

# [The accounting system of coca-cola](https://assignbuster.com/the-accounting-system-of-coca-cola/)

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## Introduction

For an industry to succeed, extensive research is required to be able to bring the right service that the clients are expecting from the company. This extensive research must be something that will bring the performance of the company to a higher and wider level. It must create a huge impact not only to customers but also to the employees working for the company. Thus, a certain technology is needed to enhance performance and work efficiency of the whole industry. Just like in dealing with customer service, satisfaction is the main concern The accounting division plays a crucial part in the industry and the only way for employers to get to each of their performances is an improved technology in delivering to them proper knowledge management and create the need for them to rely on the system so the industry attains an increase in profit and production. This work also states the discussion and analysis on the company’s management of financial condition and the operation’s result. The purpose of this paper is to know the effects of knowledge management to the Coca Cola Company to their accounting system.

## Methodology

The methods used to identify and locate sources are online research, reviews and journals. These sources are reliable since the technology referred to this paper can be commonly learned from online sources. Knowledge management is also very important to the Coca Cola Company, the reason why several studies have already been done regarding this issue and thus reviews and journals were already available to publish their findings.

The procedures to be used in analyzing the sources is by data analysis derived from reports that are taken from the particular accounting department of the Coca Cola Company. The criteria in analyzing the data shall be very basic. If the data shows that considerable increase is gathered and reliable change was observed from the accounting database, then it is therefore safe to say that knowledge management has effective in improving the accounting system of the Coca Cola Company. However, if no significant change has been observed from the gathered data then it means that the technique has not been effective in the improvement process.

## Analysis and Discussion

The problem of this study revolves around the issue of the effects that knowledge management brings to the accounting system of the Coca Cola Company. In the later part of this paper, a discussion on the knowledge management helps us understand more of the issues it could bring if this technology will not be incorporated into the system of the company. This paper is important because it provides employers and business owners to widen their understanding when it comes to managing their employees. That it does not only mean the mere understanding of what they have to do for the company but it’s more about providing them with the proper technology and help them enhance skills and become more of an asset to the company than a liability.

The scope of the review limits to the explanations on knowledge management and its contribution to the Coca Cola Company. It discusses also about the internal and external analysis of the knowledge management as well as to their alternative strategies such as the application of intranet into their system. The intranet system is the use of latest technology into the company that employees are helped not only in honing their skills and be a productive employee of the company but also helped the company improve better communication among bottling partners and the company itself.

A brief background of the company is discussed to learn the importance that the knowledge management has helped them. The results of the review shall be applied in understanding more the advantages that the application of the technology in the knowledge management of the company and that should also benefit the accounting system of the company.

By the end of the research, one must be able to learn the advantages of knowledge management, about the Coca Cola Company and how its accounting system works once the technology for knowledge management is applied.

## About the Coca Cola Company

Since in 1894, the Coca Cola Company (2006) has been around for business selling a product called soda fountain beverage. It is one of the world’s top producers of soft drink, which they sell at an average of 1. 3 billion servings per day. It also has one of the world’s top systems in their universal distribution. One of the most admired firms for having credited as proficient on the production, distribution and marketing. The company has an impressive start; however, the development is only when a system for a bottling was created. The technology has boosted the business in enormous ways. The packaging had a positive result, improving the quality and the efficiency of the product. The company’s mission is to make a difference by creating value upon a standardized mechanism to bring out happiness and smile on every customer’s face. Its objective is to provide sustainability.

The Coca Cola was invented by pharmacists named Doctor John Pemberton in Alaska, Georgia. He developed the formula in a brass kettle while he was in his backyard. The name was given by his bookkeeper Frank Robinson. Its birth was initiated by Mr. Robinson when he scripted the logo that has now become famous today. Another pharmacist from Atlanta, Asa Candler then bought the formula from Dr. Pemberton. It was due to Candler’s aggressive marketing approach that the Coca Cola has become popular in America. One significant factor that has contributed to their success was advertisements and even until now the company has flourished due to the advent of technology being applied to their system (Bellis, 1997).

## What is Knowledge Management?

It is understood that every framework developed by the company began as a thought in the minds of the employees. It then formed into a patterned analysis of data which resulted to the production of ideas. Thus, the Coca Cola Company had flourished into a multinational corporation because of the tacit knowledge of the employees. The knowledge management of Coca Cola has a deep relationship with collaboration. It partake the nature of not just a system but a huge network where the people within the company can communicate with the company network based in a different country. This nature will help assess knowledge managers on how much information must the company need to further their endeavors of perfection and customer satisfaction. In executing their strategy, knowledge management is very useful because it serves as a pattern or guide where certain areas are marked as they deemed fit, or areas are being highlighted which they saw that needs for further improvement. It also serves as a strong pivotal point where company seeks assessment or gathers information to further expand the Coca Cola System (Hauschild, 2001). Some analysts states that instead of spending more time on technology, it is more essential to study more on knowledge content by learning on culture and organization of the company. However, according to expert knowledge managers, knowledge management is dependent on the advancement of information technology such as intranets, video conferencing, web casting and more (David, 2001).

Tacit knowledge among employees has helped the company create innovations in their products. All it takes is to exhaust ideas and knowledge within the workplace. However, in order that this knowledge may be properly organized and put into concepts, a good inter-personal relationship is essential that the tacit knowledge may be well put into conception. And the output of which would very much depend on the needs of the employees which means that the decisions are for them to make on what technology to use.

It takes a very aggressive approach for a company to prosper. Thus, it is very important to study things to the detail before decisions are made. For example, in putting up a commissary in a new area, an extra care and effort to research is very essential. Things that we need to know about the place are a crucial part in this approach. The market needs to be surveyed too by inquiring the 5 year plan of the government agency. In this way, the investment will be protected. The system at the Coca Cola Company has been honed for centuries and it’s been deeply rooted from community based level, making it a very good social issue. Their system has effectively served the wide and different arrays of tastes that have catered not only in the local business. The strategy applied by the company is based from value chains and force models. These tools have helped the company maximize and guide them in their efforts to resolved future business reverses. And it is definitely very effective as the world has undergone a recession; the Coca Cola Company has stood still and still braving its way towards success and perfection.

## Internal Analysis of Knowledge Management

According to knowledge management manager, it is strongly suggested to take credit on every reviews being put under the company . And this must not be taken for granted, but instead be recorded on the company database for future reference or as a guide to help develop a system to improve and at the same time would attend to the needs of the customers. Despite some legal criticisms regarding the product’s effect towards the growing obese population, it have continued to positively responded to the call for a healthier drink by encouraging and healthy well being and an active lifestyle (Business Week, 2007).

The company is quite sensitive to culture and reputation both of the supplier and customer because of their pursuit of bringing brighter and better innovation to the public consumer. They make it a point to address rumors and embrace feedbacks and criticisms in their interest to produce quality products. They also believe that feedbacks are created to meet the demands and needs of the customers (Data monitor, 2007). Another area which the company failed to address is the need to put importance on reports written as business reviews. If they continue not to take credit on the assessment of the general public, its failure will cause great harm to its distribution and marketing.

Although this multinational corporation has been successful for centuries and the structures and processes they’ve developed have been tested over time, they still flawed in one thing and that is on the issue on decentralization. Due to this factor, the company has encountered trouble on the matter of internal management. As a result, conditions at a local level will not be thoroughly adapted. It will definitely affect the strong relationship between the company and the customers. Thus, impedes the development of a further secured market in the local scenery (McKay, 1999).

## The Accounting System of the Coca Cola Company

There are three types of bottling relationships at Coca Cola: bottlers that the company has no ownership interest; bottlers that the company has a controlling ownership interest; bottlers that the company has non-controlling ownership interest. Bottling partners are authorized to manufacture and package products, however, being able to manufacture primarily is advantageous in the company’s part in acquiring controlling interest in a bottling operation. Being able to own the controlling interest will help the company compensate for the local resources and focus on the bottler’s sale and marketing programs. By owning the controlling interest, the company helps in the improvement of their information system. This is when the accounting system and the need for such technology arise. The intranet system as part of the knowledge management guides very well the information system needed for accounting (The Coca Cola Company, 2006).

This intranet strategy will help improve the relationship of the bottlers because of the network created between them. Knowledge management will provide them with facts and points on how greatly serve customer satisfaction. The bottlers are they key source from which knowledge management can acquire data since the bottlers know the community very much and they are considered as the basic unit of the whole Coca Cola System (1999). They believe in winning together because this is the only way to achieve their goals and missions and whose relationship is aiming for a long term destination. This strategy will help them endure a long lasting relationship aiming for a common goal and standards of perfection. Lastly, the future of Coca Cola’s success lies on improving their information technology. As a newly appointed knowledge management it is strongly suggested that the need for an “ intranet” system within the company must be implemented. This will help make a difference in reaching to the needs of the most basic customer level which is the core and foundation of the company. Failure to exhaust and address to this area would bring the whole company to jeopardy (Schmidt, 2001).

The consolidated financial statement of the company shows the importance of applying the technology to the accounting system. These financial statements are equipped with principles of accounting which are generally accepted in the United States, requiring estimates, judgments and assumptions. The generally accepted accounting principles in the United States gives the option to entities to measure using their own financial instruments at fair value in determining net income. Since the company has chosen not to make use of the option, only assets and liabilities are measured at fair value if other accounting guidance requires too (The Coca Cola Company, 2006).

According to the similar annual report of the Coca Cola Company (2006), the company makes assumptions and judgments in how much fair value to declare. In this case, the intranet system can be very much helpful since it will bridge or channel bottling partners with the management as well as the bottling partners to the employees making the assessment. The intranet system as part of the knowledge management is a tool guiding employees in making the right assumptions and judgments. Without the proper knowledge or compliance of certain accounting principles, the financial statement of the company might not possibly be accepted as fair.

It has been said that conclusions and recommendations submitted to policy makers hold significant changes to the community. It can then provide them with the hint of what the community really needs and their interest is always their utmost concern. Same with huge companies that requires great responsibility in providing good services to their clients. Research is an important task in improving financial assets and product performances. Furthermore, to know how the employees work and think as a team is also very important and this is when knowledge management comes into the scene.

## Financial Condition Analysis

According to Jain (2004), a business expert, in 1995 the Coca-Cola Enterprises experienced their first annual profit since 1991. Their profit was 3. 03€ million compared to a loss of 12. 11€ million in 1994. Their three years of losses totaled over 151. 37€ million with their largest in 1993 at 105. 2€ million.

Coca-Cola’s sales volume increased for the second consecutive year with an 8% increase over 1994 totaling 176. 19€ million. Their stock price nearly doubled over the previous year with a closing market price of 3. 25€ in 1994 and a closing market price of 6. 43€ in 1995. The earnings

per share for 1995 were 0. 01 per common share compared to a net loss of 0. 36€ in 1994. The earnings per share had a net loss since 1991.

Throughout 1995 Coca-Cola also embarked upon and continued various programs to cut costs and increase revenues. The company succeeded, by decreasing their operating expenses by 4% in 1995. Operating income was double 1994’s at 45. 64€ million and a 6. 81€ million decrease was achieved in Selling, General and Administrative expenses.

Importantly, Coca-Cola was able to decrease their long term debt by 13. 62€ million throughout 1995. They still have high interest payments but will continue to pay off their debt in the future. Their debt-to-assets ratio shows they are increasing relying on borrowed funds to finance

their investments. Their debt-to-equity ratio reveals that they have a high debt balance in their capital structure.

The company’s liquidity is in a stable position. Their current ratio is currently approximately 1. 0 which is the recommended rate. Their quick ratio is approximately 0. 6 Coca-Cola is a good position to meet their short term obligations.

## Conclusions and Recommendations

Through 1995, the company developed a multi-year initiative, Project MAX, that pursues superior customer responsiveness, quality and efficiency altogether. The company is focused on flexibility, reliability, quality and costs. Its task is to increase the responsiveness of the customers’ needs, while producing the highest quality products at the lowest cost.

Through the advance Electronic Data Interchange (EDI) technologies which are implemented into the company’s information system, the employees can easily access to the operational information, such as consumer information, sales, and promotions. This enhances the employees’ knowledge and increases their responsiveness to the customers.

The company’s Billing and Accounts Receivable quality initiative enhances the quality of their invoicing and collection process which will in turn improve customer satisfaction and reducing operating expenses (Jain, 2004).