

# Example of understanding financial reports term paper

[Business](#), [Company](#)



## Part 1

The company under study is Coca Cola, which is an American Multinational corporation. The company deals in manufacturing, retailing and marketing of nonalcoholic beverages. This essay seeks to examine the competitiveness of Coca Cola Company in relation to other players in the industry such as Pepsi. The selection of Coca Cola Company is of immense significance to the topic under study because it offers a good background of financial statement analysis.

As a point of departure, Coca Company is one of the primary players in the beverage industry and this analysis will provide a glimpse of the company's operations and elements of its competitiveness (Coca-Cola Company). This brings us to the following computations, which are fundamental in the overall understanding of the company.

## Part 11

Return on assets

The return on assets is an indicator that helps to gauge a company's profitability in relation to its total assets. The computations are for the year ending 2013.

= net Income/Total Assets

ROA= 100\*Net attributable to shareowners of The Coca-Cola Company/ Total assets

= 100\* 8, 584 /90, 053 = 9. 53%

## Benchmarks

ROA, competitors

PepsiCo Inc. = 8.70%

## The comparison of the ROE for the two companies indicates that Coca Cola is profitable.

Gross Profit margin

This margin is critical in indicating the percentage of revenue that is available to set off operating and other expenditures (Friedman, 2012).

Gross Profit Margin =  $100 \times \text{Gross profit} / \text{Net operating revenues}$

=  $100 \times \text{Gross profit} / \text{net operating revenues}$

=  $100 \times 28,433 / 46,854 = 60.68\%$

## Benchmarks

PepsiCo In = 52.96% Coca Cola has more

This ration indicates that Coca Cola has more revenue that is available to set off operating and other expenditures than Pepsi Company.

## Asset utilization rate

This ration helps in calculating the total revenue earned for each dollar owned by the company. An increased asset ratio implies that the company increases its efficiency with each dollar it earns. The 2013 asset utilization ratio was 0.57 (Hays, 2013). On the other hand, that of Pepsi Company was 0.85. This implies that Pepsi is more efficient in term of each dollar it earns than Coca Cola Company (Enrico & Kornbluth, 2012).

## **Financial position**

Both companies are in good financial position because they are able to meet their obligations and remain with reserves.

Free cash Flow

The following represents the quarterly free cash flow of both Coca Cola Company and Pepsi for the period ended 30 September 2013

Coca Cola = 3. 20 Billion

Pepsi = 3. 40 Billion

This indicates that Pepsi has more free cash flow throughout the second quarter of 2013. This implies that Pepsi is able to sustain its account payables at a relatively lower level compared to Coca Cola. It is notable that, Coca uses much of its cash in current expenditure.

## **Conclusion**

The ratio on return on assets and gross profit margin puts Coca Cola Company Ahead of Pepsi. This implies that Coca Cola is more profitable and efficient compared to its primary competitor. However, the margin of profitability is narrow. Hence, Coca Cola should be integrating new strategies in various sectors such as marketing to ensure that, it remains competitive. The information discussed in this study is critical for individual investors, managers and investing companies. The information offers a clear position of the company and it enables the investors to make decisions. The management can use this information to make decisions that affect the overall operations o the company. For example, decisions on the ways to

improve the company's profitability can be made based on the present trend of the rate on return in assets.

## References

Enrico, R., & Kornbluth, J. (2012). *The other guy blinked: How Pepsi won the cola wars*. Toronto: Bantam.

Friedman, K. (2012). *Elvis, Jesus & coca cola*. New York: Simon & Schuster.

Hays, C. L. (2013). *The real thing: Truth and power at the coca-cola company*. New York: Random House.

<http://www.coca-colacompany.com/>