

Executive summary on starbucks



**ASSIGN
BUSTER**

For the second week within accounting, Team B was assigned to choose an organization, and to research the annual financial reports from the last two-three fiscal years. As a Team, we have chosen to discuss and analyze the vast coffee franchise called Starbuck's. While using Starbucks' balance sheet, income statements, and cash flow chart, this will help us to determine how well Starbuck's is doing with their consumers, and throughout the globe. So now let us start off with explaining a brief history for this successful company, along with all the data and records we were able to retrieve.

A small coffee shop was opened in 1971 by three men, Zev Siegl, Gordon Bowker, and Jerry Baldwin in Seattle's Pike Place Market; they named the shop Starbucks Coffee, Tea, and Spices. The retail company was successful in the sale of tea, spices, ground coffee, and roasted whole bean coffee. However, in 1980 Siegl sold his part of the business. In 1982, Baldwin hired Howard Schultz, a salesperson of plastic, into the Starbucks venture.

After experiencing popular espresso bars in Milan while on a business trip Schultz discovers the potential for Seattle. Finally, Schultz shares his discovery of lattes and mochas with Seattle and the city instantly become fans of coffee (Gourmet Coffee Zone. com, 2008). Currently, Starbucks is enjoyed by millions of customers daily in over 50 countries and have facilities in more than 16, 000 locations. Interestingly, the Starbucks name birth from the classic American novel, Moby Dick, written by the author Herman Melville. After the mid 80's Starbucks continued to be a success to coffee drinking through-out the United States and eventually, the world.

Following is the history of Starbucks road to success (Starbucks Corporation, 2010). • 1987 – Starbucks opens stores in Vancouver and Chicago. • 1988 – Full-time and part-time employees are offered full health benefits • 1992 – Starbucks' common stock is being traded under the trading symbol “ SBUX” on the NASDAQ. • 1996 – Begins selling bottled coffee drink through Pepsi-Cola. ? Japan store opens as the first store outside of North America 1997 – The Starbucks Foundations is established to benefit the local community.

- 1999 – Promotes to grow coffee in an environmentally safe way by partnering with Conservation International.
- 2002 – Becomes licensed to sell coffee as Fair Trade Certified in other countries.
- 2009 – Starbucks is the world's largest buyer of Fair Trade Certified coffee (Starbucks Corporation, 2010). The Starbucks mission is “ to inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time” (Starbucks Corporation, 2010). Starbucks has an Audit and Compliance Committee (the “ Committee”) to oversee internal audits, external audits, and accounting and financial reporting activities performed by Starbucks Corporation.

The Committee is responsible for monitoring the company by reviewing Starbucks financial information that is provided to internal and external users. However, the Committee ensures that integrity is practiced on the board of directors. Furthermore, if needed, independent auditors are not restricted but accountable to the Committee. Ultimately, the Committee carries the responsibility to provide advice and guidance to board of directors to avoid oversight (Starbucks Corporation, 2010).

In 1992, Starbucks first day of trading began at \$17 per share and closed at \$21.50 per share. Starbucks Corporation is listed under the ticker symbol “SBUX” on the NASDAQ (Starbucks Corporation, 2010). As of September 28, 2008, Starbucks Corporation’s cash and cash equivalent was \$269.

8 million for the end of the annual reporting period for 2008. At the end of the fiscal year of 2009, Starbucks reported a cash and cash equivalent of \$599.8 million on September 27, 2009 (Starbucks Corporation, 2010). In the Consolidated Statement of Earnings Report, the financial data included the specific fiscal years 2009, 2008 and 2007, and the net revenues, other operating expenses, interest income, interest expense, net income, and so forth. In another section, the data includes basic and diluted earnings per common share, basic and diluted weighted average number of common share outstanding.

In the Balance Sheet section, the data includes working capital, total current assets, total current liabilities, long-debt and, shareholder’s equity, and cash dividends per common share, retained earnings. There is reference in the footnotes section that refer to further clarification on how the specified fiscal years as being restated and conforming to the adjustments, and referencing the goodwill and other intangible principles. The Cash Flows section data includes operating activities; net earnings such as, investment and financing activities, cash and cash equivalents and supplemental disclosure of cash flows. Finally the last statement represented was the Consolidated Statements Shareholder’s Equity. It presented the last three preceding 3 years’ common stock balance, net earnings, comprehensive income, and sale of stock and repurchase of common stock.

Current Assets on a balance sheet are presented in order that allows them to be converted into cash easily, e. g. (cash, cash and cash equivalents, short-term investments, accounts receivable, inventories and property). Starbucks' total current assets at the end of 2008 and 2009 reporting periods were 1, 748. 0 and 2, 035.

8 million. The two largest current assets reported by Starbucks in 2008 and 2009 were their inventory, which represented in millions totaled \$692. 8 in 2008 and \$664. 9 in 2009.

Further, their total assets were reported as \$5, 672. 6 in 2008 and \$5, 576. 8 in 2009. Starbucks reported that their accounts payable had decreased from \$324.

9 in 2008 to \$267. 1 in 2009. Moving on, looking into Starbuck's recent liabilities and the current net revenues shall be the next focal points for our executive summary. For Starbucks and the year 2008, this coffee franchise had a total current liability that equal to \$2, 189. million, then for 2009 Starbuck's had a total liability of \$1581.

0 million. The two largest current liabilities at the end of 2008 includes: notes payable/short term debts and accrued expenses throughout Starbuck's business cycle for 2008. For 2009, the two largest liability sections involved accrued expenses, along with other current liabilities that were not listed in details. For Starbucks, their grand total liabilities at the end of 2008s most recent annual reporting periods were \$3181. 7 million.

Finally, at the end of 2009, the grand total for liabilities came out to \$2531. million. Now let us focus on Starbuck's net revenue for the last three annual reporting periods. Within the year 2007, Starbucks had the total net revenue of \$9411.

5 million, for 2008 the revenue was at \$10, 383. 0 million, than finally for 2009 their current revenue consisted of \$9, 774. 6 million. Going forward towards the net income, in 2007 Starbuck's reported having \$672. 64 million, for 2008 their income was at \$315. 5 million, than finally in 2009 Starbuck's jumped up in numbers with a total of \$390.

8 million in current net income. The change in dollar amount from Starbuck's net income in 2008 to 2009 was an increase of \$75. 3 million. With all this information and data collected and analyzed, it is interesting for us as a Team to visualize just how complex and accurate accounting has to be, especially for such a large corporation! All financial information must be taken into account, and leaving out any details, no matter how small they may be, is likely to change the current information which leads to confusion and inaccurate reporting.