Accounting

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Defining a Company

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How to Define a Company

Companies create cash through debt and equity

Sell/Issue Stock for Cash

Equity

Debt

Borrow Debt for Money

Labor & Capital Investment

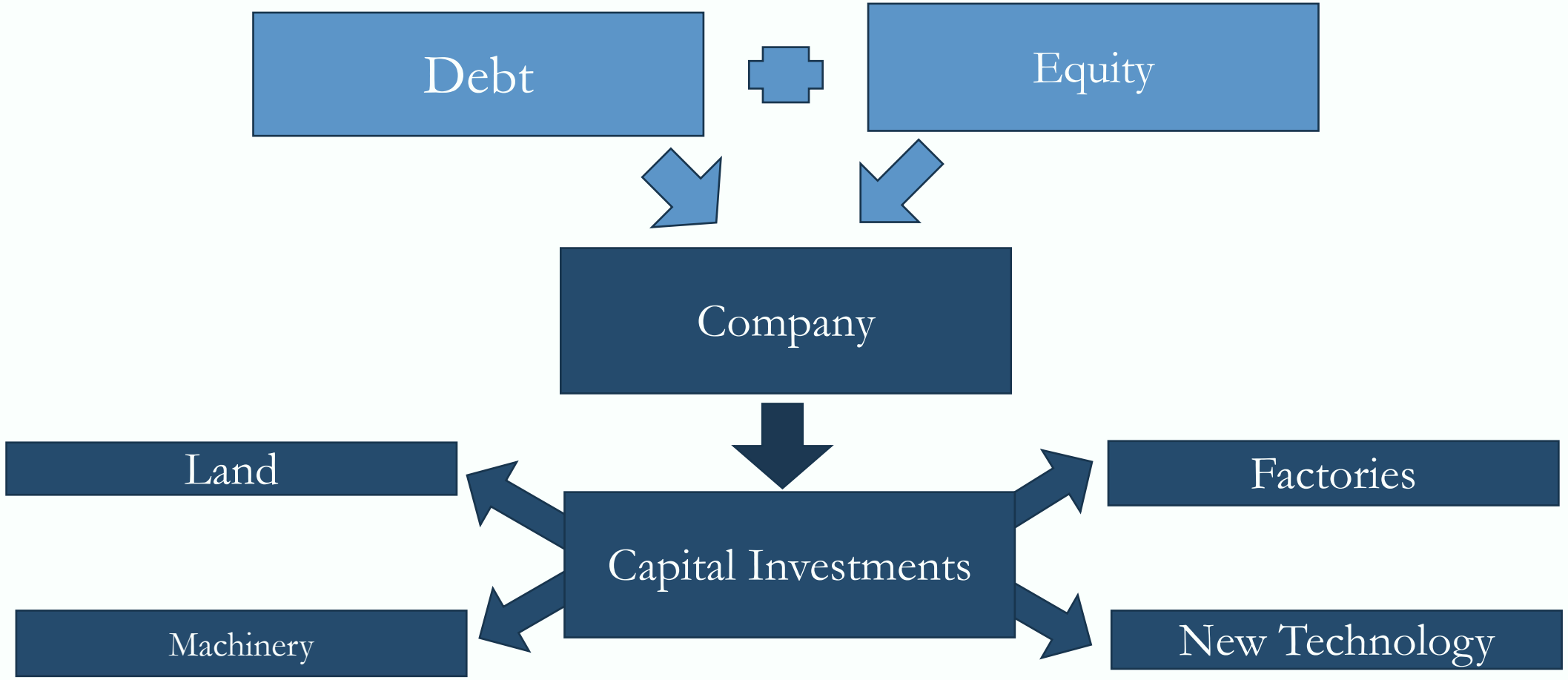
Companies use money to invest in assets such as capital and labor to then create profit

By using these investments, companies sell goods and services for a profit

PROFIT

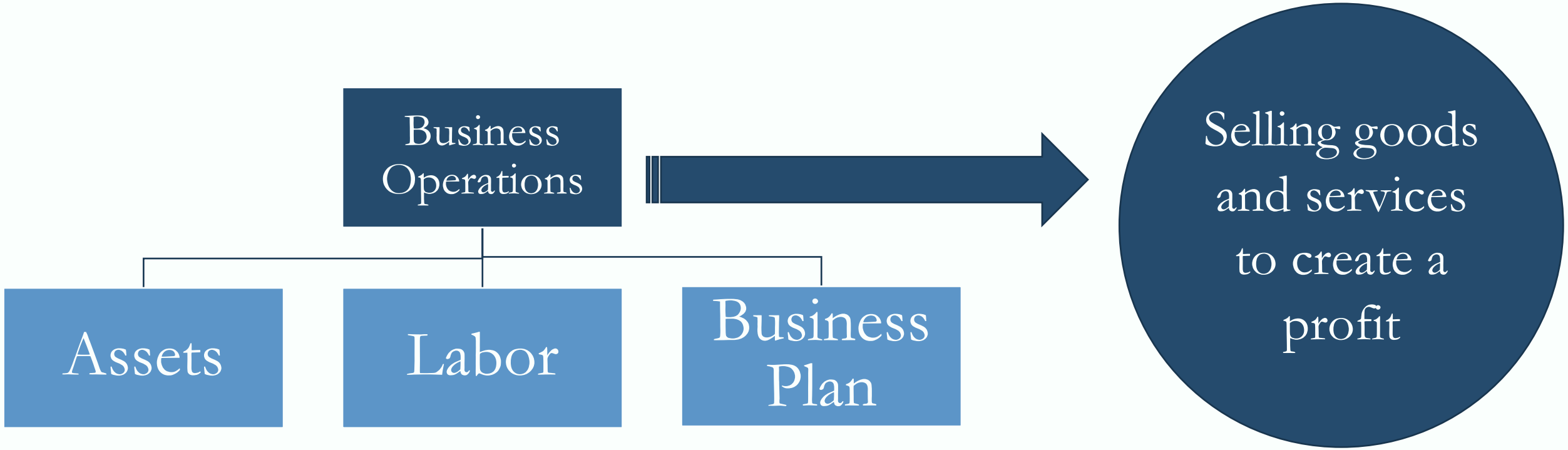
Where does this money go? (Investing)

Companies take the money they raise through debt and equity to invest in assets to create returns for the future



Using Assets to Create Profit

Companies combine their business model with assets they have purchased and labor to create a profit.



How do companies get financing?

As shown in the diagram, companies need initial capital to get their operations going. To finance initial investment, they use either equity or debt

Debt

- Institutions such as banks offer a fixed amount in exchange for interest
- Lenders do not have a stake in how well the business does (they do have a stake in how poorly it does). They only care about being paid back
- Fixed payment. The company must pay back the lender contractually

Equity

- Investors can purchase stock, or a fraction of the business
- A stockholder wants the business to do well
    - Equity holders can access the profits a company has left over after completing its obligated debts and liabilities

How does this relate to accounting?

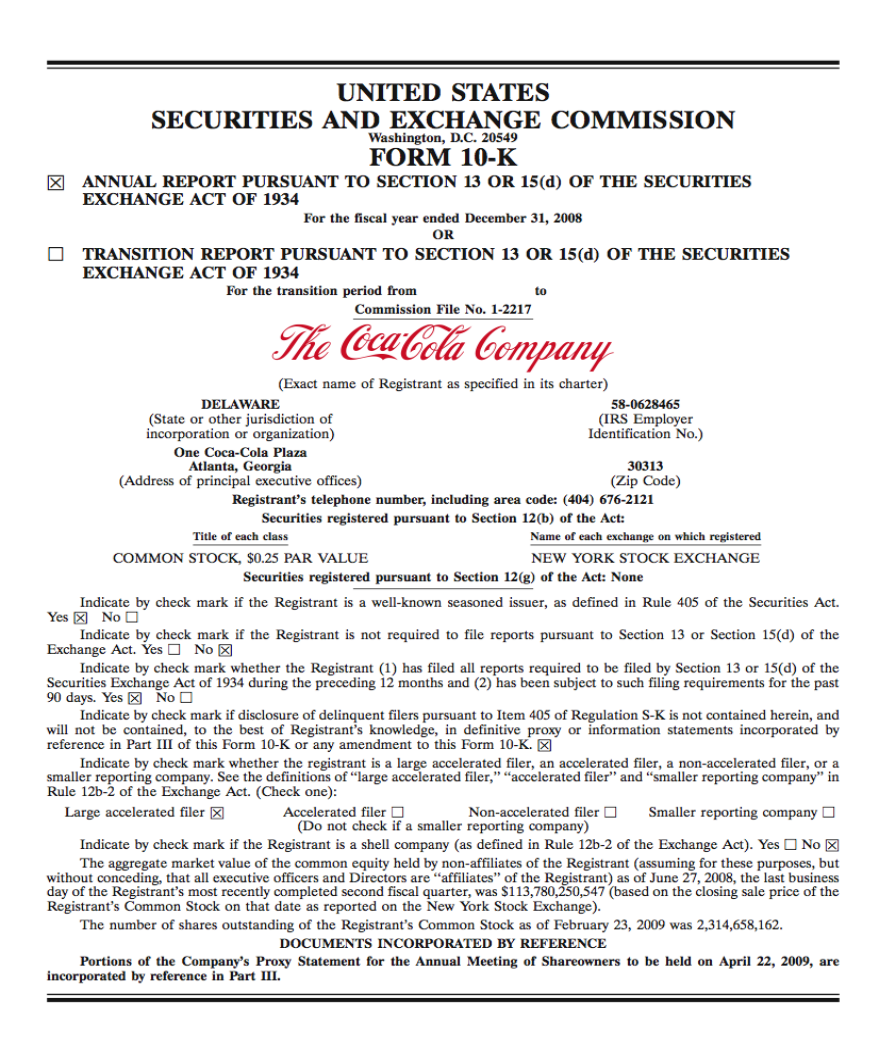
Financing	Investing	Operations/Profit
• Where is the money coming from? Equity, Debt? • What obligations does the business have?	• How did the business deploy its capital? • What are the Businesses' Assets and Investments?	• How does the capital deployed make money? • Is the company good at making money? • Profitable?

The 3 Financial Statements

Balance Sheet	Income Statement	Cash Flow Statement
• Gives a snapshot of the company's financial state of health at a single point in time	• Shows the results of company operations over a designated period ending with company profit or net income	• Shows the company's cash flows over a designated period

Financial reporting

- Companies can list shares of their company on a public exchange in an Initial Public Offering or "IPO"
- These "public" companies are required to register their financial information publicly with the SEC.
- All reporting with SEC follows the Generally Accepted Accounting Principles or "GAAP" guidelines.



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission File No. 1-2217

The Coca-Cola Company

(Exact name of Registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	**58-0628465** (IRS Employer Identification No.)
One Coca-Cola Plaza Atlanta, Georgia (Address of principal executive offices)	**30313** (Zip Code)

Registrant's telephone number, including area code: (404) 676-2121
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
COMMON STOCK, $0.25 PAR VALUE	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark if the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common equity held by non-affiliates of the Registrant (assuming for these purposes, but without conceding, that all executive officers and Directors are "affiliates" of the Registrant) as of June 27, 2008, the last business day of the Registrant's most recently completed second fiscal quarter, was $113,780,250,547 (based on the closing sale price of the Registrant's Common Stock on that date as reported on the New York Stock Exchange).

The number of shares outstanding of the Registrant's Common Stock as of February 23, 2009 was 2,314,658,162.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the Annual Meeting of Shareowners to be held on April 22, 2009, are incorporated by reference in Part III.

The Balance Sheet

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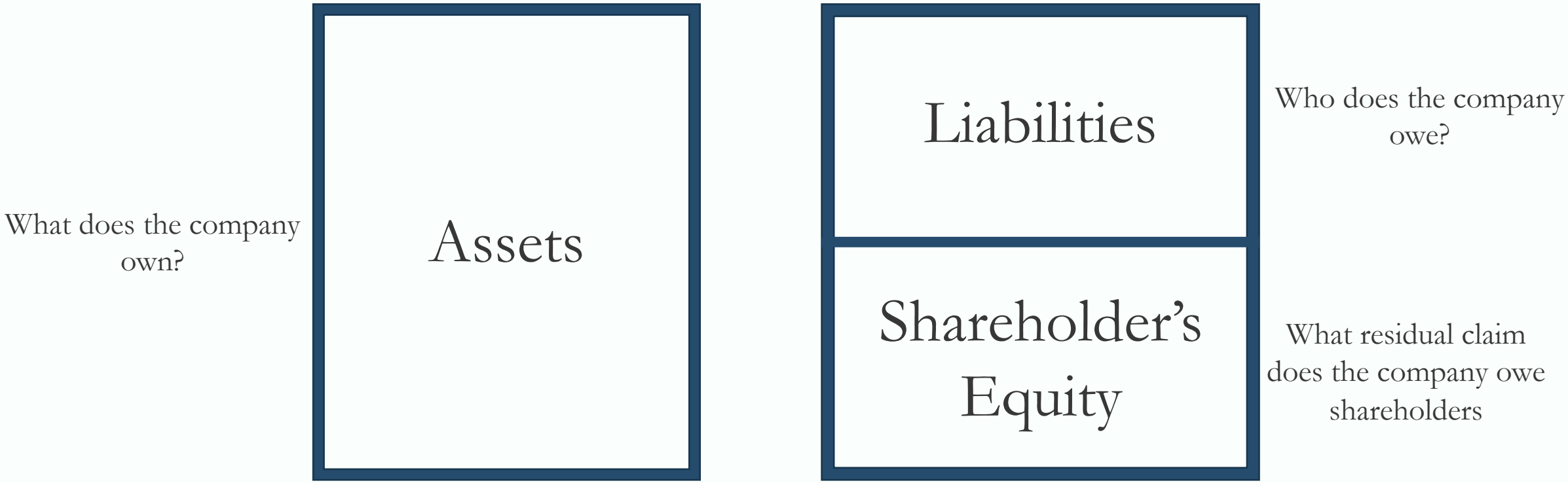
The Balance Sheet

$$\text{Total Assets} = \text{Total Liabilities} + \text{Total Shareholder's Equity}$$

$$\Delta\text{Assets} = \Delta\ \text{Liabilities} + \Delta\ \text{Shareholder's Equity}$$



The Balance Sheet: Assets

Assets: Anything that a company currently owns and expects to use either now or later to create profit

Accounting Asset

- All Accounting Assets are Economic ones, but not vice versa.
- Accounting Assets must fulfill the following
  - Show a historical transaction (bought by the firm)
  - Firm can show ownership
  - Will provide future benefit

Economic Asset

- Economic Assets follow the definition set above (anything a company owns and expects to use)
- Examples:
  - Brand Name
  - Patents
  - Research and Development

The Balance Sheet: Different types of Assets

The Assets section of the Balance Sheet is often split between different types of Assets

Current Assets

- Assets that can be reasonably be liquidated (converted into cash) in the next year
- Examples:
  - Cash and Cash Equivalents
  - Accounts Receivable
  - Marketable Securities
  - Inventory

Non-Current Assets

- Companies long term investments
- Cannot be reasonably converted into cash in the next year
- Examples:
  - Property, Plant, and Equipment
  - Non-Marketable Securities

Different Types of BS Line Items

Operating

- Involved in the actual operations of business
- Revenue generation
- Examples
  - Factories

Non-Operating

- Not involved in any revenue generating activities
- Example
  - Debt
  - Marketable Securities

Tangible

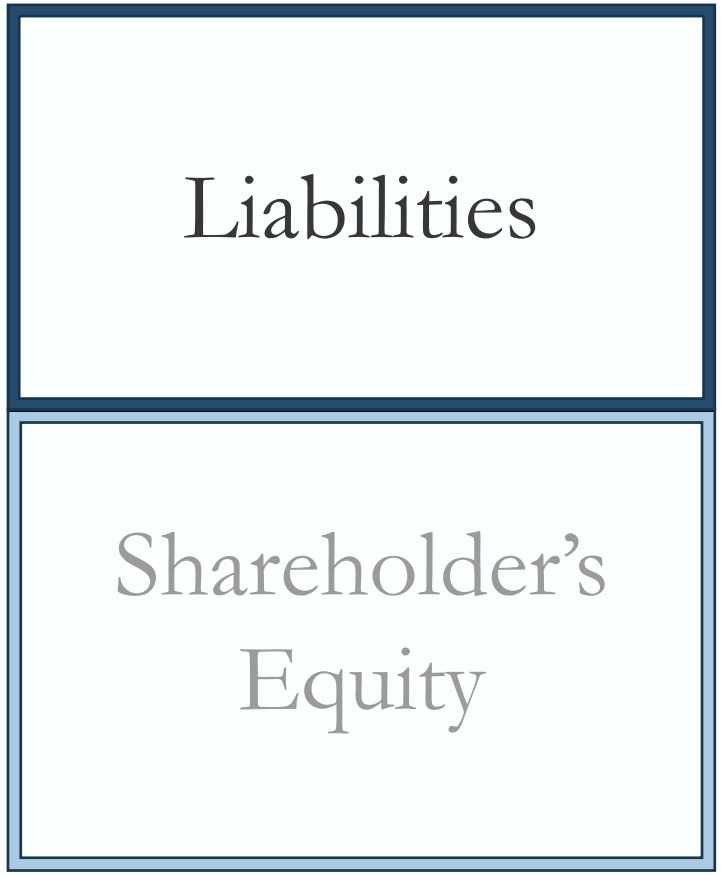
- Assets that have a physical form
- Examples
  - Factories
  - Land

Intangible

- Assets that don't have physical form but are still worth money
- Examples
  - Patents
  - Goodwill

The Balance Sheet: Liabilities

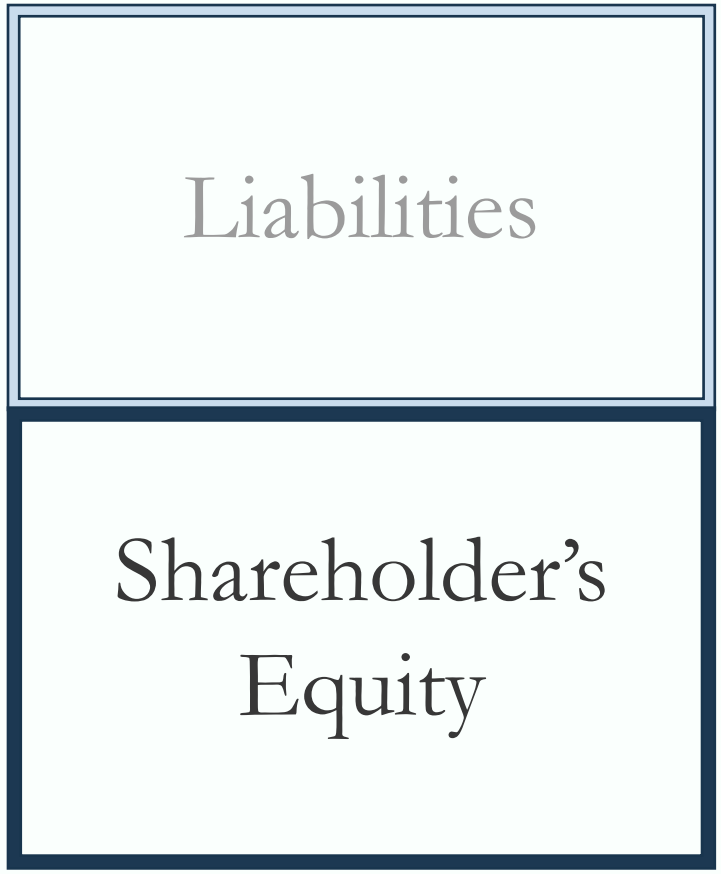
The liabilities side of the balance sheet covers what the company expects to pay to other institutions for financing that came from creditors



- Liabilities: Fixed claims on an asset that a firm is contractually obligated to complete
- Common examples of liabilities
  - Bank Debt: What you usually think of. A firm borrows capital and agrees to pay back the agreed amount at a rate of interest
  - Accounts Payable: Fixed amount of money owed to suppliers after goods have been received
  - Bonds: Firm exchanges bond for cash with an obligation to pay back bond holders, sometimes involves interest
- Like assets, usually divided into current and noncurrent

The Balance Sheet: Shareholder's Equity

The shareholder's equity portion shows how much the equity holders of the company have invested and earned in the business.



- Contributed Capital
- Capital that was raised through stock issuance
- Can be issued privately or listed on a public market
- Examples:
  - Common Stock
  - Preferred Stock
  - Earned Capital
  - Capital that has been earned and retained through business operations
    - Primarily made up of Retained Earnings
- Impacted by net income and dividends declared

A snapshot of a company's financial situation

Assets

Current Assets

Assets that will be liquid in 12 months

Cash, Short term securities

Inventory

Accounts Receivable

Non- Current Assets

Assets that are not expected to be liquid in the next 12 months

Factories

Machines

Long-term securities

Liabilities

Current Liabilities

Liabilities that will be due within the next 12 months

Short-term debts

Accounts Payable

Non-Current Liabilities

Liabilities that will not be resolved within the 12-month period

Long-term Debt

Shareholder's Equity

Common Stock

APIC

Retained Earnings

How much is a company truly worth?

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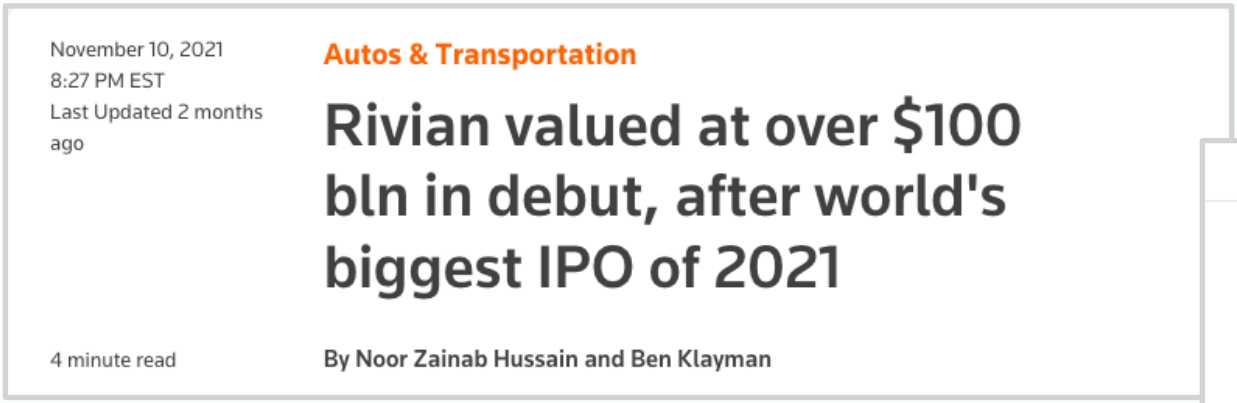
OPINION | REVIEW & OUTLOOK

Tesla Is Worth $1 Trillion

Why does the successful electric-car maker still need taxpayer subsidies?



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Autos & Transportation

Rivian valued at over $100 bln in debut, after world's biggest IPO of 2021

4 minute read

By Noor Zainab Hussain and Ben Klayman

The New York Times

Coinbase Valued at $86 Billion in 'Landmark Moment' for Crypto

Published April 14, 2021 Updated June 25, 2021

Book Value vs Market Value

Is Tesla worth a trillion dollars? The answer depends on what metric you use. In investing we can look at either the book value or the market value of a firm

Book Value	Market Value
• Accounting value of the company given its assets and liabilities. • Book Value = accounting assets – accounting liabilities	• Value of Equity is based on what the market trades equity at • Market Value= Share Price * Total Shares outstanding • AKA "Market Cap"

Why the difference between Market and Book Value

- Clearly, Book Value of Equity ≠ Market Value of Equity
- Why?
  - Remember, Economic Assets are different than accounting assets
  - Market values the company on expected future free cash flows, discount to the present
  - The balance sheet is a snapshot in time, not a story of long-term growth

Balance Sheet: Recap

- Golden Rule: Total Assets = Total Liabilities + Total Shareholders Equity
- Assets: Anything owned by the company to generate profit in the future (Left Side),
- Liabilities: Contractually agreed amounts owed to other firms that are expected to be completed in the future (Right Side)
- Share Holder's Equity: How much the owners of the company have invested into the business. Either through contributed capital in share issuance or in earned capital through retained net earnings. (Right Side)
- Book Value: Accounting Assets – Liabilities = Book Value (or SE)
- Market Value: Share Price * Total Outstanding Shares

Balance Sheet Example: Assets

Tesla, Inc.

Consolidated Balance Sheets
(in millions, except per share data)

	December 31, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 19,384	$ 6,268
Accounts receivable, net	1,886	1,324
Inventory	4,101	3,552
Prepaid expenses and other current assets	1,346	959
Total current assets	26,717	12,103
Operating lease vehicles, net	3,091	2,447
Solar energy systems, net	5,979	6,138
Property, plant and equipment, net	12,747	10,396
Operating lease right-of-use assets	1,558	1,218
Intangible assets, net	313	339
Goodwill	207	198
Other non-current assets	1,536	1,470
Total assets	$ 52,148	$ 34,309

Balance Sheet Example: Liabilities + SE

Liabilities		
Current liabilities		
Accounts payable	$ 6,051	$ 3,771
Accrued liabilities and other	3,855	3,222
Deferred revenue	1,458	1,163
Customer deposits	752	726
Current portion of debt and finance leases	2,132	1,785
Total current liabilities	14,248	10,667
Debt and finance leases, net of current portion	9,556	11,634
Deferred revenue, net of current portion	1,284	1,207
Other long-term liabilities	3,330	2,691
Total liabilities	28,418	26,199
Commitments and contingencies (Note 16)		
Redeemable noncontrolling interests in subsidiaries	604	643
Convertible senior notes (Note 12)	51	—
Equity		
Stockholders' equity		
Preferred stock; $0.001 par value; 100 shares authorized; no shares issued and outstanding	—	—
Common stock; $0.001 par value; 2,000 shares authorized; 960 and 905 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively (1)	1	1
Additional paid-in capital (1)	27,260	12,736
Accumulated other comprehensive income (loss)	363	(36)
Accumulated deficit	(5,399)	(6,083)
Total stockholders' equity	22,225	6,618
Noncontrolling interests in subsidiaries	850	849
Total liabilities and equity	$ 52,148	$ 34,309

The Income Statement

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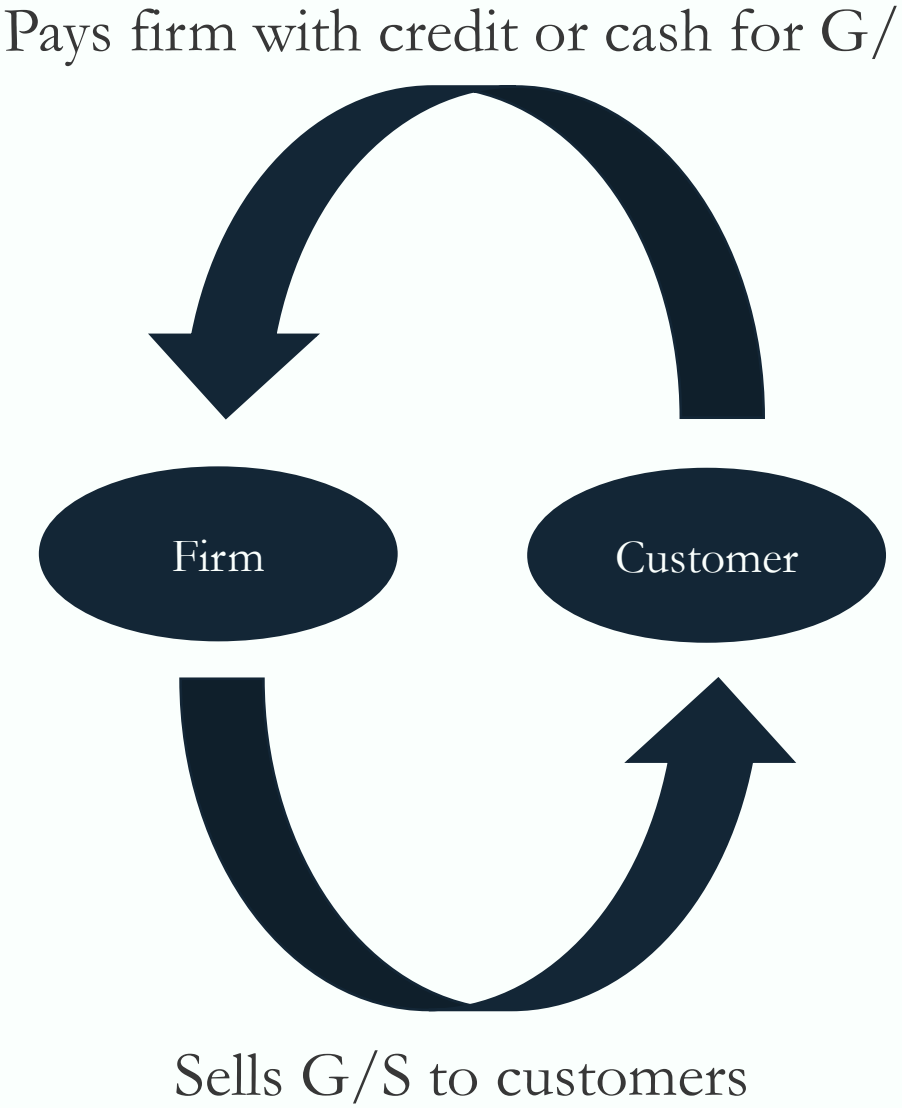
The Income Statement Overview

The Income Statement or Profit/Loss covers the operations of a company over a given period of time through an accounting lens

- The Income Statement tells potential investors how good a company really is at making money
- It further gives us as investors insight into how well assets are used to create profit
- Driving Equation of the Income Statement
  - Net Income (Profit) = Revenues – Expenses

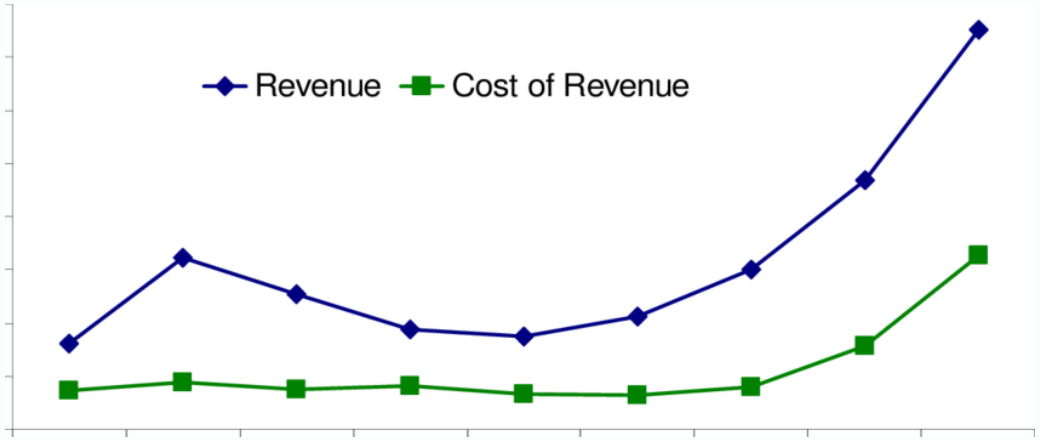
First line of the Income Statement: Revenue

- Basis of business: Revenue
  - Customers pay for a product or service
- Types of Revenue
  - Cash
  - Credit
- Cash Purchases:
  - Cash purchases are recorded as normal revenue on the income statement
- Credit Purchases:
  - If a firm delivers goods, firm counts the credit in the accounts receivable line
  - If a firm has not delivered the goods, firm counts the credits in the deferred revenue line



Cost of Sales

- Often referred to as "Cost of Goods Sold"
- Any expenses that are used directly to generate corresponding revenue
- Variable in amount
  - Value of COGS varies based on quantity of goods/services being sold
  - As sales of company increase, so does the corresponding cost of sales.
- Corresponding profit —net of cost of sales— is known as Gross Profit.
  - Gross Profit = Revenue – Cost of Sales



Operating Expenses: Sales, General & Administration (SG&A)

- Sales, General & Administration represents a portion of operating expenses (costs of running the business)
- Referred to as SG&A, these are expenses that are not directly related to the production of revenue but help in the process of creating profits
- Example: It costs Tesla money to move its products. It must spend money to sell, market and generally run its sales and distribution process
- Companies total operating expenses can all be reported in SG&A or broken out into separate line items

Operating Expenses: Research and Development (R&D)

- Research and Development is another expense of operating a business
- Known as R&D, companies expense money in order to better their products and stay competitive in the marketplace
- Tesla Example:
  - Tesla pays engineers and scientists to improve their cars, make them faster, more energy efficient etc.

Expenses vs Expenditures

Expenditure

- An expenditure is anytime cash is used/a liability is incurred.
- If asset expenditure has useful life > 1 year then it is a Capital Expenditure
- Capital Expenditures are expensed over their useful life period
  - All of these expenses are non-cash
    - The cash has been paid already when expenditure occurred
    - Expenses are known as “Depreciation and Amortization Expense”

Expense

- An expense is anything that results in a reduction to Net Income
- Can either be a cash expense or non-cash expense.

Operating Expenses: Depreciation and Amortization (D&A)

- Depreciation and Amortization, often noted as D&A, represents the purchase cost of an asset
- Non-Cash Expense: there is no change in cash for the company recorded when depreciation and amortization expenses are incurred
- Depreciation:
  - Reduction in value of an asset as a result of general usage (think wear and tear)
  - Tesla Example: Gigafactory is worth less over time as the factory is used.
- Amortization
  - Reduction in value of an intangible assets over a useful life.
  - Tesla example: Tesla Patent has a useful life (contract life).

Operating Expenses: Depreciation and Amortization (D&A)

- Calculating Straight-line Depreciation :
  - Step 1: Find Purchase Price
  - Step 2: Find Salvage Price (Price you will sell the asset at)
  - Step 3: Find useful life (how long will the company use the asset
  - Step 4: Subtract Salvage price from Purchase Price and then divide by longevity to find yearly depreciation

In summary, every year the asset depreciates by 20MM, and an expense of 20MM in D&A is shown every year in operating expenses

Income Statement: Income Taxes

- Businesses are taxed differently to individuals
- We are taxed at a statutory rate, whereas businesses are taxed at an effective tax rate
- Effective Tax Rate = Provision for Income Taxes / Earnings Before Taxes (EBIT)
- Key differences between effective and statutory rates
  - Tax Deduction from Several Sources
  - Accounting and Taxes can sometimes conflict

Example Income Statement

Tesla, Inc.

Consolidated Statements of Operations
(in millions, except per share data)

	Year Ended December 31,		
	2020	**2019**	**2018**
Revenues			
Automotive sales	$ 26,184	$ 19,952	$ 17,632
Automotive leasing	1,052	869	883
Total automotive revenues	27,236	20,821	18,515
Energy generation and storage	1,994	1,531	1,555
Services and other	2,306	2,226	1,391
Total revenues	31,536	24,578	21,461
Cost of revenues			
Automotive sales	19,696	15,939	13,686
Automotive leasing	563	459	488
Total automotive cost of revenues	20,259	16,398	14,174
Energy generation and storage	1,976	1,341	1,365
Services and other	2,671	2,770	1,880
Total cost of revenues	24,906	20,509	17,419
Gross profit	6,630	4,069	4,042
Operating expenses			
Research and development	1,491	1,343	1,460
Selling, general and administrative	3,145	2,646	2,835
Restructuring and other	—	149	135
Total operating expenses	4,636	4,138	4,430
Income (loss) from operations	1,994	(69)	(388)
Interest income	30	44	24
Interest expense	(748)	(685)	(663)
Other (expense) income, net	(122)	45	22
Income (loss) before income taxes	1,154	(665)	(1,005)
Provision for income taxes	292	110	58
Net income (loss)	862	(775)	(1,063)

Cash Flow Statement

PNG

The Cash Flow Statement

- Cash makes the world go round!
- Arguably the most important financial statement.
  - If you could only choose one of the 3 statements, it should be the cash flow statement (this is important – It's a common interview question for investment banking).
  - Cash returned to shareholder is the most important metric for analyzing return and attractiveness of a company
  - Change in cash shows the overall financial health of the company most accurately
- Advanced Note: You can construct the cash flow statement from the Income Statement and the Balance Sheet (if you have the Balance Sheet from the beginning and ending periods on the Income Statement)
- Income Statement and Balance sheet helps us see general profit but….
  - The CFS gives us a better understanding of how much cash is actually floating in the business

Cash Flow Breakdown

- Cash Flow From Operations (CFO)
  - Net income from Income Statement + Non-Cash Expenses - Changes in Net Working Capital
  - How much cash did the core operations of the business generate
- Cash Flow From Investing
  - Capital Expenditures, Investments, and Sales of PPE and Investments
- Cash Flow From Financing
  - Movement of cash between a firm and its owners, investors, and creditors.
  - Debt, Equity, Dividends, Share Buybacks

Working Capital

Net Working Capital = (Current Assets – Cash) – (Current Liabilities – Short Term Debt)

- Represents the operating liquidity of the company
- Amount of money left over after covering all short-term obligations
- Change in Working Capital means that the company used or received cash (Change in Cash)
- Can indicate whether a company spends money to stimulate growth or whether it generates more cash as a result of growth.
  - Ex: Retailers tend to have increasing working capital as they purchase higher volumes of inventory upfront as they get more orders.

CFO Example

Tesla, Inc.

Consolidated Statements of Cash Flows
(in millions)

	Year Ended December 31,		
	2020	**2019**	**2018**
Cash Flows from Operating Activities			
Net income (loss)	$ 862	$ (775)	$ (1,063)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, amortization and impairment	2,322	2,154	1,901
Stock-based compensation	1,734	898	749
Amortization of debt discounts and issuance costs	180	188	159
Inventory and purchase commitments write-downs	202	193	85
Loss on disposals of fixed assets	117	146	162
Foreign currency transaction net loss (gain)	114	(48)	(2)
Non-cash interest and other operating activities	228	186	49
Operating cash flow related to repayment of discounted convertible senior notes	—	(188)	—
Changes in operating assets and liabilities, net of effect of business combinations:			
Accounts receivable	(652)	(367)	(497)
Inventory	(422)	(429)	(1,023)
Operating lease vehicles	(1,072)	(764)	(215)
Prepaid expenses and other current assets	(251)	(288)	(82)
Other non-current assets	(344)	115	(207)
Accounts payable and accrued liabilities	2,102	646	1,797
Deferred revenue	321	801	406
Customer deposits	7	(58)	(96)
Other long-term liabilities	495	(5)	(25)
Net cash provided by operating activities	5,943	2,405	2,098

CFI Example

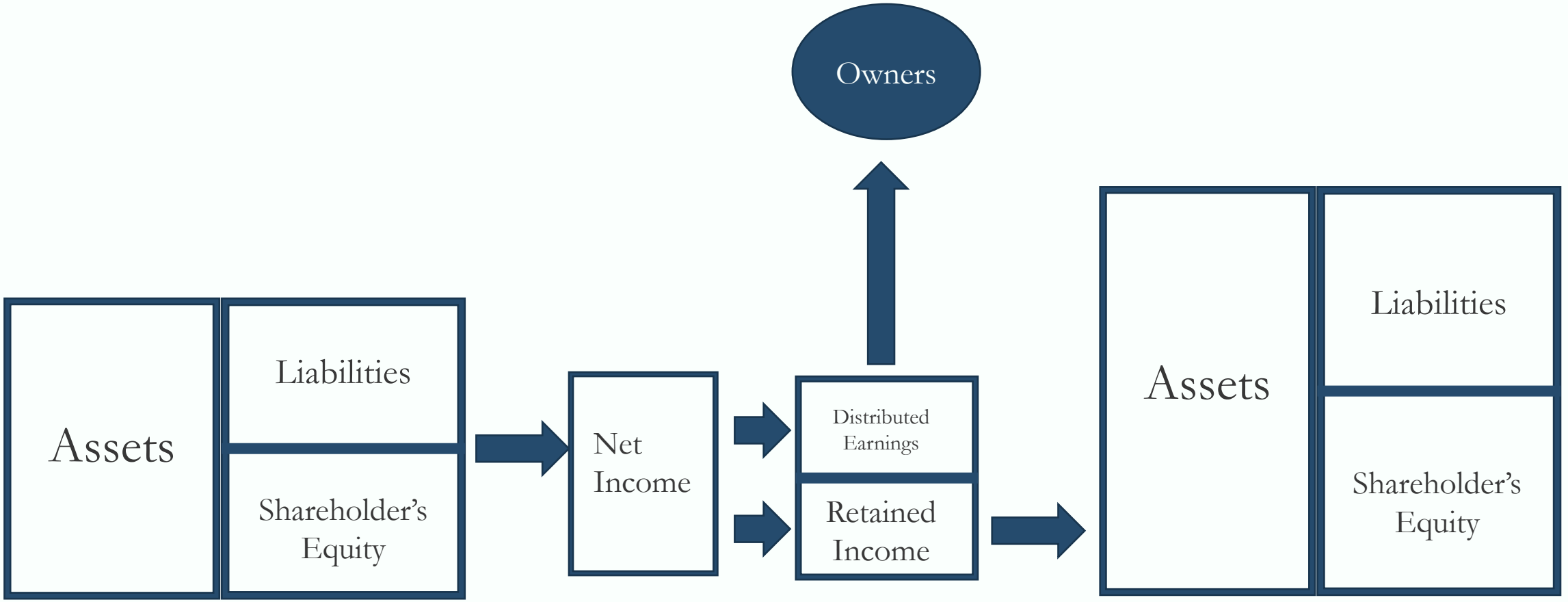
Cash Flows from Investing Activities			
Purchases of property and equipment excluding finance leases, net of sales	(3,157)	(1,327)	(2,101)
Purchases of solar energy systems, net of sales	(75)	(105)	(218)
Receipt of government grants	123	46	—
Purchase of intangible assets	(10)	(5)	—
Business combinations, net of cash acquired	(13)	(45)	(18)
Net cash used in investing activities	(3,132)	(1,436)	(2,337)

CFF Example

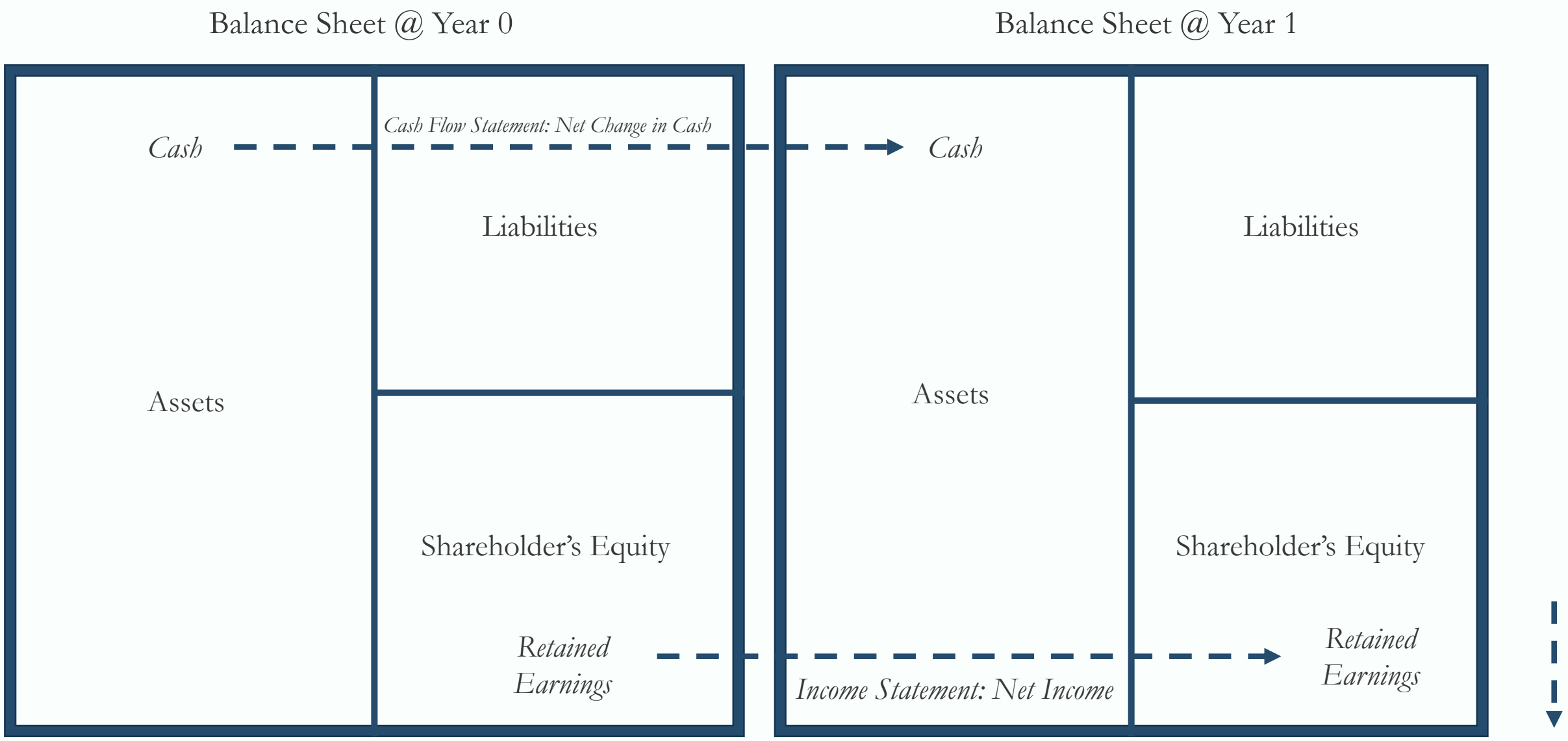
Cash Flows from Financing Activities			
Proceeds from issuances of common stock in public offerings, net of issuance costs	12,269	848	—
Proceeds from issuances of convertible and other debt	9,713	10,669	6,176
Repayments of convertible and other debt	(11,623)	(9,161)	(5,247)
Repayments of borrowings issued to related parties	—	—	(100)
Collateralized lease repayments	(240)	(389)	(559)
Proceeds from exercises of stock options and other stock issuances	417	263	296
Principal payments on finance leases	(338)	(321)	(181)
Debt issuance costs	(6)	(37)	(15)
Purchase of convertible note hedges	—	(476)	—
Proceeds from issuance of warrants	—	174	—
Proceeds from investments by noncontrolling interests in subsidiaries	24	279	437
Distributions paid to noncontrolling interests in subsidiaries	(208)	(311)	(227)
Payments for buy-outs of noncontrolling interests in subsidiaries	(35)	(9)	(6)
Net cash provided by financing activities	9,973	1,529	574

Effect of Operations on Balance Sheet

$\Delta Assets = \Delta Liabilities + \Delta Shareholder's\ Equity$



Piecing the puzzle together: how the BS, IS and CFS link



Piecing the puzzle together: how the BS, IS and CFS link

1) Net Income from IS flows to top of CFS in CFO.

2) Add back non-cash expenses on Income Statement

3) Changes in working capital (Current Assets and Current Liabilities) on the Balance Sheet are adjusted for in CFO

4) Capital Expenditures in CFI are added to PP&E value on Balance Sheet

5) D&A expense on IS reduces the value of the PP&E and Intangibles on BS

6) Sale of PPE in CFI reduces PP&E value on BS

Piecing the puzzle together: how the BS, IS and CFS link

7) Issuance of Debt in CFF increases Long-Term Debt value on BS

8) Payment of Debt in CFF decreases Long-Term Debt value on BS

9) Issuance of stock in CFF increases contributed capital in SE on BS

10) Stock buybacks in CFF decrease contributed capital in SE on BS

11) Retained Earnings (End) = Retained Earnings (Beg) + Net Income (IS) – Dividends Declared on CFF

12) Net Change in Cash in Cash Flow Statement changes the cash value on the Balance Sheet.

Questions?

PNG