

The punch line for this case is the table below. Selected ratios of Coca-Cola (Coke) as reported, with Enterprises on an equity basis are compared to ratios calculated with Enterprises consolidated on a full and proportional basis.

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Enterprises' operations are heavily entwined with those of Coke. Carrying the affiliate on an equity basis results in only the net assets and bottom-line income being reported for the total entity. This serves to obscure the actual liabilities of the total entity as well as the total assets and revenues required to generate the firm's income. As such, the firm's solvency and profitability ratios are distorted.

An additional consideration is the nature and quality of Enterprises' assets. Approximately two-thirds of Enterprises' assets are intangible assets, an important consideration in any credit analysis. Moreover, these intangibles result from bottling franchises granted by Coke to Enterprises. On a consolidated basis, as one entity, a strong argument can be made that these assets represent the de facto capitalization by Coke of its own brand - a practice not permitted by U.S. GAAP.

## 1

Given Coke's 38% ownership of Enterprises, representation on and the licensor/supplier relationship, clearly Coke is not a passive investor. The operations of Enterprises are an integral part of Coke's operations. Purchases from Coke account for approximately 40% of Enterprises' cost-of-goods-sold. These close relationships suggest that either full consolidation or proportionate consolidation would be a more appropriate method of accounting, reflecting the effective control by Coke.

## 2

The solution to this problem is presented in Exhibits below. Full consolidation requires the elimination of all intercompany transactions and the addition of 100% of the assets and liabilities of Enterprises to Coke's balance sheet and 100% of the revenues and expenses of Enterprises to Coke's income statement. However, since Coke owns only 38% of Enterprises, we must also recognize that other stockholders own 62% of the assets, liabilities, revenues, and expenses. This non-Coke ownership is reported using minority interest accounts on the consolidated balance sheet and the income statement. On the former, the minority interest represents the 62% of the net assets of Enterprises owned by non-Coke stockholders.

Coke owns only 38% of CCE. The rest of the share is represented by minority interest.

Coke share of CCE equity	38% x	2,783	=	1,058
Coke's carrying value of Coca-Cola Enterprises				788
Intangible assets				(270)
Minority interest in CCE	62% x	2,783	=	1,725
Coke share of CCE net income	38% x	(324)	=	(123)
Minority share of CCE net income	62% x	(324)	=	(201)
Coke share of CCE common dividends	38% x	69	=	26
Minority share of CCE common dividends	62% x	69	=	43
Coke Equity Income, Net of Dividends	(123) -	26	=	(149)
Minority Equity Income, Net of Dividends	(201) -	43	=	(244)

When preparing the consolidated income statement, we eliminate the intercompany sales from sales and COGS. Additionally, we assume that the marketing payments from Coke to Enterprises were recorded as revenues by Enterprises and adjust accordingly.

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The cash flow eliminations are much simpler. the operating adjustments (intercompany sales and marketing payments) automatically offset as they are classified as CFO for both companies.

Consolidated net income, however, is unchanged from Coke's reported income. Thus, we must eliminate Enterprise's income of \$(324). the offset is minority interest of \$(201), a noncash item, and \$(123), which was previously included in Equity income, net of dividends.

Additionally, we need to adjust for the \$26 of dividends paid by Enterprises to Coke. These are recorded as CFO by Coke, and CFF by Enterprises.

#### 4

Virtually all of Coke's ratios are adversely affected by the consolidation of Enterprises. Enterprises is much more leveraged, with a debt/equity ratio of 4.37 compared to Coke's ratio of .45. on a consolidated basis, Coke's debt to equity ratio increases by more than threefold, to 1.52. a similar phenomenon occurs with the debt/assets ratio. the effects are more pronounced when we consider the ratios of debt to tangible assets and to equity. Removing Enterprises' intangible assets from equity results in negative tangible equity.

Coke reports a healthy times interest earned ratio of 20.6. This ratio, however, is biased upward as it ignores Enterprises' interest expense. on a fully consolidated basis, the ratio declines by almost 75% to 6.4.

Enterprises' income-based ratios are also well below those of Coke. ROA and the return on sales are both negative for Enterprises. as the income of both firms is greatly affected by the "transfer price" that Coke charges Enterprises for syrup, their relative profitability may be distorted; the lower levels reported on a consolidated basis are a better measure of overall profitability. Note that ROE is not affected by consolidation, as income and equity are unchanged.

Interestingly, receivables turnover (sales/average trade receivables) is also lower after consolidation despite Enterprises' higher ratio. The elimination of "double counting" explains this surprising result. After eliminations, sales has decreased whereas receivables have not, lowering the turnover ratio. Overall, the consolidated statements are less favorable to Coke than those prepared using the equity method.

#### 6 Data in Note 3 indicate the following profitability measures for Coke's other affiliates (\$ in millions).

Current Ratio	\$6,013	/	5,085	=	1.182
Debt to Equity	\$7,806	/	11,001	=	70.96%
Return on assets	\$735	/	23,892	=	3.08%

As these measures worse than Coke's (as reported or (fully or proportionally) consolidated), consolidating these other affiliates would lower Coke's risk profile even further. the size of the effect would depend on the degree of intercompany eliminations.

Coke's leverage ratios would also be negatively affected by consolidating these affiliates. These affiliates have total liabilities of over \$12.9 billion. We do not know what portion of those liabilities is debt. However, we assume that only noncurrent liabilities are debt,

- 7** The Primary beneficiary of CCE is Coke which receives all the risk and rewards from CCE.  
So Coke should consolidate CCE
- 8** As the exhibits show, in addition to whatever strategic motivations Coke may have to reduce ownership in its bottlers, it has some powerful financial motivations to do so. by keeping its ownership levels below 50%, Coke is able to keep the bottlers' debt off its own balance sheet and (given the nature of Coke and its bottlers' operations) show higher operating profitability.

**9**  
The difference between the methods is significant. the equity method (as argued in part 1) is inappropriate and misleading. Given the interdependence of the companies one must view their activities as a unified company with a number of divisions. However the equity method does allow the analyst to view each portion of the Coke empire separately. in effect, it provides segment data that is superior to that required by either U.S. or IAS GAAP. When the bottler has any publicly traded securities (debt or equity) its financial statements provide better segment data than that provided under the equity method. the market valuation of publicly traded bottler securities also provides valuation data.

Under consolidation, the financial statements of Coke include 100% of the assets, liabilities, revenues, expenses, and cash flows of its affiliates. the minority interest account shows the (net) interest in the equity and earnings held by the non-Coke stockholders of these affiliates. Proportionate consolidation, on the other hand, includes only approximately (38%-49%) of the assets, liabilities, revenues, expenses, and cash flows of the affiliates in the financial statements of Coke.

Full consolidation may, therefore, overstate the degree to which Coke is responsible for the liabilities of the affiliates. It also overstates the affiliates' contribution of revenues, expenses, and cash flows to the operations of the total entity. on the other hand, it is unlikely that Coke would allow any operationally significant affiliate to suffer financial distress that would impede its ability to effectively market Coke products.

Proportionate consolidation, on the other hand, may understate the influence of the affiliates. Like other stockholders, Coke is a residual owner. before it can receive any return on its investment, all of the affiliates' liabilities must be satisfied. Coke's Statement of Cash Flows reports its proportionate share of the cash flows generated by the affiliates. However, since creditors have a senior claim on these cash flows, Coke's proportionately consolidated cash flow statement can also be misleading.

Thus, none of these three methods is fully satisfactory. Which is superior may well depend on the analyst's point of view (equity or creditor). the equity method, when supplemented by full financial statements for affiliates, enables the analyst to look at Coke from all three points of view.

**Balance Sheet**

(In millions except share data)

**31-Dec-01**

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<b>ASSETS</b>	<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Fully Cons.</b>
Cash and cash equivalents	1,866	284		
Marketable securities	68			
	<u>1,934</u>	<u>284</u>		2,218
Trade accounts receivable, less allowances:	1,882	1,540	(38)	3,384
- of \$59 in 2001 and \$62 in 2000	C			
- reserves of \$73 and \$62, respectively	CCE			
Finished goods		458		458
Raw materials and supplies		232		232
Inventories	1,055			1,055
Current deferred income tax assets		60		60
Prepaid expenses and other assets	<u>2,300</u>	<u>302</u>	<u>(70)</u>	<u>2,532</u>
<b>Total Current Assets</b>	<b>7,171</b>	<b>2,876</b>	<b>(108)</b>	<b>9,939</b>
<b>Investments and Other Assets</b>				
Equity method investments				
Coca-Cola Enterprises Inc.	788		(788)	
Coca-Cola Amatil Limited	432			432
Coca-Cola HBC S.A.	791			791
Other, principally bottling companies	3,117			3,117
Cost method investments, principally bottling companies	294			294
Other assets	<u>2,792</u>		<u>(510)</u>	<u>2,282</u>
	<b>8,214</b>		<b>(1,298)</b>	<b>6,916</b>
<b>Property, Plant and Equipment</b>				
Land	217	390		
Buildings and improvements	1,812	1,718		
Machinery and equipment	4,881	8,614		
Containers	195			
Construction in progress		210		
	<u>7,105</u>	<u>10,932</u>		
Less allowances for depreciation	<u>2,652</u>	<u>4,726</u>		
	4,453	6,206		10,659
Trademarks and Other Intangible Assets	2,579	14,637	(270)	16,946
<b>Total Assets</b>	<b>22,417</b>	<b>23,719</b>	<b>(1,676)</b>	<b>44,460</b>

<b>Liabilities and Owners' Equity</b>	<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Fully Cons.</b>
Accounts payable and accrued expenses	3,679	2,610		6,289
Amounts payable to the Coca-Cola Company, net		38	(38)	
Deferred cash payments from the Coca-Cola Company		70	(70)	
Loans and notes payable	3,743			3,743
Current maturities of long-term debt	156	1,804		1,960
Accrued income taxes	851			851
<b>Total Current Liabilities</b>	<b>8,429</b>	<b>4,522</b>	<b>(108)</b>	<b>12,843</b>
Long-Term Debt	1,219	10,365		11,584
Retirement and Insurance Programs and Other Long-Term Obligations		1,166		1,166
Other Liabilities	961			961
Deferred Cash Payments from the Coca-Cola Company		510	(510)	
Deferred Income Taxes	442	4,336		4,778
	2,622	16,377	(510)	18,489
<b>Share-Owners' Equity</b>				
Minority interest			1,725	1,725
Preferred stock		37		37
<b>Common stock</b>				
\$ .25 par value Authorized: 5,600,000,000 shares Issued: 3,491,465,016 shares in 2001; 3,481,882,834 shares in 2000	873			873
\$1 par value — Authorized — 1,000,000,000 shares; Issued — 453,262,107 and 449,730,126 shares, respectively		453	(453)	
Capital surplus	3,520	2,527	(2,527)	3,520
Reinvested earnings	23,443	220	(220)	23,443
Accumulated other comprehensive income and unearned compensation on restricted stock	(2,788)	(292)	292	(2,788)
Less treasury stock, at cost	25,048	2,908	(2,908)	25,048
Common stock in treasury, at cost 8,146,325 and 31,661,536 shares, respectively (1,005,237,693 shares in 2001; 997,121,427 shares in 2000)	(13,682)			(13,682)
		(125)	125	
<b>Common Share-Owners' Equity</b>	<b>11,366</b>	<b>2,783</b>	<b>(2,783)</b>	<b>11,366</b>
	<b>22,417</b>	<b>23,719</b>	<b>(1,676)</b>	<b>44,460</b>

**Income statement**

Adjustments		Coke		CCE
Net concentrate and syrup sales to CCE	3,900	Coke Note 2		
Sales to TCCC of bottle and can products ...	395	CCE Page 21		
	<u>4,295</u>		4,542	Page 21
Support of Certain Marketing Activities	606	Coke Note 2		
	<u>4,901</u>			

	<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Fully Cons.</b>
Net Operating Revenues	20,092	15,700	(4,901)	30,891
Cost of Goods Sold	(6,044)	(9,740)	4,295	(11,489)
Gross Profit	14,048	5,960	(606)	19,402
Selling, Administrative and General Expenses	(8,696)	(5,359)	606	(13,449)
Operating Income	5,352	601		5,953
Interest Income	325			325
Equity Income (Loss)	152		123	275
Other Income-Net	39	2		41
Gains on Issuances of Stock by Equity Investees	91			91
Income before Income Taxes and Interest	5,959	603	123	6,685
Interest Expense	(289)	(753)		(1,042)
	5,670	(150)	123	5,643
Minority interest			201	201
Income Taxes 29.82%	(1,691)	131		(1,560)
Income before Cumulative Effect of Accounting Change	3,979	(19)	324	4,284
Cumulative Effect of Accounting Change, Net of Income Taxes	(10)	(302)		(312)
Net Income	3,969	(321)	324	3,972
Preferred stock dividends		(3)		(3)
Net Income (Loss) Applicable to Common Shareowners	3,969	(324)	324	3,969

**Statement of cash flows**

<b>Operating Activities</b>	<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Fully Cons.</b>
Net income	3,969	(321)	324	3,972
Cumulative effect of accounting change		302		302
Minority interest			(201)	(201)
Depreciation and amortization	803			803
Depreciation		901		901
Amortization		452		452
Deferred income taxes	56	(242)		(186)
Equity income or loss, net of dividends	(54)		(123)	(177)
Foreign currency adjustments	(60)			(60)
Gains on issuances of stock by equity investees	(91)			(91)
Gains on sales of assets, including bottling interests	(85)			(85)
Other items	34			34
Net change in operating assets and liabilities	(462)	22		(440)
<b>Net cash provided by operating activities</b>	<b>4,110</b>	<b>1,114</b>		<b>5,224</b>
<b>Investing Activities</b>	<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Fully Cons.</b>
Acquisitions and investments, principally trademarks and bottling companies	(651)	(1,011)		(1,662)
Purchases of investments and other assets	(456)			(456)
Proceeds from disposals of investments and other assets	455			455
Purchases of property, plant and equipment	(769)	(972)		(1,741)
Proceeds from disposals of property, plant and equipment	91	5		96
Other investing activities	142	(32)	(26)	84
<b>Net cash used in investing activities</b>	<b>(1,188)</b>	<b>(2,010)</b>	<b>(26)</b>	<b>(3,224)</b>
<b>Financing Activities</b>	<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Fully Cons.</b>
Net increase (decrease) in commercial paper		325		325
Issuances of debt	3,011	1,297		4,308
Payments of debt	(3,937)	(676)		(4,613)
Preferred stock dividends		(3)		(3)
Issuances of stock	164			164
Purchases of stock for treasury	(277)	(8)		(285)
Exercise of employee stock options		20		20
Dividends	(1,791)	(69)	26	(1,834)
<b>Net cash used in financing activities</b>	<b>(2,830)</b>	<b>886</b>	<b>26</b>	<b>(1,918)</b>
Effect of Exchange Rate Changes on Cash	(45)			(45)
Cash and Cash Equivalents: Net increase	47	(10)		37

**3 Ratios**

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	<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Fully Cons.</b>
<b>Background calculations</b>				
a) Total Current Assets	7,171	2,876	(108)	9,939
Total Current Liabilities	8,429	4,522	(108)	12,843
b) Loans and notes payable	3,743			3,743
Current maturities of long-term debt	156	1,804		1,960
Long-Term Debt	1,219	10,365		11,584
Total debt	5,118	12,169		17,287
Common Share-Owners' Equity	11,366	2,783		11,366
c) Trademarks and Other Intangible Assets	2,579	14,637		16,946
Tangible equity	8,787	(11,854)		(5,580)
e) Total Assets	22,417	23,719		44,460
Trademarks and Other Intangible Assets	2,579	14,637		16,946
Tangible assets	19,838	9,082		27,514
f) EBIT * (1-tax)	5,959	603	123	6,685

		<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Fully Cons.</b>
1	Current ratio	7,171 / 8,429	0.851	0.636	0.774
2	Return on Sales	3,969 / 20,092	19.75%	(2.06)%	12.85%
3	Gross Margin	14,048 / 20,092	69.92%	37.96%	62.81%
4	ROA (Pretax)	5,959 / 22,417	26.58%	2.54%	15.04%
5	ROE	3,969 / 11,366	34.92%	-11.53%	34.92%
6	Times interest earned	5,959 / 289	20.619	0.801	6.416
7	Debt to equity	5,118 / 11,366	0.450	4.373	1.521
8	Inventory turnover	6,044 / 1,055	5.729	14.116	6.584
9	Receivables turnover	20,092 / 1,882	10.676	10.195	9.129

- 5** The calculations for the proportionally consolidated statements are presented here. The calculations are similar to those carried out on a consolidated basis except that only 38% of Enterprises' assets/liabilities and revenues/expenses are added to Coke's reported amounts. This eliminates the need for a minority interest account. Eliminations and adjustments are also reduced proportionally.

The ratio effects of proportional consolidation are also shown in the following table, where they are compared with those based on the equity method and full consolidation. Overall, the effect of proportional consolidation is similar to that of full consolidation. Leverage ratios are worse as they become larger and profitability declines. However, as only a portion of Enterprises' debt is consolidated, the decline is mitigated.

The proportional consolidation cash flow statement like the income statement, includes 38% of the cash remains positive. Debt to tangible equity increases by almost five times from .58 (equity method) to 2.79. The proportional consolidation cash flow statement like the income statement, includes 38% of the cash flows of Enterprises. Adjustments are similar to those of the fully consolidated cash flow statement (see question 2); the only difference being that there is no need for a minority interest adjustment to income.

<b>Balance Sheet</b>	(In millions except share data)	38%	<b>31-Dec-01</b>	
<b>ASSETS</b>	<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Prop Consldtd</b>
Cash and cash equivalents	1,866	108		
Marketable securities	68			
	<u>1,934</u>	<u>108</u>		2,042
Trade accounts receivable, less allowances:	1,882	585	(14)	2,453
- of \$59 in 2001 and \$62 in 2000	C			
- reserves of \$73 and \$62, respectively	CCE			
Finished goods		174		174
Raw materials and supplies		88		88
Inventories	1,055			1,055
Current deferred income tax assets		23		23
Prepaid expenses and other assets	2,300	115	(27)	2,388
<b>Total Current Assets</b>	<u>7,171</u>	<u>1,093</u>	<u>(41)</u>	<u>8,223</u>
<b>Investments and Other Assets</b>				
Equity method investments				
Coca-Cola Enterprises Inc.	788		(788)	
Coca-Cola Amatil Limited	432			432
Coca-Cola HBC S.A.	791			791
Other, principally bottling companies	3,117			3,117
Cost method investments, principally bottling compa	294			294
Other assets	2,792		(194)	2,598
	<u>8,214</u>		<u>(982)</u>	<u>7,232</u>
<b>Property, Plant and Equipment</b>				
Land	217	148		
Buildings and improvements	1,812	653		
Machinery and equipment	4,881	3,273		
Containers	195			
Construction in progress		80		
	<u>7,105</u>	<u>4,154</u>		
Less allowances for depreciation	2,652	1,796		
	<u>4,453</u>	<u>2,358</u>		<u>6,811</u>
Trademarks and Other Intangible Assets	2,579	5,562	(270)	7,872
<b>Total Assets</b>	<u>22,417</u>	<u>9,013</u>	<u>(1,292)</u>	<u>30,138</u>

<b>Liabilities and Owners' Equity</b>	<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Prop Consldtd</b>
Accounts payable and accrued expenses	3,679	992		4,671
Amounts payable to the Coca-Cola Company, net		14	(14)	
Deferred cash payments from the Coca-Cola Company		27	(27)	
Loans and notes payable	3,743			3,743
Current maturities of long-term debt	156	686		842
Accrued income taxes	851			851
<b>Total Current Liabilities</b>	<b>8,429</b>	<b>1,718</b>	<b>(41)</b>	<b>10,106</b>
Long-Term Debt	1,219	3,939		5,158
Retirement and Insurance Programs and Other				
Long-Term Obligations		443		443
Other Liabilities	961			961
Deferred Cash Payments from the Coca-Cola Company		194	(194)	
Deferred Income Taxes	442	1,648		2,090
	2,622	6,223	(194)	8,651
<b>Share-Owners' Equity</b>				
Preferred stock		14		14
<b>Common stock</b>				
\$.25 par value Authorized: 5,600,000,000 shares Issued: 3,491,465,016 shares in 2001; 3,481,882,834 shares in 2000	873			873
\$1 par value — Authorized — 1,000,000,000 shares; Issued — 453,262,107 and 449,730,126 shares, respectively		172	(172)	
Capital surplus	3,520	960	(960)	3,520
Reinvested earnings	23,443	84	(84)	23,443
Accumulated other comprehensive income and unearned compensation on restricted stock	(2,788)	(111)	111	(2,788)
Less treasury stock, at cost	25,048	1,105	(1,105)	25,048
Common stock in treasury, at cost 8,146,325 and 31,661,536 shares, respectively (1,005,237,693 shares in 2001; 997,121,427 shares in 2000)	(13,682)	(48)	48	(13,682)
<b>Common Share-Owners' Equity</b>	<b>11,366</b>	<b>1,058</b>	<b>(1,058)</b>	<b>11,366</b>
	<b>22,417</b>	<b>9,013</b>	<b>(1,292)</b>	<b>30,138</b>

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<b>Income statement</b>	<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Prop Consldtd</b>
<b>Adjustments</b>			3900	
			395	
			606	
Net Operating Revenues	20,092	5,966	(4,901)	21,157
Cost of Goods Sold	(6,044)	(3,701)	4,295	(5,450)
Gross Profit	14,048	2,265	(606)	15,707
Selling, Administrative and General Expenses	(8,696)	(2,036)	606	(10,126)
Operating Income	5,352	228		5,580
Interest Income	325			325
Equity Income (Loss)	152		123	275
Other Income-Net	39	1		40
Gains on Issuances of Stock by Equity Investees	91			91
Income before Income Taxes and Interest	5,959	229	123	6,311
Interest Expense	(289)	(286)		(575)
Cumulative Effect of Accounting Change	5,670	(57)	123	5,736
Income Taxes	(1,691)	50		(1,641)
Income before Cumulative Effect Of Accounting Change	3,979	(7)	123	4,095
Cumulative Effect of Accounting Change, Net of Income Taxes	(10)	(115)		(125)
Net Income	3,969	(122)	123	3,970
Preferred stock dividends		(1)		(1)
<b>Net Income (Loss) Applicable to Common Share</b>	<b>3,969</b>	<b>(123)</b>	<b>123</b>	<b>3,969</b>

**Statement of cash flows**

<b>Operating Activities</b>	<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Prop Consol.</b>
Net income	3,969	(122)	123	3,970
Cumulative effect of accounting change Minority interest		115		115
Depreciation and amortization	803			803
Depreciation		342		342
Amortization		172		172
Deferred income taxes	56	(92)		(36)
Equity income or loss, net of dividends	(54)		(123)	(177)
Foreign currency adjustments	(60)			(60)
Gains on issuances of stock by equity investees	(91)			(91)
Gains on sales of assets, including bottling interests	(85)			(85)
Other items	34			34
Net change in operating assets and liabilities	(462)	8		(454)
<b>Net cash provided by operating activities</b>	<b>4,110</b>	<b>423</b>	<b>(0)</b>	<b>4,533</b>
<b>Investing Activities</b>				
Acquisitions and investments, principally trademarks and bottling companies	(651)	(384)		(1,035)
Purchases of investments and other assets	(456)			(456)
Proceeds from disposals of investments and other assets	455			455
Purchases of property, plant and equipment	(769)	(369)		(1,138)
Proceeds from disposals of property, plant and equipment	91	2		93
Other investing activities	142	(12)	(26)	104
<b>Net cash used in investing activities</b>	<b>(1,188)</b>	<b>(764)</b>	<b>(26)</b>	<b>(1,978)</b>
<b>Financing Activities</b>				
Net increase (decrease) in commercial paper		124		124
Issuances of debt	3,011	493		3,504
Payments of debt	(3,937)	(257)		(4,194)
Issuances of stock	164			164
Purchases of stock for treasury	(277)	(3)		(280)
Exercise of employee stock options		8		8
Dividends	(1,791)	(26)	26	(1,791)
<b>Net cash used in financing activities</b>	<b>(2,830)</b>	<b>338</b>	<b>26</b>	<b>(2,466)</b>
Effect of Exchange Rate Changes on Cash	(45)			(45)
Cash and Cash Equivalents: Net increase	47	(3)	(0)	44

**3 Ratios**

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	<b>Coke</b>	<b>CCE</b>	<b>Adjustments</b>	<b>Prop Consol.</b>
<b>Background calculations</b>				
a) Total Current Assets	7,171	1,093		8,223
Total Current Liabilities	8,429	1,718		10,106
b) Loans and notes payable	3,743			3,743
Current maturities of long-term debt	156	686		842
Long-Term Debt	1,219	3,939		5,158
Total debt	5,118	4,624		9,742
Common Share-Owners' Equity	11,366	1,058		11,366
c) Trademarks and Other Intangible Assets	2,579	5,562		7,872
Tangible equity	8,787	(4,505)		3,494
e) Total Assets	22,417	9,013		30,138
Trademarks and Other Intangible Assets	2,579	5,562		7,872
Tangible assets	19,838	3,451		22,266
<b>Ratios</b>				
a) Current ratio	0.851	0.636		0.814
b) Return on Sales				
c) Gross Margin	69.92%	37.96%		74.24%
d) ROA (Pretax)	26.58%	2.53%		18.52%
e) ROE	34.92%	-0.11%		-0.01%
f) Times interest earned	20.619	0.801		10.973
g) Debt to equity	0.450	4.373		0.857
h) Inventory turnover	5.729	14.116		4.138
I) Receivables turnover	10.676	10.195		8.626