrument-upravleniya)

3.2. The concept, main goals, functions and types of financial analysis

First of all, look at the list and definition of the basic concepts that are the basis for the preparation of financial statements of companies.

The *assets* of the company - is its resources, which should bring benefits to the enterprise in the future. The assets of the company must be owned by him (rather than, for example, leased) and must be previously acquired (and are not in the process of acquiring).

The *obligations* of the enterprise are treated as sources of acquisition of the assets, taken at a time other persons (not the owners of the enterprise).

Equity capital of the company is seen as a residue of assets after deducting therefrom all obligations. Shareholders' equity consists of investments the owners of the enterprise and the profit received as a result of economic activity.

Income are increasing the company's assets, due mainly manufacture and supply of goods and services within the core business. The company may also receive revenues from investment activities as a result of the ownership and sale of assets.

The *costs* (expenses) represent a decrease in assets or increase in liabilities or a combination of both in connection with the manufacture and supply of goods and services within the enterprise.

The company's *profit* for the period - is the difference between the income of the enterprise for the period and costs caused by receipt of these revenues.

The above definitions are crucial for the formation of the balance sheet and income statement. Balance - a financial report reflecting the state of the assets, liabilities and equity at a point in time in terms of money. The balance consists of two parts - an asset and a liability. Assets shows the economic resources of the enterprise that must make a profit as a result of economic activity. Liabilities reflects the ownership of these economic resources and consists of equity and liabilities that the company has to its creditors. Balance can be built in two ways - by increasing or decreasing the degree of liquidity of the assets.

Current assets of the enterprise different from the fixed assets, that the company owns the facilities for a period not exceeding one year. For some time (less than one year), the funds are transformed into money, after that replenish working capital, thus providing a continuous process of the enterprise activity. Fixed assets acquired company based on the long-term, more than one year use. This is the result of so-called long-term investments companies. In the current course of business of the company the cost of fixed assets included in its costs in installments in accordance with the country-specific regulations.

They say that the assets are depreciated. Methods vary according to the type of depreciation of fixed assets.

Short-term liabilities represent the amount of debts of enterprises of different legal entities and individuals, each of these debts must be repaid within a period not exceeding one year.

Long-term liabilities are debt capital of the company. A distinctive feature of the loan capital is that it is transmitted to the enterprise in a relatively long time (more than one year) and must be returned to the owner of capital lump sum or in parts with the payment of a fixed pre-specified gratuity (percent). The equity capital invested by owners for an indefinite period of time and does not imply the return at any time in the future. The owners of equity, unlike owners of loan capital, do not expect to receive a fixed remuneration. This fee depends on the results of the company and is paid in the form of dividends.

The statement of income gives an idea of the effectiveness of the company for a specific period of time. Structural income statement is issued in the form of a table, which is made from the proceeds serial subtraction of all costs of the enterprise, including financial and tax, so that the end result is the net profit of the enterprise.

The main purpose of financial analysis - is to get a small number of key parameters, giving an objective picture of the financial condition of the company, its profits and losses, changes in the structure of assets and liabilities. Financial analysis reveals the most rational direction of distribution of material, labor and financial resources. (http://www.cfin.ru/finanalysis/reports/savchuk-02.shtml)

3.3. Users of financial analysis

Financial statement users can be divided in two groups as internal and external according interests in financial statement information.

For internal users of financial statements include absolutely every person working in the enterprise. Such employees usually have access to the necessary documents. All employees interested in increasing the income of the enterprise, the positive dynamics of its development, the increase in salaries.

- managers
- shareholders
- internal auditors
- employees

Part of external users of financial statements do not have a specific interest in the report of the enterprise. But they have the right to access these documents for the purpose of performing work duties.

- creditors
- auditors
- board of directors
- customers and suppliers
- government
- publicity
- equity investors

(http://www.cleverism.com/financial-statement-analysis-introduction/)

3.4. Tools of financial analysis

Financial statement analysis consists of applying analytical tools and techniques to financial statements and other relevant data to obtain useful information. Three of the most common tools of financial statement analysis are: horizontal analysis, vertical analysis and financial ratio analysis.

3.4.1. Horizontal analysis

Horizontal analysis of financial statements involves comparison of a financial ratio, a benchmark, or a line item over a number of accounting periods. This method of analysis is also known as trend analysis. Horizontal analysis allows the assessment of relative changes in different items over time. It also indicates the behavior of revenues, expenses, and other line items of financial statements over the course of time.

Accounting periods can be two or more than two periods. Accounting period can be a month, a quarter or a year. It will depend on the analyst's discretion when choosing an appropriate number of accounting periods. During the investment appraisal, the number of accounting periods for analysis is based on the time horizon under consideration.

Horizontal analysis can be performed in one of the following two different methods i.e. absolute comparison or percentage comparison.

- Absolute Comparison:

One way of performing horizontal analysis is comparing the absolute currency amounts of some items over the period of time.

- Percentage Comparison:

In the second method of horizontal analysis, percentage differences in certain items are compared over a period of time. The absolute currency amounts are converted into the percentages for the purpose of comparison.
(http://www.readyratios.com/reference/analysis/horizontal_analysis_of_financial_statements.html)

3.4.2. Vertical analysis

Vertical analysis allows to conclude that the structure of the balance sheet and profit in the current state, as well as to analyze the dynamics of the structure. Technology vertical analysis is that the total amount of assets of the entity (in the analysis of the balance sheet) and revenues (in the analysis of the profit) is taken as one hundred percent, and each item in the financial statements represent a percentage of the accepted reference value.

The purpose of the horizontal and vertical analysis of financial statements is to visualize the changes in the major balance sheet items, income statement and statement of cash and help the company's management to make a decision as to how to continue their activities.(https://www.linkedin.com/pulse/20140806181716-59817714-financial-analysis-a-short-note-on-tools-and-techniques-of-financial-analysis)

3.4.3. Financial Ratio Analysis

A financial ratio - part of the overall sustainability of the enterprise, the balance of financial flows, the availability of funds to enable the organization to maintain its activities for a certain period of time, including servicing their loans and making products.

Financial ratio can be considered one of the most important indicators of the stability of the organization. We can talk about financial ratio if the income level of the organization exceeds its level of spending. If an organization is able to freely dispose of their money, use it effectively if it has a well-established mechanism for continuous production and sale of goods or services, then we can assume that such an organization financially sustainable.

Assess the financial condition of the organization can be both long term and short. For the short term priority will be to assess the characteristics of the act mobility organization and its ability to pay. For the long-term is more important than the financial sustainability of the organization.

Financial ratio the ability of the organization to maintain its existence and smooth operation, due to the presence of certain surplus funds and the balance of financial flows. In addition to the production of certain products or services, the activities of the organization should also be considered, and maintenance of a loan. Financial stability means that the organization will be the solvency for a long time.

The main factors affecting the financial ratio of the organization, is the proportion of borrowed funds. Generally it is believed that if the borrowed funds amount to more than half of the assets of the company, it's not a very good sign for financial stability, for different sectors of the normal share of borrowed funds can vary: for trading companies with large turnover, it is much higher.

In addition to the above factors, the financial ratio of the enterprise reflects the liquidity of its assets compared to liabilities by maturity: current ratio and quick ratio.

There are four different types of financial ratios with respect to which aspect of the company the analyst or user is interested in. They are:

- Liquidity ratios;
- Solvency ratios;
- Activity (Turnover) ratios;
- Profitability ratios;

Liquidity ratios

In the short term criteria for assessing the financial condition of the company in favor of its liquidity and solvency. The liquidity of the company - is its ability to convert its assets into cash payment to pay off short-term liabilities. They include current ratio, quick ratio and cash ratio.

Current ratio = current assets / current liabilities

Current ratio - shows how much of the current liabilities, the company is able to repay the expense of the most liquid current assets - cash and cash equivalents, financial investments, and accounts receivable.

Quick ratio = (current assets – inventory) / current liabilities

Quick ratio (acid-test ratio) characterizes the organization's ability to repay its short-term liabilities by selling liquid assets. In this case, the liquid assets in this case are included as cash and short-term investments and short-term receivables. Reserves are considered the least liquid assets, it is believed that they are the most difficult to translate into money, so they are not in any way involved in the calculation.

Cash ratio = (cash + cash equivalents + marketable securities) / current liabilities

Cash ratio allows you to determine the proportion of short-term liabilities that the entity can pay off in the near future, without waiting for payment of receivables and the realization of other assets.

Solvency ratios

Solvency - is the company's ability to fulfill its short-term and long-term external obligations due assets. With the help of these indicators assess the financial risk, the probability of bankruptcy. The company is considered solvent if its total assets exceed its external obligations:

Debt to total assets ratio = total debt (liabilities) / total assets

The debt to assets ratio shows what potion of assets the firm finances with debt. The lower the ratio is, the lower the risk is for creditors.

Debt to equity ratio = total debt / equity

The coefficient of financial leverage (debt-to-equity ratio) - a measure of the ratio of debt and equity capital of the organization. It belongs to the group of the most important indicators of the company's financial position, which includes factors similar within the meaning of autonomy and financial dependence.

TIE = earnings before interest and taxes (EBIT) / interest expense

Times interest earned characterizes the organization's ability to service its debt obligations. The indicator compares the earnings before interest and taxes (EBIT) for a certain period of time (usually one year) and interest on the debt for the same period.

Equity multiplier = total assets / equity

Equity multiplier is simply defined as the currency unit (e.g. dollar) amount of assets the firm uses for each currency unit of equity.

Profitability ratios

Profitability a relative measure of economic efficiency. Profitability comprehensively reflects the degree of efficiency of use of material, labor and financial resources, as well as natural resources. The profitability ratio is calculated as the ratio of profit to assets, resources or streams, its shaping. It may be expressed as the profit per unit of investment, and the profit that each carries the resulting currency.

There are three main profitability ratios:

Profit margin = net income (earnings after tax) / sales

Profit margin shows how effective the company's pricing policy is, as well as, how well purchase and production costs are controlled. It is a measure of how much a company actually keeps in earnings and is sometimes expressed as a percentage.

Return on assets = earnings after tax (EAT) / total assets

Return on assets (economic profitability) describes - the level of profits generated by all the assets of the enterprise, being in its use according to the balance sheet. This indicator is calculated using the formula.

Return on equity = earnings after tax / equity

Return on equity (ROE) characterizes the level of return on equity invested in the enterprise, so the greatest interest to existing and potential owners, and shareholders, and is one of the main indicators of the company's investment attractiveness, as its level shows the upper limit of the dividend payments.

Activity (Turnover) Ratios

Activity ratios measure managerial effectiveness in running the operations of the firm. They indicate whether a company's investment in current and fixed assets is too much or too little. The different types of ratios are:

Inventory turnover = cost of goods sold / inventory

Inventory turnover determines how many times during the analyzed period, the company has used its reserves. In other words, the ratio shows the rate at which inventories are produced and released from the warehouse of the enterprise. It is a measure of efficiency of the purchasing and sales.

Total asset turnover = sales / total assets

Total asset turnover ratio measures how productively the firm uses its assets to generate sales. The higher inventory turnover of the company, the more effective is the production and the less need for working capital for its organization.

Fixed assets turnover = sales / fixed assets

This turnover ratio indicates the intensity of the utilisation of fixed assets. A low ratio implies excessive investment in fixed assets at the expense of other investments that could improve turnover.

Average collection period = receivables / daily sales

Average collection period - the average annual value of stocks (usually defined as the amount at the beginning and end of the year, divided by two, although it is possible and more detailed study of their changes during the year)

4. Analytical Part

4.1. Characteristics of Coca Cola company

Coca-Cola - one of the world's most popular carbonated drinks with more than 120-year history. It was invented in 1886 by the American Dr. John Pemberton, at first she sold only in pharmacies in the form of syrup, and only later it began to mix with soda water. Coca-Cola was first poured into a glass bottle in 1894, and in aluminum cans in 1969. The present composition of the Coca-Cola still has not been made public of the world community. All existing versions - this is just speculation, the original recipe is kept a closely guarded secret by the manufacturer. But, despite this, numerous laboratory studies of drink allows to draw conclusions about the presence of certain ingredients.

Stories of successful organizations are very similar to the biography of great men. Major companies also once was "born" - was founded, they also had the founders and investors, they also gave the name at birth, and their life was filled with both ups and downs.

Brand Coca-Cola is the most popular in the world, know him 6.5 billion people, equivalent to 94% of the population. Through the world's largest distribution system, the legendary soda consumed in more than 200 countries.

Worldwide, on the company is working more than 146 000 employees. Now Coca-Cola is the number one supplier of drinking water, carbonated and non-carbonated beverages, juices, nectars and ready-to-drink teas and coffees.

Coca-Cola either owns or licenses 500 of the world’s nonalcoholic beverage brands. Coca-Cola is recognized as the world’s most valuable brand. There are approximately 54 billion beverages of all kinds served worldwide, of the 54 billion Coca-Cola accounts for approximately 1.6 billion of those beverages. Coca-Cola sells syrups, concentrates, and sodas tobottling companies and retailers. Coca cola company is also a leader in financial indicators. Net income is estimated at billions of dollars.

What makes the company Coca-cola so successful?

- firstly, the company has built up factories for the production of its beverages in all major countries and cities.

- secondly, it has carefully considered logistics, which allows delivery of their products on a daily basis to all outlets, which sell drinks company.
- thirdly, aggressive advertising, which affects our minds from all possible media around the clock. (http://www.myrouble.ru/coca-cola-bio/)

The Coca Cola Company and Subsidiaries

Table 1: Balance sheet of Coca Cola Company (Part 1)

ASSETS	October 2, 2015	December 31, 2014
Current Assets		
Cash and cash equivalents	$ 9,983	$ 8,958
Short-term investments	9,177	9,052
Total Cash, Cash Equivalents and Short-Term Investments	19,160	18,010
Marketable securities	3,614	3,665
Trade accounts receivable, less allowances of $361 and $331, respectively	4,028	4,466
Inventories	2,910	3,100
Prepaid expenses and other assets	3,029	3,066
Assets held for sale	3,853	679
Total Current Assets	36,594	32,986
Equity Method Investments	12,504	9,947
Other Investments	2,430	3,678
Other Assets	4,446	4,407
Property, Plant and Equipment — net	12,615	14,633
Trademarks With Indefinite Lives	6,032	6,533
Bottlers' Franchise Rights With Indefinite Lives	6,133	6,689
Goodwill	11,357	12,100
Other Intangible Assets	897	1,050
Total Assets	$ 93,008	$ 92,023

Source: Annual Report of Coca Cola company, 2015

Table 2: Balance sheet of Coca Cola Company (Part 2)

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 9,877	$ 9,234
Loans and notes payable	17,545	19,130
Current maturities of long-term debt	2,692	3,552
Accrued income taxes	383	400
Liabilities held for sale	1,048	58
Total Current Liabilities	31,545	32,374
Long-Term Debt	25,949	19,063
Other Liabilities	4,194	4,389
Deferred Income Taxes	5,053	5,636
The Coca-Cola Company Shareowners' Equity		
Common stock, $0.25 par value; Authorized — 11,200 shares; Issued — 7,040 and 7,040 shares, respectively	1,760	1,760
Capital surplus	13,715	13,154
Reinvested earnings	65,209	63,408
Accumulated other comprehensive income (loss)	(10,813)	(5,777)
Treasury stock, at cost — 2,698 and 2,674 shares, respectively	(43,822)	(42,225)
Equity Attributable to Shareowners of The Coca-Cola Company	26,049	30,320
Equity Attributable to Noncontrolling Interests	218	241
Total Equity	26,267	30,561
Total Liabilities and Equity	$ 93,008	$ 92,023

Source: Annual Report of Coca Cola Company, 2015

Table 3: Income statement of Coca Cola Company

	October 2, 2015	September 26, 2014
Net Operating Revenues	$ **34,294**	$ 35,126
Cost of goods sold	**13,428**	13,532
Gross Profit	**20,866**	21,594
Selling, general and administrative expenses	**12,490**	12,880
Other operating charges	**1,166**	457
Operating Income	**7,210**	8,257
Interest income	**459**	436
Interest expense	**713**	344
Equity income (loss) — net	**402**	530
Other income (loss) — net	**709**	(630)
Income Before Income Taxes	**8,067**	8,249
Income taxes	**1,937**	1,896
Consolidated Net Income	**6,130**	6,353
Less: Net income (loss) attributable to noncontrolling interests	**16**	25
Net Income Attributable to Shareowners of The Coca-Cola Company	$ **6,114**	$ 6,328
Diluted Net Income Per Share[2]	$ **1.39**	$ 1.42
Average Shares Outstanding — Diluted[2]	**4,410**	4,454

Source: Annual Report of Coca Cola Company, 2015

4.2. Horizontal analysis

The table below show horizontal analysis of Coca Cola Company. From the tables, we can see what increase or decrease has taken place during two years of Coca Cola Company.

The table above, it has been demonstrated that a number of significant changes have occured in Coca Cola Company.

Cash and cash equivalents, short – term investments and marketable securities increased by 1099 million, as a combined group. This increase reflects the Company's overall cash management strategy. A majority of the company's consolidated cash and cash equivalents, short – term investments and marketable securities are held by foreign subsidiaries. Trade account receivable – net decreased $438 million, or 9,8%, primarily due to the write down of concentrate sales receivables from bottling. Assets held for sale increased $3174 and liabilities held for sale increased $990 million due primarily bottling operations and related investments, and assets held by the company's global energy drink business being classified as held for sale. Loans and notes payable decreased $1585 million, or 8,2%, and current maturities of long – term debt decreased $860million or 24,21% , primarily due to the net issuance of commercial paper and the reclassification of long – term debt that is scheduled to mature within a year from the line item long – term debt.

Table 4: Horizontal analysis of Balance Sheet of Coca Cola Company (Part 1)

	Oct2, 2015	Dec 31,2014	Variance	%
Current Assets				
Cash and cash equivalents	9983	8958	1025	11,44
Short – term investments	9177	9052	125	1,38
Total cash, Cash Equivalents and Short –term Investments	19160	18010	1150	6,39
Marketable securities	3614	3665	-51	-1,39
Trade accounts receivable, less allowonces $361 and $331, respectively	4028	4466	-438	-9,81
Inventories	2910	3100	-190	-6,13
Prepaid expenses and other assets	3029	3066	-37	-1,21
Assets held for sale	3853	679	3174	467,45
Total current assets	36594	32966	3628	11,01
Equity Method Investments	12504	9947	2557	25,71
Other investments	2430	3678	-1248	-33,93
Other Assets	4446	4407	39	0,88
Property, plant and Equipment - net	12615	14633	-2018	-13,79
Trademarks with Indefinite Lives	6032	6533	-501	-7,67
Bottler's Franchise Rights with Indefinite Lives	6133	6689	-556	-8,31
Goodwill	11357	12100	-743	-6,14
Other Intangible Assets	897	1050	-153	-14,57
Total Assets	93008	92023	985	1,07
Liability and Equity				

Source: Own table

Deferred income taxes decreased $583 million, or 10,34% , because of impact related to the net changes in the company's plan assumptions as the impact of the re franchising.

Other investment decreased $1248 million, due to the increase in pension plan liabilities as a result of a decrease in the weighted – average discount rate and unfavorable pension asset performance compared to expected return.

Table 5: Horizontal analysis of Balance Sheet of Coca Cola Company (Part 2)

	Oct2,2015	Dec31,2014	Variance	%
Current Liabilities				
Accounts payable and accrued expenses	9877	9234	643	6,96
Loans and notes payable	17545	19130	-1585	-8,29
Current maturities of long – term debt	2692	3552	-860	-24,21
Accrued income taxes	383	400	-17	-4,25
Liabilities held for sale	1048	58	990	1706,9
Total Current Liabilities	31545	32374	-829	-2,56
Long – Term Debt	25949	19063	6886	36,12
Other Liabilities	4194	4389	-195	-4,44
Deferred Income Taxes	5053	5636	-583	-10,34
The Coca – Cola Company Shareowners' Equity				
Common Stock, $0.25 par value;Authorized – 11,200 shares;				
Issued – 7,040 and 7,040 shares, respectively	1760	1760	0	0
Capital surplus	13715	13154	561	4,26
Reinvested earnings	65209	63408	1801	2,84
Accumulated other comprehensive income (loss)	-10813	-5777	-5036	87,17
Treasury stock, at cost – 2,698 and 2,674 shares, respectively	-43822	-42225	-1597	3,78
Equity Attributable to Shareowners' of The Coca Cola Company	26049	30320	-4271	-14,09
Equity Attributable to Noncontrolling Interests	218	241	-23	-9,54
Total Equity (Net assets)	26267	30561	-4294	-14,05
Total Liabilities and Equity	93008	92023	985	1,07

Source: Own table

The total assets of the company increased by 985 (1,07). The increase in total assets was due to the increase in equity method investments and other assets. The current asset increased by 3628 (11,01%). This increase was mainly due to the assets held for sale, cash and cash equivalents and short – ter, investments. Total current liabilities decreased by 829 (2,56%). This decreased was accrued income taxes, loans and notes payable, current maturities of long – term debt.

Table 6: Horizontal analysis of Income Statement of Coca Cola Company

	Oct2, 2015	Sept26, 2014	Variance	%
Net Operating Revenues	34294	35126	-832	-2,37
Cost of goods sold	13428	13532	-104	-0,77
Gross Profit	20866	21594	-728	-3,37
Selling, general and administrative expenses	12490	12880	-390	-3,03
Other operating charges	1166	457	709	155,14
Operating Income	7210	8257	-1047	-12,68
Interest income	459	436	23	5,28
Interest expense	713	344	369	107,27
Equity income (loss) -net	402	530	-128	-24,15
Other income (loss) - net	709	-630	1339	-212,54
Income Before Income Taxes	8067	8249	-182	-2,21
Income taxes	1937	1896	41	2,16
Consalidated Net Income	6130	6353	-223	-3,51
Less:net income(loss) attributable to noncontrolling	16	25	-9	-36,00
Net Income Attributable to Shareowners	6114	6328	-214	-3,38
Diluted Net Income Per Share	139	142	-3	-2,11
Average Shares Outstanding - Diluted	4410	4454	-44	-0,99

Source: Own table

The total equity decreased 4294 (14,05%), because of equity attributable to shareowners of the Coca Cola Company, accumulated other comprehensive income (loss).

The net operating revenues decreased by 2,37%, while gross profit decreased 3,37%. The operating profit decreased by 12,68%, because of selling, general and administrative expenses. Net income decreased by 3,51%. Income before income taxes decreased by 2,21, because of equity income decreased.

4.3. Vertcal analysis

The following tables illustrate Vertical analysis of Coca Cola Company.

Table 7: Vertical analysis of Balance sheet of Coca Cola Company (Part 1)

	Oct2, 2015	**%**	**Dec 31,2014**	**%**
Current Assets				
Cash and cash equivalents	9983	10,73	8958	9,73
Short – term investments	9177	9,87	9052	9,84
Total cash, Cash Equivalents and Short –term Investments	19160	20,6	18010	19,57
Marketable securities	3614	3,89	3665	3,98
Trade accounts receivable, less allowonces $361 and $331, respectively	4028	4,33	4466	4,85
Inventories	2910	3,13	3100	3,37
Prepaid expenses and other assets	3029	3,26	3066	3,33
Assets held for sale	3853	4,14	679	0,74
Total current assets	36594	39,35	32966	35,82
Equity Method Investments	12504	13,44	9947	10,81
Other investments	2430	2,61	3678	4
Other Assets	4446	4,78	4407	4,79
Property, plant and Equipment - net	12615	13,56	14633	15,9
Trademarks with Indefinite Lives	6032	6,49	6533	7,1
Bottler's Franchise Rights with Indefinite Lives	6133	6,59	6689	7,27
Goodwill	11357	12,21	12100	13,15
Other Intangible Assets	897	0,96	105	0,11
Total Assets	93008	100	92023	100
Liability and Equity				

Source: Own table

Analyzing the structure of assets, you may notice is that total current asset in 2014 is 35,82% and 39,35% for the year 2015. The largest share assets for the sale of trade accounts receivable is 4,85% in 2014 and 4,35% in 2105. The total current liabilities is 35,18% in 2014 and 33,92% in 2015, because of accounts payable and accrued expenses, loans and notice payable, current maturities of long – term debt. During the analyzing period, in Coca Cola Company a increase in total equity from 33,21% and 28,24%. It is noted that the contents of the share of equity below 50% is not desirable, as the company will largely depend on the person who submitted it loans.

Table 8:Vertical analysis of Balance Sheet of Coca Cola Company (Part 2)

Current Liabilities				
Accounts payable and accrued expenses	9877	10,62	9234	10,03
Loans and notes payable	17545	18,86	19130	20,79
Current maturities of long – term debt	2692	2,89	3552	3,86
Accrued income taxes	383	0,41	400	0,43
Liabilities held for sale	1048	1,13	58	0,06
Total Current Liabilities	31545	33,92	32374	35,18
Long – Term Debt	25949	27,9	19063	20,72
Other Liabilities	4194	4,51	4389	4,77
Deferred Income Taxes	5053	5,43	5636	6,12
The Coca – Cola Company Shareowners' Equity				
Common Stock, $0.25 par value;Authorized – 11,200 shares;				
Issued – 7,040 and 7,040 shares, respectively	1760	1,89	1760	1,91
Capital surplus	13715	14,75	13154	14,29
Reinvested earnings	65209	70,11	63408	68,9
Accumulated other comprehensive income (loss)	-10813	-11,63	-5777	-6,28
Treasury stock, at cost – 2,698 and 2,674 shares, respectively	-43822	-47,12	-42225	-45,89
Equity Attributable to Shareowners' of The Coca Cola Company	26049	28,01	30320	32,95
Equity Attributable to Noncontrolling Interests	218	0,23	241	0,26
Total Equity	26267	28,24	30561	33,21
Total Liabilities and Equity	93008	100	92023	100

Table 9: Vertical analysis of Income Statement of Coca Cola Company

	Oct2, 2015	**%**	**Sept26, 2014**	**%**
Net Operating Revenues	34294	100	35126	100
Cost of goods sold	13428	39,2	13532	38,5
Gross Profit	20866	60,8	21594	61,5
Selling, general and administrative expenses	124900	364,2	12880	36,7
Other operating charges	1166	3,4	457	1,3
Operating Income	7210	21,0	8257	23,5
Interest income	459	1,3	436	1,2
Interest expense	713	2,1	344	1,0
Equity income (loss) -net	402	1,2	530	1,5
Other income (loss) - net	709	2,1	-630	-1,8
Income Before Income Taxes	8067	23,5	8249	23,5
Income taxes	1937	5,6	1896	5,4
Consalidated Net Income	6130	17,9	6353	18,1
Less:net income(loss) attributable to noncontrolling	16	0,0	25	0,1
Net Income Attributable to Shareowners	6114	17,8	6328	18,0
Diluted Net Income Per Share	139	0,4	142	0,4
Average Shares Outstanding - Diluted	4410	12,9	4454	12,7

Source: Own table

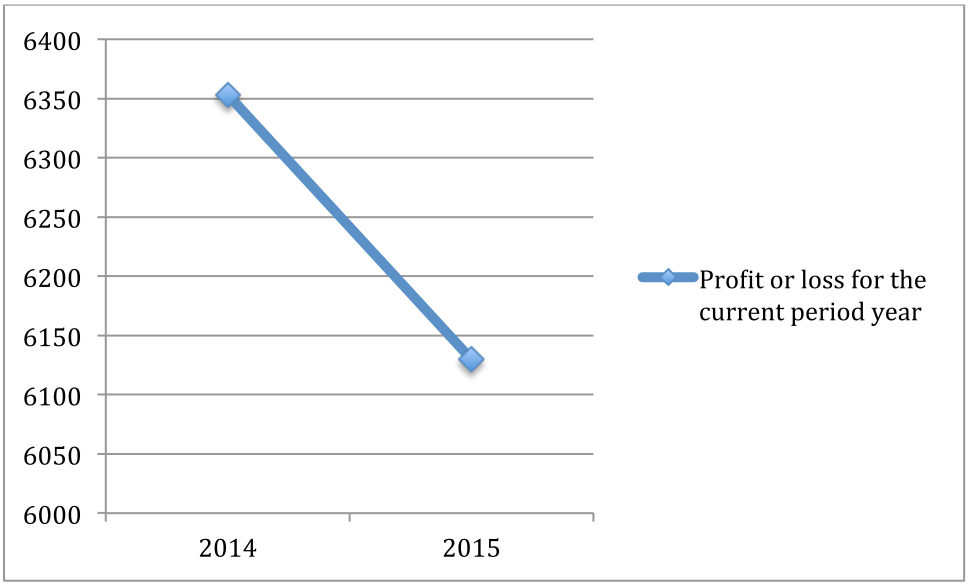
The net operating revenues was more in 2014 (35126), than decreased in 2015 amounted 34294. The gross profit of the company was 61,5 in 2014 and 60,8 in 2015. The operating income amounted 8257 in 2014, decreased in 2015 to 7120. The largest share is selling, general and administrative expenses amounnted 124900 in 2015. Income before income taxes is 8249 in 2014 and 8067 in 2015. Net income decreased from 2014 to 2015. In previous year amounted 6353 and 2014 it is 6130.

Table 10: Profit or loss of 2014 - 2015 of Coca Cola Company

In $	2015	2014
Operating profit or loss	7210	8275
Financial profit or loss	(254)	92
Extraordinary profit or loss	1111	(100)
Profit or loss before tax	**8067**	**8249**
Income tax	(1937)	(1896)
Profit or loss for the current period	**6130**	**6353**

Source: Own table

Figure 1: Profit or loss for the current period year



Source: Own figure

The chart illustrates CoCa Cola Company has losses. The profit has decreased constantly during the analyzed two years. In addition, net profit decreased. It indicates losses of Coca Cola Company.

4.4. Financial Ratio analysis

4.4.1. Liquidity Ratios

Current Ratio: $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\$36,594}{\$31,545}$ = 1,16 (2015 year)

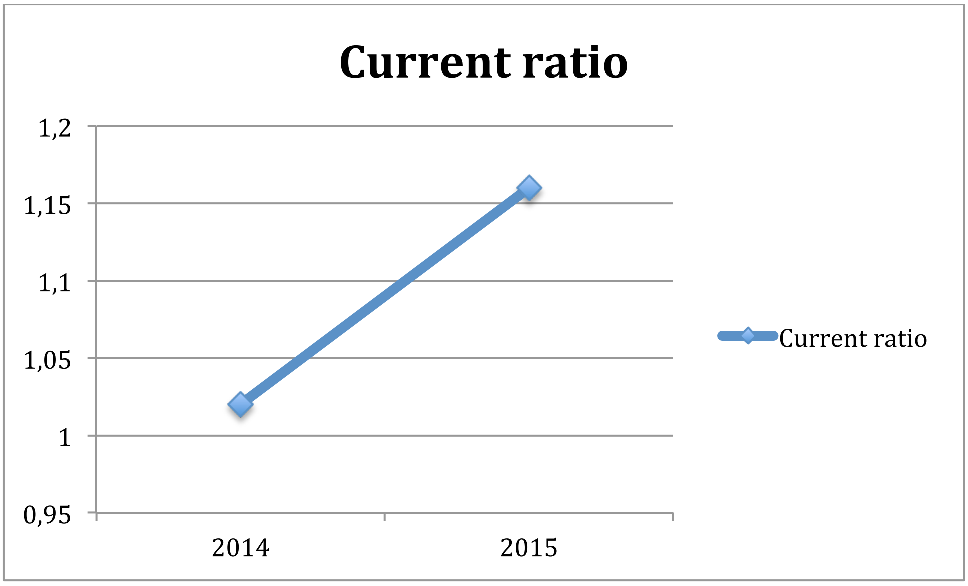
Current Ratio: $\frac{\$32{,}986}{\$32{,}374}$ = 1,02 (2014 year)

Table 11: Current Ratio of Coca Cola Company

Years	2014	2015
Current Ratio	1,02	1,16

Source: Own table

Figure 2: Current Ratio of Coca Cola Company



Source: Own figure

The current ratio shows whether the enterprise has enough means which can be used to pay off its short-term liabilities. In 2014, the firm's ability to cover its current liabilities with its current assets was 1,02. In 2015, the ratio goes up to 1,16 as compared to 2014, which means that the company has the ability to pay its liabilities, as the definition says that higher the ratio, greater the ability of the firm to pay its bills. This tells that Coca Cola is improving their liquidity and efficiency, because their ratio is improving.

Quick Ratio = $\frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$

Inventory(2014) = 3,100

Inventory(2015) = 2,910

Quick Ratio(2014 year) = $\frac{\$32,986-\$3,100}{\$32,374}$ = 0,92

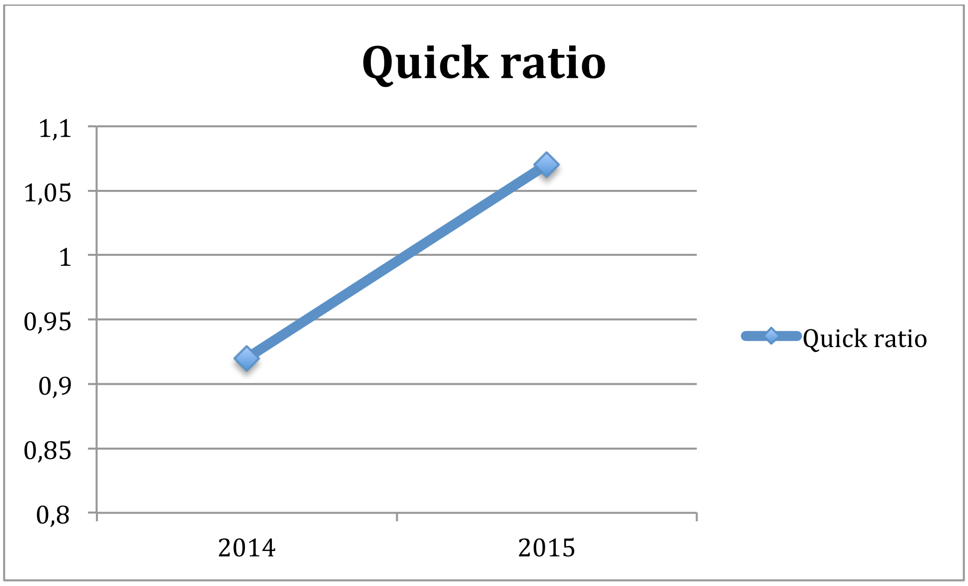
Quick Ration(2015 year) = $\frac{\$36,594-\$2,910}{\$31,545}$ = 1,07

Table 12: Quick Ratio of Coca Cola Company

Years	2014	2015
Quick Ratio	0,92	1,07

Source: Own table

Figure 3: Quick Ratio of Coca Cola Company



Source: Own figure

According to the definition of Acid Test Ratio, the company should have the ability to pay its liabilities through its most liquid assets. The table shows that in 2014, the firm has the ratio 0,92 cents. Then observe a slight improvement in 2015. Its possible to figure out the ratios that Coca Cola still cannot pay its debts without its inventory. This leads to believe that Coca Cola is a somewhat risky business, even though it is largest in the nonalcoholic beverage industry.

Cash Ratio: $\frac{cash+cash\ equivalents+marketable\ securities}{current\ liabilities} = \frac{8,958+9052+3,665}{9,234}$ = 2,35

Cash Ratio (2015) = $\frac{9,983+9177+3,614}{9,877}$ = 2,31

Table 13: Cash Ratio of Coca Cola Company

Year	2014	2015
Cash ratio	2,35	2,31

Source: Own table

In the analyzing years 2014 and 2015, the cash ratio of Coca Cola Company was higher than 1. It means that, in those years the company had sufficient cash they faced to pay their short – term debts by cash.

4.4.2. Solvency Ratio

Debt Ratio: $\frac{\text{Total Liabilities}}{\text{Total assets}} = \frac{\$66{,}741}{\$93{,}008} = 71{,}76$ (2015 year)

Debt Ratio: $\frac{\$61{,}462}{\$92{,}023} = 66{,}79$ (2014)

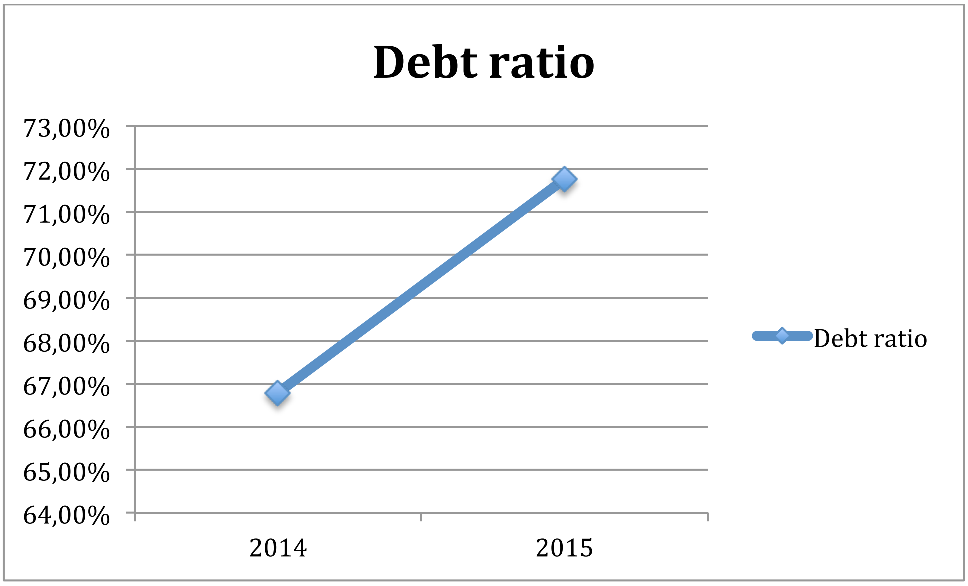
Table 14: Debt Ratio of Coca Cola Company

Years	2014	2015
Debt Ratio %	66,79	71,76

Source: Own table

The ratio shows the company's to cover its debts through its total assets. The ratio was 66,79% in 2014, then goes up in 2015. The ratio has to be low. Interpret that in the year 2015, the risk of the firm is getting higher as the ratio goes up.

Figure 4: Debt Ratio of Coca Cola Company



Source: Own figure

Times Interest Earned Ratio: $\frac{\text{EBIT}}{\text{Interest}} = \frac{\$8{,}067}{\$459} = 0{,}02$ (2015)

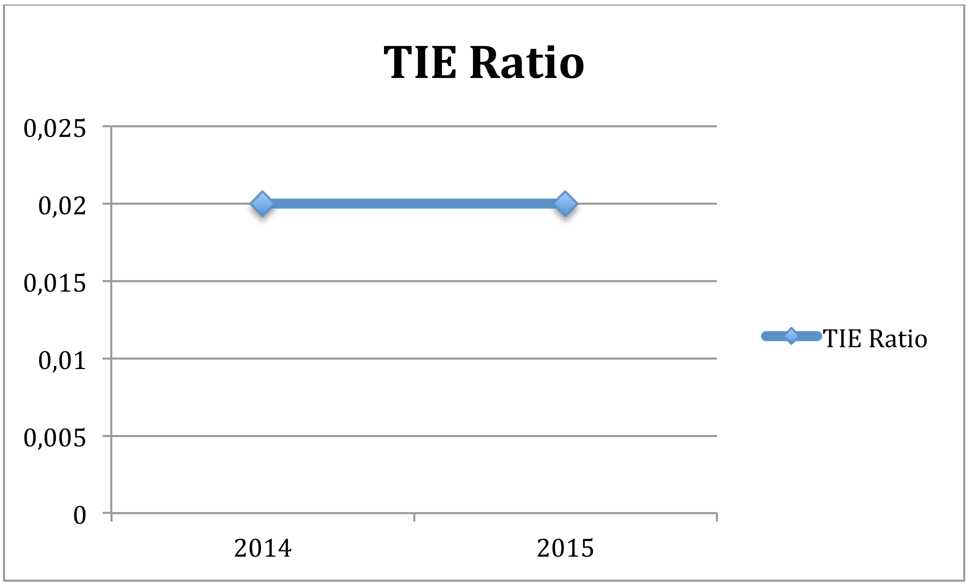
$$\text{TIE} = \frac{\$8{,}249}{\$436} = 0{,}02 \text{ (2014)}$$

Table 15: Times Interest Earned Ratio of Coca Cola Company

Years	2014	2015
TIE Ratio	0,02	0,02

Source: Own table

Figure 5: Times Interest Ratio of Coca Cola Company



Source: Own figure

The time interest earned ratio of Coca Cola Company in two years is 0,02. It means that the that the interest expenses of the company are 0,02 times covered by its net operating income (income before interest and tax).

4.4.3. Activity Turnover Ratio

Total Asset Turnover: $\frac{\text{Sales}}{\text{Total Assets}} = \frac{\$34{,}294}{\$93{,}008} = 0{,}37$ (2015 year)

Total Asset Turnover: $\frac{\$35{,}126}{\$92{,}023} = 0{,}38$ (2014)

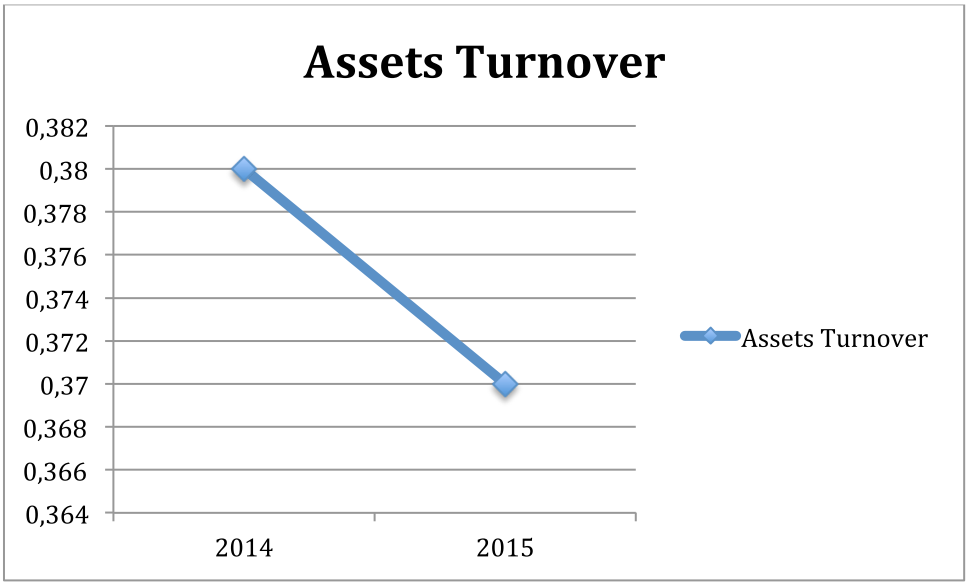
Table 16: Total Assets Turnover Ratio of Coca Cola Company

Year	2014	2015
Assets Turnover	0,38	0,37

Source: Own table

The ratio is supposed to be high. Here is the Coca Cola company's total assets turnover ratio in 2014 was 0,38, which means that the company generated more revenue per dollar of asset investment. The ratio then comes slightly down in 2015.

Figure 6: Total Assets Turnover Ratio of Coca Cola Company



Source: Own figure

Avg.Collection Period: $\frac{365}{Receivable\ Turnover} = \frac{365}{7{,}86}$ = 46,44 days

Avg.Collection Period: $\frac{365}{8{,}51}$ = 42,89 days

Table 17: Average Collection of Coca Cola Company

Years	2014	2015
Receivable Turnover	7,89	8,51
Avg.Collection Period	46,44 days	42,89 days

Source: Own table

The ability of the firm of collecting the receivables in the specific time. Here in the year 2014 the turnover in days was 46, but the collection days decrease in the year 2015 and the collection period of approximately 43 days is well within the 60 days allowed in the credit terms. This shows that the collection is faster as compared to the previous year.

Inventory Turnover Ratio: $\frac{\text{Cost of good sold}}{\text{Inventory}} = \frac{\$13{,}428}{\$2{,}910}$ = 4,61 (2015 year)

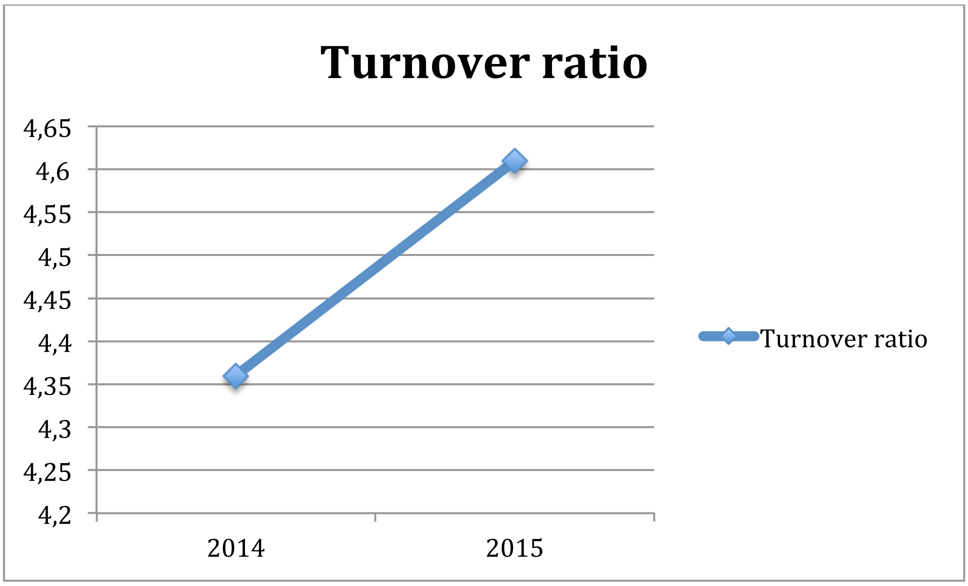
Inventory Turnover Ratio: $\frac{\$13{,}532}{\$3{,}100}$ = 4,36 (2014 year)

Table 18: Inventory Turnover Ratio of Coca Cola Company

Year	2014	2015
Inventory Turnover Ratio	4,36	4,61

Source: Own table

Figure 7: Inventory Turnover Ratio of Coca Cola Company



Source: Own figure

Inventory turnover ratio of Coca Cola Company increased from 4,36 to 4,61. It means inventory turnover getting higher, that the company's product is in demand. It could also mean the company initiated an effective advertising campaign or sales promotion that caused a boost in sales. In any case, it demonstrates that the company is efficiently moving inventory in the course of business.

4.4.4. Profitability Ratios

Gross Profit Margin = $\frac{\text{Gross Profits}}{\text{Sales}} = \frac{\$20{,}866}{\$34{,}294}$ = 60,84% (2015)

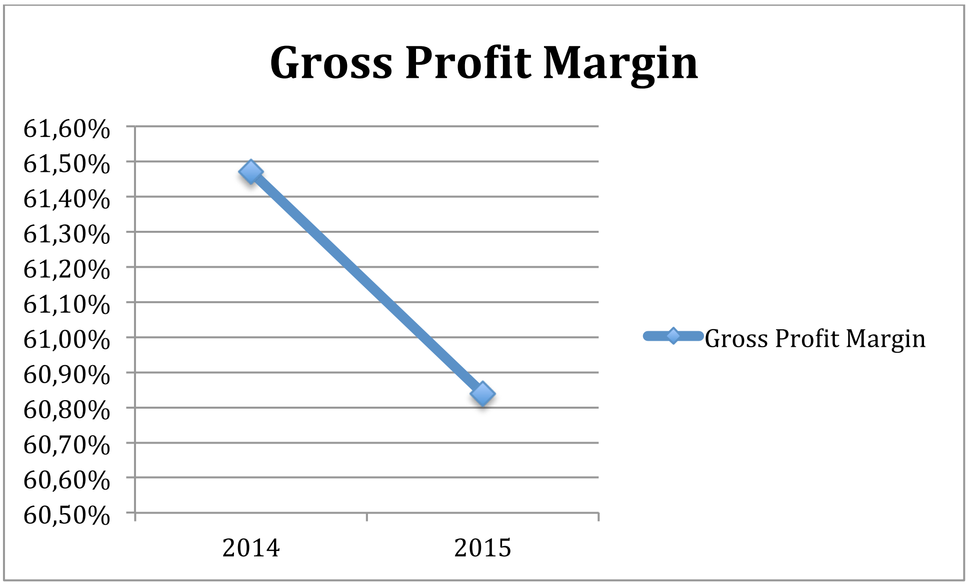
Gross Profit Margin = $\frac{\$21{,}594}{\$35{,}126}$ = 61,47% (2014)

Table 19: Gross Profit Margin of Coca Cola Company

Years	2014	2015
Gross Profit Margin%	61,47	60,84

Source: Own table

Figure 8: Gross Profit Margin of Coca Cola Company



Source: Own figure

The ratio shoud be high according to the definition. Because higher the ratio, higher will be the firm's ability to produce goods and services at low cost with high sales. Here in this table there is small differences between the ratios in the two years, but its still high, which means it is favorable.

Net Profit Margin: $\frac{\text{Net Income}}{\text{Sales}} = \frac{\$6{,}114}{\$34{,}294}$ = 17, 82% (2015)

NPM = $\frac{\$6{,}328}{\$35{,}126}$ = 18,01% (2014)

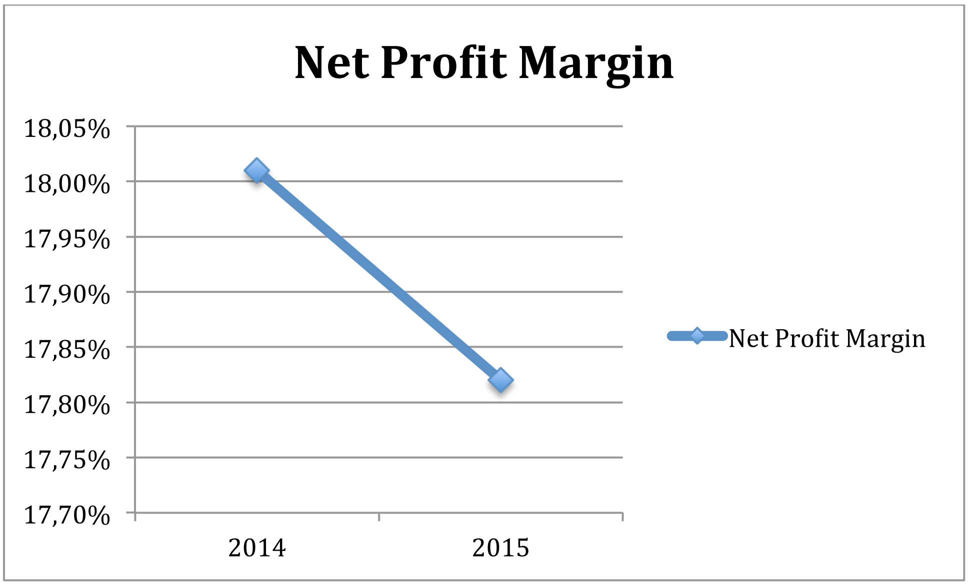
Table 20: Net Profit Margin of Coca Cola Company

Years	2014	2015
Net Profit Margin %	18,01	17,82

Source: Own table

Net profit margin of Coca Cola Company in 2015 amounted 17,82%. It's lower on 0,19% than the previous year. It may indicate that the industry in which the company operates is itslef suffering, because of waning consumer interest or because of hard economic times.

Figure 9: Net Profit Margin of Coca Cola Company



Source: Own figure

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}} = \frac{\$6{,}114}{\$93{,}008} = 6{,}57\%\ (2015)$$

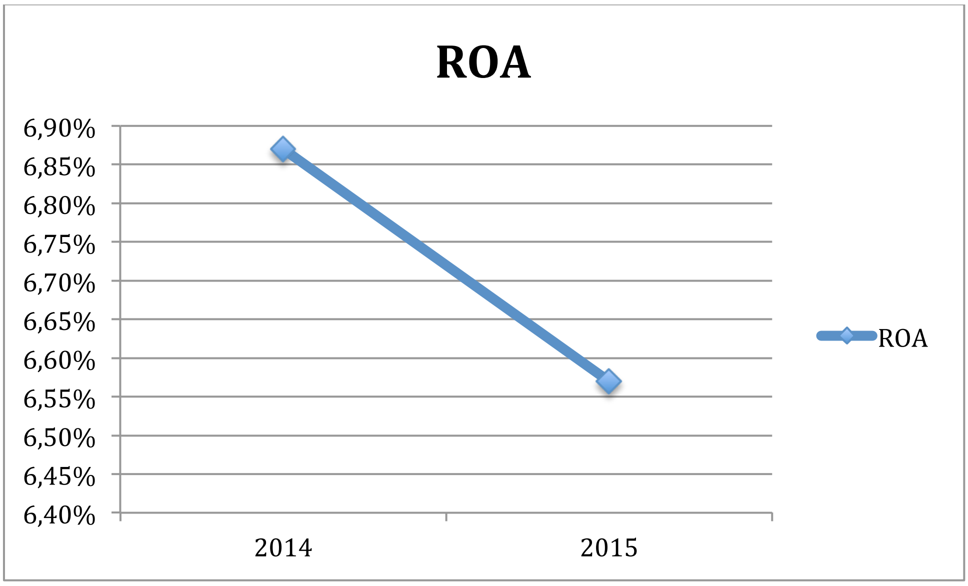
$$\text{ROA} = \frac{\$6{,}328}{\$92{,}023} = 6{,}87\%\ (2014)$$

Table 21: Return on Assets of Coca Cola Company

Years	2014	2015
ROA%	6,87	6,57

Source: Own table

Figure 10: Return on Assets of Coca Cola Company



Source: Own figure

The decrease in Return in Assets indicates that the company is generating less profits from all of its resources in the 2015 as compared to the year 2014. The higher of this ratio is, the better for the company. Therefore this decrease in Coca Cola's ratio is indicating that the company is not that much prospering.

$$ROE = \frac{\text{Net Income}}{\text{Total Common Equity}} = \frac{\$6{,}114}{\$26{,}049} = 23{,}47\% \text{ (2015)}$$

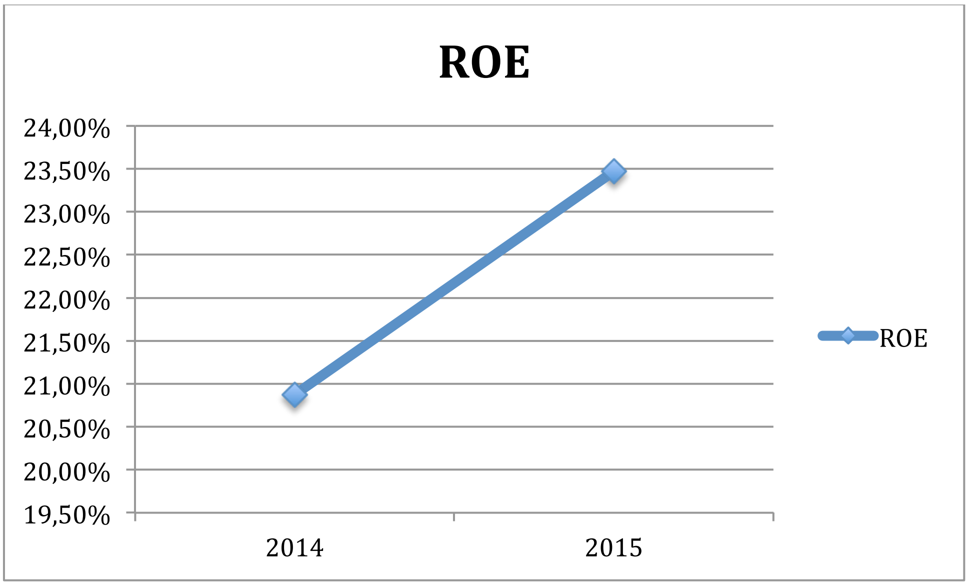
$$ROE = \frac{\$6{,}328}{\$30.320} = 20{,}87\% \text{ (2014)}$$

Table 22: Return on Equity of Coca Cola Company

Years	2014	2015
ROE %	20,87	23,47

Source: Own table

Figure 11: Return on Equity of Coca Cola Company



Source: Own figure

Here starting from 2014, ratio was 20,87% and goes up in 2015 to 23,47%. This increase in Return on Equity is a good thing for stockholders and indicates that Coca Cola is using the equity provided by stockholders during this specific year effectively and using it to generate more equity for the owners.

5. Conclusion

As you know, many companies, manufacturing facilities are located in the United States, are now experiencing is not the best of times. A stronger dollar has led to the fact that many products simply can not compete with their foreign counterparts, but for others, it simply means a drop in demand. So it was with the largest producer of soft drinks in the world.

Net income of the largest Coca Cola for 2015 soft drinks manufacturer in the world has decreased by 3.5% compared to the 2014 year and amounted to 6,130 billion dollars. Net income per share were $ 1.39 against $ 1.42 in the previous year. Net operating revenues of Coca Cola for the year decreased by 2.3% to 34,294 billion dollars.

The decline in net income and revenue for 2015 due to the weak performance in overseas markets. Also, the reason is strengthening of the dollar against other world currencies and a general slowdown in the world economy.

Another problem faced by the company, is the growing interest of citizens in the United States, the state of his health. After all sweet carbonated drinks are one of the risk factors of diabetes and obesity, and in America the two diseases assumed the character of a sort of epidemic. Therefore, falling demand for products of Coca Cola. Considering all these facts have to find a way out of this situation. Falling growth in production in the United States need to encourage the release of such as not sparkling drinks like fortified milk, juices, teas, plain bottled water, since the demand for these products is gradually increasing.

Increased focus on the growth of the global revenue helps to increase the share in value terms, to increase consolidated volume of sales, as well as to develop on individual international markets.

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