

Walmart company

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Walmart Financial Analysis Prepared for Becca Leland BIJSN 5600, Accounting Theory and Practice Fall 1, 2013 Webster University 1 November 2013 Wal-Mart Stores, Inc. operates approximately 11, 047 retail units under 69 banners in 27 countries. It has three segments: The Wal-Mart Stores, The Sam's Club, and International. The Wal-Mart Stores segment includes 4, 759 Discount Stores, Supercenters, and Neighborhood Markets in the United States, as well as Walmart. com. It offers apparel for women, girls, men, boys, and infants; domestics, fabrics, and notions; stationery and books; shoes; housewares; hardware; electronics; home furnishings; small appliances; automotive accessories; horticulture and accessories; sporting goods; toys; pet food and accessories; cameras and supplies; health and beauty aids; pharmaceuticals; Jewelry; and optical, as well as photo processing services.

The Neighborhood Markets include dry grocery, meat, produce, deli, bakery, dairy, frozen foods, pharmaceuticals, photo processing, health and beauty aids, household chemicals, paper goods, general merchandise, and pet supplies departments. The Sam's Club segment includes 624 stores and comprises the warehouse membership clubs in the United States and samsclub. com. It offers hard-goods, soft-goods, software, electronics, Jewelry, sporting goods, toys, tires, stationery and books, institutional-size grocery items, and selected private labels.

The International segment operates 6, 288 various retail formats in countries to include Argentina, Brazil, Canada, Germany, Mexico, Puerto Rico, South Korea, and the United Kingdom. This segment operated 261 Canadian Wal-Mart stores and SAM's Clubs, 11 units in Argentina, 150 units in Brazil, 88 units in Germany, 16 units in South Korea, 697 units in Mexico, 54 units in

Puerto Rico, and 292 units in the United Kingdom, as well as 48 units in China under Joint venture agreements. The company was incorporated in 1969 and is based in Bentonville, Arkansas. Walmart employs 2.2 million associates/employees around the world to include 1.1 million in the United States alone. Although there are many opportunities, numerous employment opportunities exist in the Accounting arena. Walmart has Finance and Accounting departments impacting business and communities in all 27 countries, under 69 different banners and in every corner of the business, from Enterprise Risk Management to Sustainability. For instance, Global Shared Services aggregates and streamlines much of the financial and payroll services for Sam's Club and Walmart in North America, while Global Internal Audit helps ensure each store operates in the most cost-efficient way.

These are just a few of the many groups within Accounting & Finance, each responsible for vital services that impact the entire company. Projects range from determining the financial impact of mergers and acquisitions to estimating the effect on business when a hurricane hits. Every decision is driven by the mission to save people money and help them live better. Their responsibility extends beyond retail and corporate officials make decisions in partnership with each other.

Accounting & Finance is composed of these departments: Accounting, Corporate Tax (International & Domestic) Treasury & Investor Relations Finance and Planning Walmart U. S. , Walmart. com International Finance Sam's Finance Corporate Strategy Global Shared Services Balance Sheet Assets: Cash and Cash Equivalents - Pertain to liquid assets found on

the balance sheet. In essence, cash equivalents can be converted into cash and include commercial paper, treasury bill, money market holdings and short term government bonds. Walmart reported nearly \$7. billion in cash and cash equivalents for fiscal year ending January 31, 2013. Of the \$7. 8 billion, surprisingly, \$5. 2 billion were held outside of the United States in support of foreign operations. All non-cash transactions due from various banks amounted to \$1. 3 billion. Additionally, Walmart had \$715 million in restricted cash in addition to another \$876 million of cash that remains abroad and may not be easily transferred to the United States because of local laws. Short Term Investments - Walmart did not report any Short term investments and have not or the previous three years.

Receivables - Money that others owe the company. Account receivables are the amounts that a company has a right to collect because it sold goods or services on credit to a customer. Walmart had a variety of receivables for year ending January 31 , 2013 that included insurance companies resulting from pharmacy sales, bank transfers that took in excess of seven days to process, suppliers for marketing or incentive programs and real estate transactions. Its net receivables amounted to nearly \$6. 8 billion that included \$1. 2 billion from consumer credit products alone.

Just to name a few, Walmart has the Walmart in-store credit card, Walmart Discover, Sam's Club in-store credit card and the Sam's Club Discover card. Internal Controls - designed to help an organization accomplish specific goals and mostly importantly, in laymen's terms, " keep everyone honest " . Walmart used the criteria set forth by " COSO" Internal Control Integrated Framework. This framework primarily evaluates the achievements

of objectives in the effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations.

For the year ending January 31, 2013, Walmart's financial reporting was audited by Ernst and Young LLP, an independent registered public accounting firm. Sarbanes-Oxley Act - In July 2002, a corporate reform bill was passed into United States Federal law by the U. S. Senate and the U. S. House of Representatives. This legislation introduced new and amended ethical standards regarding financial practice and corporate governance for all publicly traded U. S. companies, as well as for management and accounting organizations. U. S. Senator Paul Sarbanes and U.

S. Representative Michael G. Oxley spearheaded the Sarbanes-Oxley (SOX) Act. Just three years, after the bill was passed, in September 2005, a former CEO from Wal-Mart de Mexico sent an email to a high ranking Walmart lawyer that referenced how Wal-Mart de Mexico had bribed foreign officials to expedite permits in an effort to win market control in Mexico. This opened up a formal internal investigation by Walmart that found documentation implicating that the Wal-Mart de Mexico executives knew about the bribes and took measures to conceal them as well.

The case was later dismissed. In August 2012, SOX violations resurfaced with Walmart. This time, two U. S. congressmen claimed that they received internal documentation that outlined possible illegal activities that involved tax evasion and money laundering in Mexico. Their concerns were expressed in a letter to Michael Duke, the chief executive at Wal-Mart. Inventory Valuation - Walmart values inventories at the lower of cost or market as

determined primarily by the retail method of accounting, using the last-in, first-out, " LIFO", method for all of the Walmart U.

S. segments. Walmart international is valued by the retail method of accounting as well but by using the first-in, first-out, " FIFO", method. In contrast, Sam's Club uses the weighted- average cost using the LIFO method. Total Current Assets for year ending January 31, 2013 were \$59. 9 billion. Long Term Investments - Walmart did not report any long term investments and have not for the previous three years. Property, Plant and Equipment - A large portion of Walmart's assets come from the property, plant and equipment section of the balance sheet.

In fact, of the \$203 billion in total assets, property, plant and equipment makes up just over \$116 billion which includes \$25 billion in land, \$90 billion in buildings and improvements, \$40 billion in fixtures and equipment, \$2 billion in transportation equipment, \$5. 9 billion in construction in process and \$5. 9 billion in property under capital leases for an approximate property and equipment gross of \$171 billion. Walmart uses straight-line depreciation and major improvements were capitalized as leasehold improvements were depreciated over the shorter of the estimated useful life.

Accumulated depreciation and amortization was \$55 billion dollars which resulted in a property and equipment net of \$116. 6 billion. Intangible Assets / Accumulated Amortization - Walmart did not report any and have not for the previous three years. Goodwill - An account that can be found in the assets portion of a company's balance sheet. Goodwill can often arise when one company is purchased by another company. Walmart's goodwill is as a result of the acquisition of 147 Netto stores from Dansk Supermarket in the

United Kingdom and to the acquisition of a 5 % ownership in Massmart, a retailer based in South Africa.

Goodwill for this period was \$20 billion. Balance Sheet - Liabilities and Equity: Accounts Payable - money owed by a business to its suppliers shown as a liability on a company's balance sheet. At year ending January 31, 2013, Walmart owed just over 59 billion to its suppliers that are to be paid compared to \$56 billion the previous year. Short current long term debt - this includes the long term debt that must be paid within 12 months. Walmart recorded just over \$12 billion. Total Current Liabilities - Year ending January 31, 2013 = \$71. billion Long Term Debt - Financial obligations that last more than one year. Walmart recorded around \$41 billion. This accounts for loans that Walmart has with several financial institutions. Deferred Long Term Liability Charges - a collection of future obligations on the balance sheet. These sometimes include employee related expenses such as retirement plans, 401 k plans and workman's compensation plans in which Walmart currently has just over \$7. 6 billion. Minority Interest - This represents the amount of stock that is not owned by Walmart.

Currently, just over \$5 billion is not owned by Walmart. Common Stock - Walmart primarily issues common stock that represents ownership in the corporation. Currently, there is neither preferred or treasury stock, however for year ending January 31, 2013, there \$332 million of stock was outstanding. Current Market Value of Stock - The current market value of Walmart's stock is currently \$74. 79. Through the last 12 months, the trend has been from \$67. 37 - \$79. 96 which is primarily because of fluctuating sales/wages.

Walmart's stock value has continued to grow over the last 12 months that can be easily contributed to its ability to remain a constant force in the market by providing lower prices, creating jobs with competitive wages and clearly out-distancing itself from its closest competitor. Dividends - As noted below, Walmart last paid a dividend on September 3, 2013 with the next pay out date of January 2, 2014. Record Date Payable Date March 12, 2013 May 10, 2013 August 9, 2013 December 6, 2013 April 1, 2013 June 3, 2013 September 3, 2013 January 2, 2014 The last dividend paid for year ending January 31, 2013 was paid on December 27, 2012 at \$0.975 per share for a total of \$1.3 billion. Income Statement Comparison - Walmart's income improved from fiscal year 2012 to fiscal year 2013. Wal-Mart Stores Inc. was able to grow revenues from \$447.08 USD to \$469.28 USD. Most impressively, the company has been able to reduce the percentage of sales devoted to selling, general and administrative costs from 19.8% to 18.94%. This was a driver that led to a bottom line growth from \$15.7B USD to \$17.0B USD.

Extraordinary gains/losses - Perhaps the most important factor that caused Walmart to increase its profits from 2012 to 2013 was its Non-recurring events. In 2012 alone, Walmart discontinued operations which caused them a loss in excess of \$67 million. To its surprise, there was not a loss in year ending January 31, 2013. According to the Management Discussion and Analysis, the present situation it is very much essential that industries need to compare themselves with the past years. Analysis of performance ensures the industry get an idea as where they are lagging behind and the short falls which has to be rectified.

Walmart has to make progress in improving their performances in the future in order to withstand in the market so that they can compete with the upcoming competitions in the future. Additionally, it has to mainly concentrate to increase the profit rather than increasing the volume of business, so they have to increase their sales and satisfy their customer to withstand in the market. In an attempt to analyze the financial position of the Walmart, it has been revealed that though the turnover of the company increased however the profitability of the company has not increased correspondingly.

Overall financial position of the company is satisfactory but however in the long run the company has to take measures to increase its working results in order to keep stay well above its competitors. Financial Statement Analysis: Solvency: Debt to Equity Ratio The company has improved its strength by increasing the working funds. The company should explore the possibility of reducing the operating expenses to increase its profit. Walmart should also take urgent steps to reduce the debtors so as to increase its working capital position.

The company should also take steps to reduce the current liabilities and the overall liabilities position. Profitability: It should take steps to increase its working capital base. The company should take steps to make use of the surplus funds in a profitable manner. Efforts must be put in increasing net profit. It is necessary to take steps in improving the growth rating. Competition - Perhaps Walmart's greatest competitor is target. However, Walmart continues to prove itself as the world's leading retailer. In comparison to Target, its market cap was at \$243.8 billion while target was

at \$40. 04 billion. Additionally, Walmart dominated Target in revenue as well. Walmart's revenue was \$473billion while Target earned just \$73. 48 billion which generated a net income of \$17. 09 billion for Walmart and \$2. 71 billion for Target. In conclusion, Walmart continues to be the leading retailer in the industry. It clearly out-distances its closest competitor, however, in order to remain that force, it needs to reduce its liabilities. It currently owes suppliers \$59 billion. This needs to be reduced significantly.

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