**INTERPRETING FINANCIAL STATEMENTS**

**BYP13-4** The Coca-Cola Company and PepsiCo, Inc. provide refreshments to every corner

of the world. Selected data from the 2004 consolidated financial statements for The

Coca-Cola Company and for PepsiCo, Inc., are presented here (in millions).

 **Coca-Cola PepsiCo**

Total current assets $ 12,094 $ 8,639

Total current liabilities 10,971 6,752

Net sales 21,962 29,261

Cost of goods sold 7,638 13,406

Net income 4,847 4,212

Average (net) receivables for the year 2,131 2,915

Average inventories for the year 1,336 1,477

Average total assets 29,335 26,657

Average common stockholders’ equity 15,013 12,734

Average current liabilities 9,429 6,584

Average total liabilities 14,322 27,917

Total assets 31,327 27,987

Total liabilities 15,392 14,464

Income taxes 1,375 1,372

Interest expense 196 167

Cash provided by operating activities 5,968 5,054

Capital expenditures 755 1,387

Cash dividends 2,429 1,329

***Instructions***

(a) Compute the following liquidity ratios for 2004 for Coca-Cola and for PepsiCo and

comment on the relative liquidity of the two competitors.

(1) Current ratio. (4) Inventory turnover.

(2) Receivables turnover. (5) Days in inventory.

(3) Average collection period. (6) Current cash debt coverage.

(b) Compute the following solvency ratios for the two companies and comment on the

relative solvency of the two competitors.

(1) Debt to total assets ratio.

(2) Times interest earned.

(3) Cash debt coverage ratio.

(4) Free cash flow.

(c) Compute the following profitability ratios for the two companies and comment on

the relative profitability of the two competitors.

(1) Profit margin.

(2) Asset turnover.

(3) Return on assets.

(4) Return on common stockholders’ equity.