

ACCOUNTING in the headlines

What does Coca-Cola's Form 10-K communicate about its accounts receivable?

The Coca-Cola Company ([KO](#)), like other U.S. publicly-held companies, files its financial statements in an annual filing called a Form 10-K with the Securities & Exchange Commission (SEC).

Coca-Cola has several assets that are listed on its balance sheet. Let's look at what is reported on Coca-Cola's Form 10-K regarding its accounts receivable.

See the following excerpts from Coca-Cola's 2013 [Form 10-K](#):

- a) Partial Consolidated Balance Sheets containing current assets (page 76);
- b) Trade Accounts Receivable note (page 89); and
- c) Partial Statements of Income (page 74).

Questions

1. What is the total (gross) value of Coca-Cola's accounts receivable (before deduction for its allowance for doubtful accounts) as of December 31, 2013? As of December 31, 2012?
2. What is "net realizable value"?
3. What factors does Coca-Cola use to determine the amount of its allowance for doubtful accounts?
4. In what line item on the income statement would bad debt expense be included?

Partial balance sheet (assets) from p. 76 of Form 10-K as of December 31, 2013:

THE COCA-COLA COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31,	2013	2012
(In millions except par value)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,414	\$ 8,442
Short-term investments	6,707	5,017
TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	17,121	13,459
Marketable securities	3,147	3,092
Trade accounts receivable, less allowances of \$61 and \$53, respectively	4,873	4,759
Inventories	3,277	3,264
Prepaid expenses and other assets	2,886	2,781
Assets held for sale	—	2,973
TOTAL CURRENT ASSETS	31,304	30,328

Partial note from p. 83 of Form 10-K as of December 31, 2013:

Trade Accounts Receivable

We record trade accounts receivable at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on the trade accounts receivable balances and charged to the provision for doubtful accounts. We calculate this allowance based on our history of write-offs, the level of past-due accounts based on the contractual terms of the receivables, and our relationships with, and the economic status of, our bottling partners and customers. We believe our exposure to concentrations of credit risk is limited due to the diverse geographic areas covered by our operations. Activity in the allowance for doubtful accounts was as follows (in millions):

Year Ended December 31,	2013	2012	2011
Balance at beginning of year	\$ 53	\$ 83	\$ 48
Net charges to costs and expenses	30	5	56
Write-offs	(14)	(19)	(12)
Other ¹	(8)	(16)	(9)
Balance at end of year	\$ 61	\$ 53	\$ 83

¹ Other includes foreign currency translation and the impact of transferring the assets of our consolidated Philippine and Brazilian bottling operations to assets held for sale. See Note 2.

Partial notes from p. 74 of Form 10-K as of December 31, 2013:

THE COCA-COLA COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Source: 2013 Form 10-K

Year Ended December 31,	2013	2012	2011
(In millions except per share data)			
NET OPERATING REVENUES	\$ 46,854	\$ 48,017	\$ 46,542
Cost of goods sold	18,421	19,053	18,215
GROSS PROFIT	28,433	28,964	28,327
Selling, general and administrative expenses	17,310	17,738	17,422
Other operating charges	895	447	732
OPERATING INCOME	10,228	10,779	10,173
Interest income	534	471	483
Interest expense	463	397	417
Equity income (loss) — net	602	819	690
Other income (loss) — net	576	137	529
INCOME BEFORE INCOME TAXES	11,477	11,809	11,458
Income taxes	2,851	2,723	2,812
CONSOLIDATED NET INCOME	8,626	9,086	8,646