Coca cola auditing project

Business, Company

AIM 6334 Auditing and Assurance Service Research Project [pic] Li-chung Lee Kung Ya Cheng Jui-Ping Lin Table of Contents I. Introduction: The Coca-Cola Company (Symbol: KO) was incorporated in September 1919 under the laws of the State of Delaware and succeeded to the business of a Georgia corporation with the same name that had been organized in 1892.

The Company is the manufacturer, distributor and marketer of nonalcoholic beverage concentrates and syrups in the world. Finished beverage products bearing its trademarks, sold in the United States since 1886, are now sold in more than 200 countries. Along with Coca-Cola, the Company markets nonalcoholic sparkling brands, including Diet Coke, Fanta and Sprite. It manufacture beverage concentrates and syrups, which the Company sells to bottling and canning operations, fountain wholesalers and some fountain retailers, as well as finished beverages, which the Company sells to distributors.

The Company owns or licenses more than 450 brands, including diet and light beverages, waters, enhanced waters, juices and juice drinks, teas, coffees, and energy and sports drinks. The Company is one of numerous competitors in the commercial beverages market. Of the approximately 53 billion beverage servings of all types consumed worldwide every day, beverages bearing trademarks owned by or licensed to the Company account for approximately 1. 5 billion. [1]The reason we chose this company is because it has enormous market share in countries around the world.

In order to expand its market share, The Coca-Cola Company cooperated with the majorfast foodchain company. Today, The Coca-Cola Company become a well known andglobalizationcompany. We want to know how it can be sustainability and venerability company in the world. From its reports, we also found out it has tremendous benefit from its advertising. In this paper, we concern that how the auditors build a good audit plan in such large company and such complex business. II. Ch1: Understanding of the client There are five major reasons that we consider to accept The Coca Cola Company to be out client. 2] Management Integrity Based upon assertions of management ranging from the existence of an element in the financial statements to disclosures of information regarding that element, we examines The Coca Cola Company financial statements that are no responsible practitioner would knowingly place reliance on assertions of a client's management which had questionable integrity. Relationships with Other Professionals We will follow the GAAS requirement to communicate with the predecessor auditor prior to committing to provide audit services to The Coca Cola Company.

Matters of interest include the opinions issued by the predecessor auditor, resignation of the prior auditor or the refusal to stand for reelection, disagreements between the prior auditor and management regarding accounting principles or auditing procedures and any " opinion shopping" issues. Inquiry of other professionals having dealings with the client should, however, not be limited to the predecessor auditors. Furthermore, we will ask bankers, lawyers, and other professionals can provide important valuable information about The Coca Cola Company and its management.

Risk of Association The Coca Cola Company engaged in legitimate business activities that do not violate the laws of the jurisdiction where the company is headquartered or carries on its business. After reviewing itsfinancial statement, we believed that its financial is stability and liquidity. Technical

Competence The auditors who will perform the auditing are well trained due to the complexities of the modern business world. And also, the auditors have the necessary technical competence to perform the required work or risk potential liability or damage to reputation.

Professional Fees Audit fees charged to The Coca Cola Company will base on commensurate with the risks to the providing the services requested. The fees will cover adequately the cost of the services provided. III. Ch2: Obtaining an understanding of the entity and its environment In the 21st century, the beverage industry has been become one of the fastest developing industries and the competition in this industry become significantly. Even in this market share campaign, The Coca Cola Company still remains its leader position in the beverage industry.

The Coca-Cola Company and six of their largest bottling partners developed a strategy for sustainability in 2002. That plan focuses on the role and impact of the Coca-Cola system in four key areas: workplace, marketplace, environment and community. Furthermore, The Coca-Cola Company uses this strategy to guide the approach to sustainability issues and to report the progress. [3] In last year, when lots of companies in the industry are going down, The Coca-Cola Company still delivering consistent performance.

For its internal control, the company follows the independent and experience requirement of NYSE and SEC for many years. And the audit committee has been composed entirely of non-management directors. [4] IV. Ch3: Preliminary Engagement Activities Every member in our audit team is well trained and performs follow by the conduct of AICPA and SEC. Regarding to the ethical and independence matter, we has three major requirements. 1. Our auditor have to sign the contract to make sure that he/she will not take a position in the The Coca-Cola Company in two years 2.

We will not hire the auditor who uses to work in The Coca-Cola Company. 3. We required the auditor to report to the partner who has special relationship with the The Coca-Cola Company. V. Ch4: Risk and Establish Materiality The Coca-Cola Company is a globalization company; it faces various issues. For example, Obesityconcerns, water scarcity and poor quality, increased competition, and evolving consumer preferences are risks having the potential to have a material adverse effect on our client.

To be an auditor, we assess client's RMM (risk of material misstatement) with understanding the client entity and industry. After audit risk is set, we go further to assesses inherent and control (environment) risks. In addition, assessing client's inherent and control risks which can influence the level of detection risk directly. Base on the case, we make an assumption in order to maintain the audit risk. The following table shows numerical and non-numerical example of audit risk. Audit Risk | RMM | DR | | | IR | CR | | | 5% | 50% | 20% | 50% | | low | moderate | low | moderate | " Audit risk on most engagements is much lower than 5%. [5]According to conservative assumptions that we decide inherent risk is assessed at moderate (50%). The Coca-Cola Company is a multinational company, so there are not only lots of accounts receivable which come from different branches in the world, but also lots of inventories which were made or stored in different factories and warehouses in the world. As the reasons above, The Coca-Cola Company may face some risks, such as is there reason to believe that receivables include significant balances in foreign currencies?

Is there reason to believe that the existence of the accounts receivables which generate from different oversea branch companies or subsidiaries? Are there significant foreign currency inventories balance? Are manufactured inventories transferred between locations, divisions, or subsidiaries within a consolidated entity? Are there material-inventories owned by the client but held by others (e. g. , on consignment with customers)? Therefore, we should assess the inherent risk in moderate level.

On the basis of our experience, after we read the predecessor auditor's report and our client's past annual report. We presumed that our client has well internal control so that we can assess the control risk in low level. Overall, in order to keep the audit risk in low level, we decided our detection risk in moderate level. Besides, in our client's industry there are some companies that try to inflate their revenue and assets so in our audit we will focus on operating cycle.

In other words, we will put emphasis on auditing accounts receivable and inventory to make sure there are no major accounting schemes or fraud that will mislead the presentation of financial statements. Materiality " Materiality includes both the nature of the misstatement, as well as the dollar amount of misstatement, and must be judged in importance by financial statement users. "[6] In our engagement, we will use the nature and dollar amount to decide what materially is for our client as the follow chart. Account |

Accounts receivable | Inventory | | Materiality | | | | Nature | 1. Recognize revenue in wrong period | 1. Easy to thief | | | 2. The existence of the A/R | 2.

Hard to count the ending balance | | | 3. Risk of foreign currency exchange | | | Dollar amount | In our firm's policy, in manufacture industry we adopt the 10% of net income after| The same as left column. | | | tax to decide the materiality. For example, the net income 2007 multiply 10% | | | |$5, 981M*10%= 600M | |

VI. Ch5: Consider Internal Control 1. Define Internal Control: According to the COSO's definition of internal control, " a process, effected by an entity's board of directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) reliability of financial reporting, (2) compliance with applicable laws and regulations, and (3) effectiveness and efficiency of operations. "[7] 2. Identify some controls that would be relevant to the audit. Account | Accounts receivable | Inventory | | Control | | | | Authority | Inquire about credit procedure for new customers (Valuation) | When shipping the Inventory to vendor or supplier, the | | | From a population of approved sales orders (and returns), select a| warehouseman should get the proper authority shipping | | | sample and examine documents for evidence of credit check | document. | |(Valuation) | | | Custody | Prepare daily cash summary (copy to A/R and Accounting) | Observe physical controls over inventory. | | | Segregation of duty: Mailroom & cashier | Segregation of duty: Warehouse & Shipping | | Recording keeping | Trace a sample of shipping documents (selection from pre-numbered | The perpetual records should reconcile to the general | | | shipping documents) to sales invoice, sales journal, and A/R | ledger. | | master file (Completeness) | The reconciliation of Inventory and the Lower or market| | | Match remittance advices and check deposit summary | price valuation should be review by proper accounting | | | | manager or management. | 3. Discuss the components of Internal Control: | Control environment | After we understand the internal control procedure and policy, we ensure that our client has ideal control| | | procedure, high ethical standard, and monitoring processes. | | Risk assessment | Risk exist in the oversea marketplace (in failures to merge China companies) | | | In failures to accurately record and report financial information. | Control activities | Authority | | | Custody | | | Segregation of duty | | | Recording keeping | | Information andCommunication| Our client has good information and communication function including initiating, authorizing, recording, | | | processing, and reporting entity transactions, conditions, and events. | Monitoring | Our client use computer accounting software and system to assess the quality of other transaction and | | | operational controls over time. It includes the periodic assessment of both the design and operation of | | | controls on a timely basis. | 4. The elements involved in obtaining an understanding of Internal Control We should obtain an understanding of the five components of internal control sufficient to: A. Evaluating the design of relevant controls and determining whether they have been implemented. B. Assess the risk of material misstatement. C. Design the nature, extent, and timing of further audit procedures. 5. Access Control Risk We should assess the inherent risk in moderate level.

On the basis of our experience, after we read the predecessor auditor's report and our client's internal control procedures. We can presume that our client has well internal control so we can assess the control risk in low level. 6. Managements Responsibilities and the auditors' responsibilities under Section 404. | | Managements | The auditors | | Laws or standards | Sarbanes-Oxley Act of 2002 (for publicly traded | Second standard of fieldwork | | | companies) | 2. PCAOB Auditing Standard No. (AS 5) | | Responsibilities | In addition to certifying the company's financial | Auditors must provide their opinion on the effectiveness of | | | statements (Section 302), management must also report on | client's internal control. | | | the company's internal control over financial reporting | | | |(Section 404). | | (Chris Linsteadt, 2008 Audit Class Slides ch6) VII. Ch6: Plan the Audit 1. Assess the need for specialists In our case, we should hire some computer audit experts who can help our firm to make sure that our client's accounting system is sate and correct. 2. Assess the possibility of illegal acts. Risk | The possibility of illegal acts | | Is there reason to believe that the existence of the accounts | There were some fake transactions which were made by management or employees. | | receivables which generate from different oversea branch companies or | If the sales don't get proper credit authority, there will be huge bad debt | | subsidiaries? | expense in the future | | Are there material-inventories owned by the client but held by others | The management may try to inflate the sales in the end of year so he may try to| |(e. g. , on consignment with customers)? | recognize consignment as sales revenue. | | The management may use consignment to control the company's ending inventory or| | | COGS. | | Are manufactured inventories transferred between locations, divisions,| The management may use complicated related party transaction to generate fake | | or subsidiaries within a consolidated entity? | sales or ending inventory. | | | The employees may have chance to steal the coke formula or inventories. | 3. Identify related parties After we discussed with the management and checked the related party transactions, there is no material related party transaction in this engagement. 4.

Conduct preliminary analytical procedures. | Accounts Receivable | Inventory | | Compare with industry rate to make sure our client's A/R turnover rate and | Compare with industry rate to make sure our client's inventory turnover | | days are reasonable. | rate and days are reasonable. | | Compare our client's allowance for doubtful account policy with competitors'| Make sure the change in our client's inventories is reasonable without | | policy to make sure the bad debt expenses are reasonable estimated. | material misstatement. | Make sure the change in our client's A/R is reasonable without material | | | misstatement. | | 5. Consider additional value added services. After we obtain and understand our client's internal control, we should detect our client's internal control. We can prepare a feedback report to our client and help our client to improve their internal control or accounting system. Besides, when our client's face some problems about new accounting standards, we could help our clients to train their accountants 6. Audit Plan and Audit program. Receivables | | Name of Client: | | Period: | | | | Estimated audit hours: | | Audit procedures | | Sign and date by | | Working paper Ref. | | | | auditors | | | | 01. TEST PROPRIETY OF

REVENUE RECOGNITION POLICIES AND PROCEDURES - Receivables [Validity, | | | | | | Cutoff] | | | | | | 02.

CONFIRM RECEIVABLES [Validity, Completeness, Recording, and Cutoff] [Q04 - No] | | | | | | 03. TEST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND BAD DEBT EXPENSE [Valuation] | | | | | | 04. TEST PRESENTATION OF RECEIVABLES [Presentation] | | | | | | 05. TEST LATE CUTOFF OF SALES [Cutoff] [Q01A - Sales Invoices] | | | | | | 06. TEST LATE CUTOFF OF SALES [Cutoff] [Q01A - Initial Records] | | | | | | 07.

ROLL-FORWARD TEST FOR RECEIVABLES TESTED PRIOR TO YEAR END [Validity, Completeness, | | | | | | Recording, Cutoff] | | | | | | 08. TEST RECEIVABLES TO SUBSEQUENT CASH RECEIPTS [Validity, Completeness, Recording, Cutoff] | | | | | | 09. TEST ALLOWANCES FOR SALES RETURNS AND DISCOUNTS [Valuation] | | | | | | 10. TEST PRESENTATION OF RELATED-PARTY RECEIVABLES [Presentation] | | | | | | 11.

TEST VALUATION OF FOREIGN CURRENCY RECEIVABLES [Valuation] | | | | | | Reviewer : | | Sign: | | Date | 6. Audit Plan and Audit program. | Inventory | | Name of Client: | | Period: | | | | Estimated audit hours: | | Audit procedures | | Sign and date by | | Working paper Ref. | | | auditors | | | | 01. OBSERVE AND TEST-COUNT INVENTORIES [Validity, Completeness, Recording, Cutoff, Valuation]| | | | | | 02. TEST THE FINAL INVENTORY COMPILATION [Validity, Completeness, Recording, and Cutoff] | | | | | | 03. TEST MARKET VALUATION RESERVES [Valuation] | | | | | | 04. TEST PRESENTATION OF INVENTORY [Presentation] | | | | | | 05.

TEST LATE CUTOFF OF INVENTORY PURCHASES [Cutoff] [Q05A - Recorded Purchases] | | | | | | 06. TEST EARLY CUTOFF OF DEBIT NOTES [Cutoff] | | | | | | 07. TEST BOOK TO PHYSICAL ADJUSTMENTS [Validity, Completeness, Recording] | | | | | | 08. ROLL-FORWARD TEST FOR INVENTORIES PRICE TESTED PRIOR TO YEAR END [Validity, Completeness, | | | | | | Recording, Cutoff] | | | | | | 09.

TEST ELIMINATION OF INTERCOMPANY PROFIT [Valuation] | | | | | | 10. TEST BALANCES DENOMINATED IN FOREIGN CURRENCIES [Valuation] | | | | | | 11. TEST PRESENTATION OF RELATED-PARTY BALANCES [Presentation] | | | | | | Reviewer : | | Sign: | | Date | VIII. Ch7: Complete the Audit The auditor's responsibilities during the completion stage of the audit: " Before issuing the audit report, the auditor needs to: 1.

Perform a final review of the audit to be sure the financial statements are fairly presented and the audit documentation supports the audit report 2. Assess the ability of the client to continue as a going concern, and 3. Make a final review of the auditor's assessment of internal control based on evidence gathered and any material misstatements identified in the financial statement audit. In addition, we should get the management representation letter and letter of audit inquiry to make sure there are no material contingent liabilities and events subsequent to the financial statements and keep communicating with the audit committee. The follow data are made by assumption: Contingent Liabilities | Subsequent events | | Our client may lose the litigation about merger in oversea. It will cause a | Note disclosure: | | huge loss for our client. | On January 8, 2009, our Company sold substantially all of our interest in | | | Vonpar Refrescos S. A. (" Vonpar"), a bottler headquartered in Brazil. Total| | | proceeds from the sale were approximately $238 million, and we recognized | | | a gain on this sale of approximately $71 million.

Prior to this sale, our | | | Company owned approximately 49 percent of Vonpar's outstanding common | | | stock and accounted for the investment using the equity method | | Our client is a multinational company so it may have the threat of | | | expropriation of assets in a foreign country. | | | Our client may get loss in the highly competitive nonalcoholic beverages | | | industry.

If our client signs purchase and sale commitments with its | | | supplier, it may get a huge loss in the future. | | | | Other important investments which will change our client’s accounting | | | principle similar as above. | IX. Ch8: Evaluate results and issue an audit report Independent Auditor’s Report The Board of Directors and Stockholders The Coca-Cola Company:

We have audited the consolidated balance sheets of the Coca-Cola Company and subsidiaries (the “ Company”) as of December 31, 2007 and 2008, and the related consolidated statement of income, stockholders’ equity and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are theresponsibilityof the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements bases on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the consolidated financial statements refereed to above present fairly, in all material respects, the financial position of the Coca-Cola Company and subsidiaries as of December 31, 2007 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company’s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission(COSO), and our report dated March 14, 2009 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting. Lee &Cheng &Lin LLP Dallas, U. S. A. March 14, 2009

X. References • “ The company description,” Market watch < http://www. marketwatch. om/tools/quotes/profile. asp? symb= ko> • Deppe, Larry A. , “ Client acceptance: what to look for and why. (Tips for accountants on deciding which new clients to accept) (Cover Story)”, The CPA Journal , May

1992, • “ Strategic vision”, The Coca Cola Company website • “ 2008The proxy statement”, The Coca Cola Company website, • Chris, Linsteadt, “ 2008 Audit Class Slides” • Rittenberg, Schwieger, Johnstone. Auditing, A Business Risk Approach. Thomson&South-Western Publishing. 6th, 2008 • “ SEC filing” The Coca Cola Company website Retrieved from the World Wide Web: XI. Attachment (Financial Statements) Consolidated Balance Sheet COCA COLA CO | | | | | | 10-K | | | | | | 02/28/2008 | | | | | |? | | | | | | Balance Sheet | | | | | | December 31, | 2007. 00 | 2006. 0 | |(In millions except par value) |? | |? | | | ASSETS |? |? |? |? | | CURRENT ASSETS |? |? |? |? | | Cash and cash equivalents |$4, 093 |$2, 440 | | Marketable securities |? | 215 |? | 150 | | Trade accounts receivable, less allowances |? | 3, 317 |? 2, 587 | | of $56 and $63, respectively | | | | | | Inventories |? | 2, 220 |? | 1, 641 | | Prepaid expenses and other assets |? | 2, 260 |? | 1, 623 | | TOTAL CURRENT ASSETS |? | 12, 105 |? | 8, 441 | | INVESTMENTS |? |? |? |? | | Equity method investments: |? |? |? |? | | Coca-Cola Enterprises Inc. |? | 1, 637 |? 1, 312 | | Coca-Cola Hellenic Bottling Company S. A. |? | 1, 549 |? | 1, 251 | | Coca-Cola FEMSA, S. A. B. de C. V. |? | 996 |? | 835 | | Coca-Cola Amatil Limited |? | 806 |? | 817 | | Other, principally bottling companies |? | 2, 301 |? | 2, 095 | | and joint ventures | | | | | | Cost method investments, principally |? | 488 |? 473 | | bottling companies | | | | | | TOTAL INVESTMENTS |? | 7, 777 |? | 6, 783 | | OTHER ASSETS |? | 2, 675 |? | 2, 701 | | PROPERTY, PLANT AND EQUIPMENT net |? | 8, 493 |? | 6, 903 | | TRADEMARKS WITH INDEFINITE LIVES |? | 5, 153 |? | 2, 045 | | GOODWILL |? | 4, 256 |? | 1, 403 | | OTHER INTANGIBLE ASSETS |? | 2, 810 |? 1, 687 | | TOTAL ASSETS |$43, 269 |$29, 963 | | LIABILITIES AND SHAREOWNERS EQUITY |? |? |? |? | | CURRENT LIABILITIES |? |? |? |? | |

Accounts payable and accrued expenses |$6, 915 |$5, 055 | | Loans and notes payable |? | 5, 919 |? | 3, 235 | | Current maturities of long-term debt |? | 133 |? | 33 | | Accrued income taxes |? | 258 |? 567 | | TOTAL CURRENT LIABILITIES |? | 13, 225 |? | 8, 890 | | LONG-TERM DEBT |? | 3, 277 |? | 1, 314 | | OTHER LIABILITIES |? | 3, 133 |? | 2, 231 | | DEFERRED INCOME TAXES |? | 1, 890 |? | 608 | | SHAREOWNERS EQUITY |? |? |? |? | | Common stock, $0. 25 par value; Authorized 5, 600 |? | 880 |? | 878 | | shares; | | | | | Issued 3, 519 and 3, 511 shares, respectively | | | | | | Capital surplus |? | 7, 378 |? | 5, 983 | | Reinvested earnings |? | 36, 235 |? | 33, 468 | | Accumulated other comprehensive income |? | 626 |? |(1, 291) | |(loss) | | | | | | Treasury stock, at cost 1, 201 and 1, 193 |? |####### |? ####### | | shares, respectively | | | | | | TOTAL SHAREOWNERS EQUITY |? | 21, 744 |? | 16, 920 | | TOTAL LIABILITIES AND SHAREOWNERS EQUITY |$43, 269 |$29, 963 | Consolidated Income Statement | COCA COLA CO | | | | | | 10-K | | | | | | 02/28/2008 | | | | | |? | | | | | Income Statement | | | | | | Year Ended December 31, | 2007. 00 | 2006. 00 | |(In millions except per share data) |? | |? | | | NET OPERATING REVENUES |$28, 857 |$24, 088 | | Cost of goods sold |? | 10, 406 |? 8, 164 | | GROSS PROFIT |? | 18, 451 |? | 15, 924 | | Selling, general and administrative expenses |? | 10, 945 |? | 9, 431 | | Other operating charges |? | 254 |? | 185 | | OPERATING INCOME |? | 7, 252 |? | 6, 308 | | Interest income |? | 236 |? | 193 | | Interest expense |? | 456 |? 220 | | Equity income net |? | 668 |? | 102 | | Other income (loss) net |? | 173 |? | 195 | | Gains on issuances of stock by equity method |? |? |? |? | | investees | | | | | | INCOME BEFORE INCOME TAXES |? | 7, 873 |? | 6, 578 | | Income taxes |? | 1, 892 |? 1, 498 | | NET INCOME |$5, 981 |$5, 080 | | BASIC NET INCOME PER SHARE |$2. 59 |$2. 16 | | DILUTED

NET INCOME PER SHARE |$2. 57 |$2. 16 | | AVERAGE SHARES OUTSTANDING |? | 2, 313 |? | 2, 348 | | Effect of dilutive securities |? | 18 |? | 2 | | AVERAGE SHARES OUTSTANDING ASSUMING DILUTION |? | 2, 331 |? | 2, 350 | Consolidated Statements of Cash Flows COCA COLA CO | | | | | | 10-K | | | | | | 02/28/2008 | | | | | |? | | | | | | Cash Flows | | | | | |? | | | | | |? | | | | | |? | | | | | |? |? |? |? |? | Year Ended December 31, | 2007. 00 | 2006. 00 | |(In millions) |? | |? | | |? | | | | | | OPERATING ACTIVITIES |? |? |? |? | | Net income |$5, 981 |$5, 080 | | Depreciation and amortization |? | 1, 163 |? 938 | | Stock-based compensation expense |? | 313 |? | 324 | | Deferred income taxes |? | 109 |? |(35) | | Equity income or loss, net of dividends |? |(452) |? | 124 | | Foreign currency adjustments |? | 9 |? | 52 | | Gains on issuances of stock by equity investees |? |? |? |? | | Gains on sales of assets, including bottling |? |(244) |? (303) | | interests | | | | | | Other operating charges |? | 166 |? | 159 | | Other items |? | 99 |? | 233 | | Net change in operating assets and liabilities |? | 6 |? |(615) | | Net cash provided by operating activities |? | 7, 150 |? | 5, 957 | | INVESTING ACTIVITIES |? ? |? |? | | Acquisitions and investments, principally |? |(5, 653) |? |(901) | | beverage and bottling companies | | | | | | Purchases of other investments |? |(99) |? |(82) | | Proceeds from disposals of other investments |? | 448 |? | 640 | | Purchases of property, plant and equipment |? |(1, 648) |? (1, 407) | | Proceeds from disposals of property, plant |? | 239 |? | 112 | | and equipment | | | | | | Other investing activities |? |(6) |? |(62) | | Net cash used in investing activities |? |(6, 719) |? |(1, 700) | | FINANCING ACTIVITIES |? |? |? |? | | Issuances of debt |? 9, 979 |? | 617 | | Payments of debt |? |(5, 638) |? |(2, 021) | | Issuances of stock |? | 1, 619 |? | 148 | | Purchases of stock for treasury |? |(1, 838) |? |(2, 416) | | Dividends |? |(3,

149) |? |(2, 911) | | Net cash provided by (used in) financing |? | 973 |? (6, 583) | | activities | | | | | | EFFECT OF EXCHANGE RATE CHANGES ON CASH |? | 249 |? | 65 | | AND CASH EQUIVALENTS | | | | | | CASH AND CASH EQUIVALENTS |? |? |? |? | | Net increase (decrease) during the year |? | 1, 653 |? |(2, 261) | | Balance at beginning of year |? | 2, 440 |? 4, 701 | | Balance at end of year |$4, 093 |$2, 440 | | | | | Consolidated Statements of Shareowners' Equity | COCA COLA CO | | | | | | 10-K | | | | | | 02/28/2008 | | | | | |? | | | | | CONSOLIDATED STATEMENTS OF SHAREOWNERS#146; EQUITY | | | | | | Year Ended December 31, | 2007. 00 | 2006. 00 | |(In millions except per share data) |? | |? | | |? | | | | | | NUMBER OF COMMON SHARES OUTSTANDING |? |? |? |? | | Balance at beginning of year |? | 2, 318 |? | 2, 369 | | Stock issued to employees exercising stock |? | 8 |? 4 | | options | | | | | | Purchases of stock for treasury 1 |? |(35) |? |(55) | | Treasury stock issued to employees exercising |? | 23 |? |? | | stock options | | | | | | Treasury stock issued to former shareholders |? | 4 |? |? | of glaceau | | | | | | Balance at end of year |? | 2, 318 |? | 2, 318 | | COMMON STOCK |? |? |? |? | | Balance at beginning of year |$878 |$877 | | Stock issued to employees exercising stock |? | 2 |? | 1 | | options | | | | | | Balance at end of year |? 880 |? | 878 | | CAPITAL SURPLUS |? |? |? |? | | Balance at beginning of year |? | 5, 983 |? | 5, 492 | | Stock issued to employees exercising stock |? | 1, 001 |? | 164 | | options | | | | | | Tax (charge) benefit from employees stock |? |(28) |? 3 | | option and restricted stock plans | | | | | | Stock-based compensation |? | 309 |? | 324 | | Stock purchased by former shareholders |? | 113 |? |? | | of glaceau | | | | | | Balance at end of year |? | 7, 378 |? | 5, 983 | | REINVESTED EARNINGS |? |? |? |? | | Balance at beginning of year |? | 33, 468 |? 31, 299 | | Adjustment for the

cumulative effect on |? |(65) |? |? | | prior years of the adoption of Interpretation | | | | | | No. 48 | | | | | | Net income |? | 5, 981 |? | 5, 080 | | Dividends (per share $1. 36, $1. 24 and $1. 12 |? |(3, 149) |? (2, 911) | | in 2007, 2006 and 2005, respectively) | | | | | | Balance at end of year |? | 36, 235 |? | 33, 468 | | ACCUMULATED OTHER COMPREHENSIVE INCOME |? |? |? |? | |(LOSS) | | | | | | Balance at beginning of year |? |(1, 291) |? |(1, 669) | | Net foreign currency translation adjustment |? | 1, 575 |? 603 | | Net gain (loss) on derivatives |? |(64) |? |(26) | | Net change in unrealized gain on available-for-sale |? | 14 |? | 43 | | securities | | | | | | Net change in pension liability |? | 392 |? |? | | Net change in pension liability, prior |? |? |? | 46 | | to adoption of SFAS No. 58 | | | | | | Net other comprehensive income adjustments |? | 1, 917 |? | 666 | | Adjustment to initially apply SFAS No. 158 |? |? |? |(288) | | Balance at end of year |? | 626 |? |(1, 291) | | TREASURY STOCK |? |? |? |? | | Balance at beginning of year |? |(22, 118) |? (19, 644) | | Stock issued to employees exercising stock |? | 428 |? |? | | options | | | | | | Stock purchased by former shareholders |? | 66 |? |? | | of glaceau | | | | | | Purchases of treasury stock |? |(1, 751) |? (2, 474) | | Balance at end of year |? |(23, 375) |? |(22, 118) | | TOTAL SHAREOWNERS EQUITY |$21, 744 |$16, 920 | | COMPREHENSIVE INCOME |? |? |? |? | | Net income |$5, 981 |$5, 080 | | Net other comprehensive income adjustments |? | 1, 917 |? 666 | | TOTAL COMPREHENSIVE INCOME |$7, 898 |$5, 746 | [8] ----------------------- [1] http://www. marketwatch. com/tools/quotes/profile. asp? symb= ko [2] http://www. nysscpa. org/cpajournal/old/12543349. htm [3] http://www. thecoca-colacompany. com/citizenship/strategic_vision. html [4] http://www. thecoca-colacompany. com/investors/proxies. html [5] Rittenberg,

Schwieger, Johnstone, p105 [6] Rittenberg, Schwieger, Johnstone, p101 [7] Chris, Linsteadt, “ 2008 Audit Class Slides Ch6” [8] http://ir. thecoca-colacompany. com/phoenix. zhtml? c= 94566&p= irol-sec&se