

## Hook Statement

## Introduction

### The balance sheet analysis of PepsiCo

More than 200 countries sell PepsiCo goods, making it one of the largest food and beverage companies in the world. In 1965, the Pepsi-Cola Company combined with Frito-Lay, Inc., and it became known as PepsiCo. The firm's headquarters are located in Purchase, New York currently (*Britannica 1*). More than one billion times a day, people in more than 200 nations and territories across the world drink PepsiCo products. A supplementary beverage and handy food portfolio of PepsiCo that includes Sodas, Quaker, Mountain Dew, Pepped-Cola, Gatorade, Cheetos, Doritos, and Lays earned \$70 billion in net sales for PepsiCo in 2020. Food and beverage products from PepsiCo's extensive portfolio include numerous legendary brands that generate more than \$1 billion in retail sales each year(*PepsiCo 1*).

### Balance Sheet

As the name suggests, a "balance sheet" refers to an official financial statement that summarizes the equity and liabilities of a corporation at a certain point in time. Additionally, a company's balance sheet serves as the foundation for calculating investor returns and assessing its capital structure (Fernando 1). An overview of the company's assets and liabilities may be seen on its balance sheet, which is a financial statement. It is also possible to undertake fundamental financial analysis using balance sheets in conjunction with other essential financial statements and financial ratios. The following accounting equation, which contains assets on one side and shareholder equity and liabilities on the other, is adhered to by the balance sheet:



$$\text{Assets} = \text{Liabilities} + \text{Shareholder's equity}$$

When constructing the balance sheet, the following factors should be taken into account:

<b>Assets</b>	<b>Liabilities</b>
<b>Cash</b>	Accounts payable
<b>Inventory</b>	Notes payable
<b>Accounts receivable</b>	Long-term debt

An examination of PepsiCo for the years 2018 to 2021 would be undertaken in this balance sheet analysis (*MacroTrends 1*).

<b>Annual Data (Million US \$)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Cash on hand	\$10,990	\$5,738	\$9,551	\$5,988
Receivables	\$7,142	\$7,822	\$8,404	\$8,680
Inventory	\$3,128	\$3,338	\$4,172	\$4,347
Pre-paid expenses	\$633	\$747	\$874	\$980
Other Current Assets	-	-	-	\$1,788
<b>Total Current Assets</b>	<b>\$21,893</b>	<b>\$17,645</b>	<b>\$23,001</b>	<b>\$21,783</b>
Equipment, Plant and Property	\$17,589	\$19,305	\$21,369	\$22,407
Long-Term Investments	\$2,400	\$2,683	\$2,792	\$2,627
Goodwill and the Intangible Assets	\$30,633	\$31,544	\$38,072	\$37,046
Other Long-Term Assets	\$760	\$3,011	\$3,312	\$4,204
<b>Total Long-Term Assets</b>	<b>\$55,755</b>	<b>\$60,902</b>	<b>\$69,917</b>	<b>\$70,594</b>
<b>Total Assets</b>	<b>\$77,648</b>	<b>\$78,547</b>	<b>\$92,918</b>	<b>\$92,377</b>
Total Current Liabilities	\$22,138	\$20,461	\$23,372	\$26,220
Long Term Debt	\$28,295	\$29,148	\$40,370	\$36,026
Other Non-Current Liabilities	\$9,114	\$9,979	\$11,340	\$9,154
<b>Total Long Term liabilities</b>	<b>\$40,908</b>	<b>\$43,218</b>	<b>\$55,994</b>	<b>\$50,006</b>
<b>Total Liabilities</b>	<b>\$63,046</b>	<b>\$63,679</b>	<b>\$79,366</b>	<b>\$76,226</b>
Common Stock Net	\$23	\$23	\$23	\$23
Retained Earnings (Accumulated Deficit)	\$59,947	\$61,946	\$63,443	\$65,165
Comprehensive Income	(\$15,119)	(\$14,300)	(\$15,476)	(\$14,898)
Other Share Holders Equity	-	-	-	-
<b>Share Holder Equity</b>	<b>\$14,602</b>	<b>\$14,868</b>	<b>\$13,552</b>	<b>\$16,151</b>
<b>Total Liabilities And Share Holders Equity</b>	<b>\$77,648</b>	<b>\$78,547</b>	<b>\$92,918</b>	<b>\$92,377</b>

Figure 1: Balance Sheet of PepsiCo

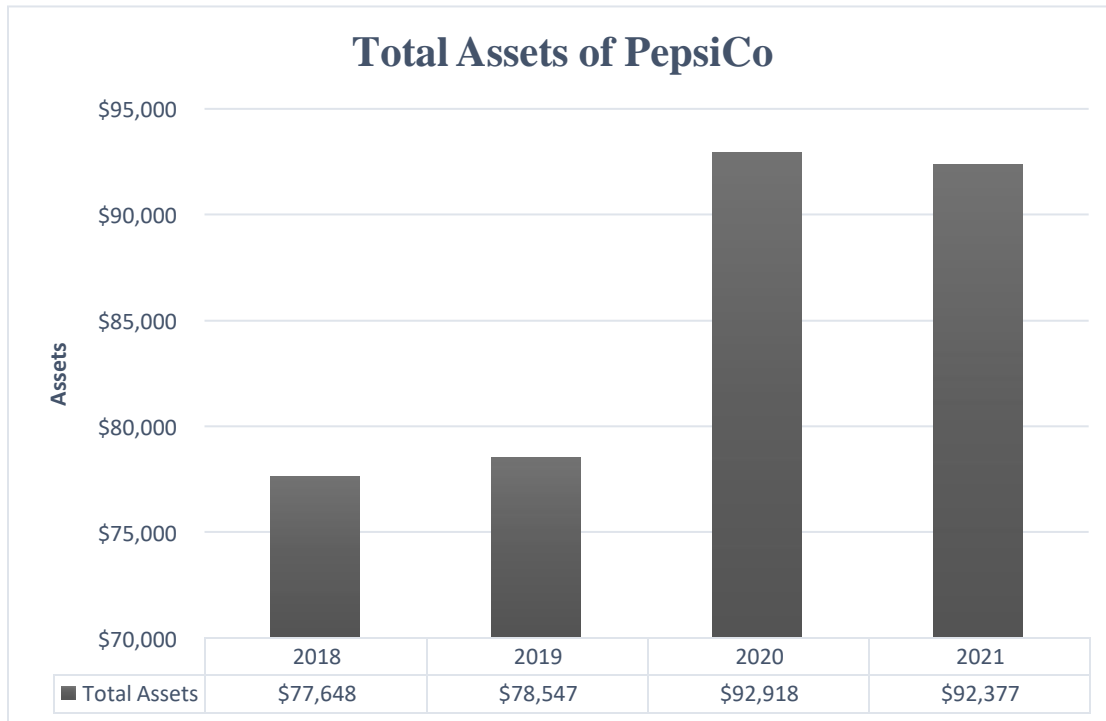
## Total Assets

All of the accounts in this section are arranged from most liquid to least liquid; as a result, they may be easily turned into cash. Current assets are those that can be turned into cash within a year or less, whereas long-term or non-current assets are those that cannot be. When assessing overall assets, analysts usually begin by looking at the past data or the historical record. If the firm has a good reputation and is accumulating more assets, then it means that it is expanding to meet the needs of the company on a year-to-year basis and also the customers' wants and demands. As an alternative, an organization may be selling its assets if they are

rapidly depleting. This might imply that the company's management is raising money to pay debts. In terms of

PepsiCo's overall asset turnover has increased dramatically in recent years, as seen in the chart and the statistics shown below. PepsiCo's assets grew from \$78,547 in 2018 to \$92,918 in 2019, which is the company's greatest level of asset accumulation to date. Furthermore, PepsiCo's success during Covid 19 is worth noting. In the pandemic, the data shows that the corporation performed well. Snack and beverage sales increased as more people worked and studied from home. Snack sales at Frito-Lay North America increased by 7% in the third quarter, while sales at Quaker Items increased by 6% on the back of increased demand for breakfast foods. According to Refinitiv's IBES statistics, net sales grew more than 5% to \$18.09 billion in the three months ending September 5, exceeding analysts' forecasts of \$17.23 billion (Kumar 1). There was a \$541 difference between the asset turnover in 2021 and 2020. A decrease in asset turnover suggests that the organization is not taking advantage of the chance to save money through economies of scale.

<b>Year</b>	<b>Total Assets</b>
2018	\$77,648
2019	\$78,547
2020	\$92,918
2021	\$92,377



*Figure 2: Total Assets of PepsiCo 2018-2021*

### **Total Liabilities**

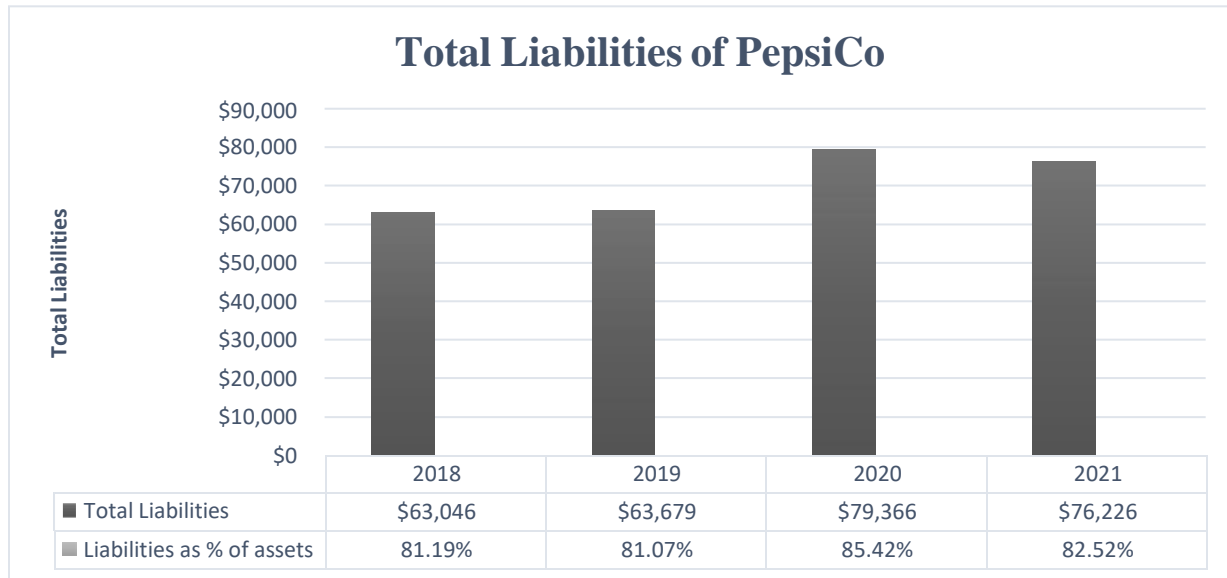
A company's liabilities include any money it owes to third parties, such as utilities, salaries, rent, and other obligations that are due within a year. Unlike short-term obligations, long-term liabilities can be paid at any time after one year. Because liabilities might be current or non-current, they are classed accordingly. An obligation that has not yet been satisfied might be the result of a prior transaction, or it can be the result of work that will be done in the future and is due (such as long-term or short-term borrowing from organizations, people, or banks). Bonds payable and Accounts payable are two of the most prominent liabilities. As part of ongoing current and long-term operations, most organizations' balance sheets will incorporate these two-line items.

In comparison to 2019 and 2018, PepsiCo's total liabilities grew in 2020 and 2021. Liabilities decreased in 2021, from \$79366 in 2020 to \$76226 in 2021. Reduced liabilities reflect a cash outflow since they are used as a source of funding. Accounts receivable and liabilities fall

as a result of a company's ability to pay back its debts. Furthermore, PepsiCo is attempting to reduce the financial risk, which would lead to an increase in investment by the investors as a result.

In addition to the payments owing to external sources, total liabilities comprise all of the company's debts, as previously mentioned. However, a comparison of the company's overall assets is necessary. Total liabilities should be divided by total assets in order to arrive at a percentage to compare total assets and total liabilities. In addition, a three- to five-year period should be used to conduct the test. PepsiCo has seen a decrease in the proportion of liabilities to assets during the last few months, which is good news for the company.

<b>Year</b>	<b>Total Liabilities</b>	<b>Liabilities as % of assets</b>
2018	\$63,046	81.19%
2019	\$63,679	81.07%
2020	\$79,366	85.42%
2021	\$76,226	82.52%



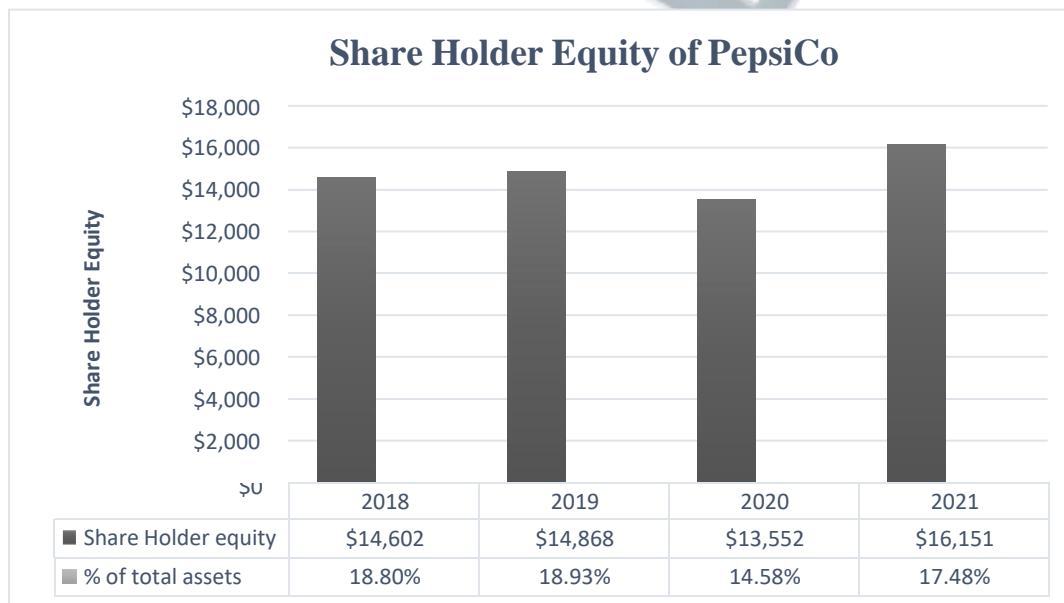
*Figure 3: Total Liabilities of PepsiCo 2018-2021*

### Shareholder's equity

The equity of shareholders is the money that belongs to the shareholders of a company or its owners. Because it is equal to a company's total assets less its liabilities, or the debt it owes to third parties other than shareholders, net assets is another name for this figure. Shareholder's Net worth is measured in the equity section of a company's balance sheet. The total equity part of a balance sheet shows the amount of equity that a firm has on hand to fund its property and other investments. Total equity and total liabilities, as compared to total assets, move oppositely, as you are surely aware. As a result, the company's overall obligations as a percentage of its assets would rise if it took on additional debt. In addition, equity as a percentage of total assets would fall. As you can see, one essential analytical strategy is to compare total equity to total assets. To put it another way, total equity is the amount of money that shareholders would be entitled to receive once all obligations have been paid. The more equity a company has, the more money it needs from investors to run its business.

There has been a rise in the PepsiCo debt-to-equity ratio in 2021, as well as an increase in shareholder equity per asset. At 14.58 percent, 2020 appears to imply that the firm may be altering its capital structure to rely more on equity financing for growth rather than debt financing during the past four years.

Year	Share Holder equity	% Of total assets
2018	\$14,602	18.80%
2019	\$14,868	18.93%
2020	\$13,552	14.58%
2021	\$16,151	17.48%



*Figure 4: Share Holder Equity of PepsiCo 2018-2021*

Overall, the trend of shareholder equity is increasingly positive, while the trend of assets and liabilities is demonstrating a slight drop in 2021. However, the corporation is predicted to have sufficient solvency capacity and the ability to generate bigger revenues in the future.



## Works Cited

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