

**BLOG LINK :** <https://karinadingwall.wixsite.com/website>

**MOODLE PROFILE : karina dingwall**

**Initial Reaction**

Friday afternoon of week one I eagerly anticipated the release of ‘Find your Company’ on Moodle. As soon as it was released I opened the spreadsheet searching for my name – Karina Dingwall your company is Coca-Cola Amatil. YES! This is such a great company to evaluate. Coca-Cola is a world renowned brand, but I am just focusing on the Asia-Pacific region and its business. It is quite obvious that Coca-Cola Amatil (CCA) is in the beverage industry, but that was not always the case, nor was their name CCA. The more that I read about CCA, the more interesting the company becomes!

**History of Coca-Cola Amatil**

As outlined on my blog [post](https://karinadingwall.wixsite.com/website/post/coca-cola-amatil-background-information).

<https://www.ccamatil.com/our-company/our-history>

First, we need to discover the history to understand the present. Coca-Cola Amatil was originally a tobacco company in 1904, namely the British Tobacco Company Limited. In 1909, the company diversified its operations by branching into packaging. They continued these ventures until the 1960’s when it made a move into the Australian food and beverage industry. Australian’s were originally introduced to Coca-Cola in World War Two by the American troops. By mid-1960’s Coca-Cola was a household name. Shortly after this, the path of the company changed with the acquisition of Coca-Cola bottlers Pty Ltd in Perth. A video of how Coca-Cola Amatil was born can be found here: <https://www.youtube.com/watch?v=QFKsFgS6SMc>

What does Amatil mean? I have never really thought much about it. After conducting research about the history of Coca-Cola Amatil, I found the answer to that question. Amatil is short for Allied Manufacturing and Trade Industries Limited. Amatil Limited was adopted in 1977 after 50 years under the British Tobacco Company Limited name. Following this name change, in the late 1970’s and early 1980’s, they branched into European markets in both Coca-Cola bottling franchises and snack foods.

In the mid to late 1980’s further expansion across Australia and Pacific franchises in Fiji and Wellington were obtained. Amatil Ltd also grew their brand portfolio to include Ecks and Deep Spring mineral water. Narrowing the focus of the business to snack food and beverages Amatil Ltd parted with their interest in tobacco. This is when the Coca-Cola Company became the major shareholder of Amatil, subsequently Coca-Cola Amatil was born.

In the early 1990’s CCA continued to expand across the region, entering into joint ventures in Indonesia and Papua New Guinea. Through the remainder of the 90’s CCA continued its expansion throughout Australia and New Zealand. At the close of the decade the European interests were demerged into its own entity, Coca-Cola Beverages Plc.

Brand acquisition took place over the next decade throughout Australia and New Zealand where CCA secured Neverfail Spring Water, Peats Ridge Springs, Baker Halls, SPC Ardmona and Grinders Coffee. CCA also became the sole licensee of Coca-Cola products in Australia, after the purchase of the Northern Territory Coca-Cola franchise in 2004.

In the mid 2000’s CCA expanded their product portfolio again, with the inclusion of alcohol in the range of premium beer, wine, spirits and ready-to-drink beverages. This began the relationship with the company that is now known as Beam Suntory. In 2012, Paradise Beverages (Fiji) Limited joined the CCA family, closely followed by a collaboration with the Casella Family to introduce the Australian Beer Company in 2013.

Most recently CCA have proven to be leaders in the beverage packaging and bottling industry after building multiple state of the art facilities in Australia. CCA is one of the largest bottlers in the Asia-Pacific region and distributors of alcoholic and non-alcoholic beverages, in addition to being one of largest bottlers of Coca-Cola products globally. This is how Coca-Cola Amatil came to be the company that it is today.

**Annual Report KCQ’s**

An annual report, what did I expect to find? I did not have the slightest clue. I have never even considered looking at one, although I can say that I was pleasantly surprised. The question posed in the study guide, is an annual report a marketing document? After reading my annual report, my opinion is that it is indeed a marketing document. I see it as a valuable insight into the company for both potential investors and shareholders. My annual report for Coca-Cola Amatil Limited for 2019 was a generous 83 pages (although after attending the workshops I know this is small). The 2019 annual report can be found at this [link](https://www.ccamatil.com/-/media/Cca/Corporate/Files/Annual-Reports/2020/2019CocaColaAmatilAnnualReport.ashx). I found CCA’s annual report to be quite easy to read and it provided a lot of interesting information, I often found myself turning to my husband and telling him something about CCA, in all honesty I don’t think he shared my excitement! Considering it is a household name, there was a lot I did not know about CCA, as you can see from the history there is more to Coca-Cola Amatil Ltd than just coke. I think the annual report is transparent in the information that it provides, not only does CCA discuss their positive achievements but also the negatives. The annual report starts by setting out the purpose, values, ambition and strategy. This is continued throughout the report, including in the chairman’s review. The 2019 results are also broken down into separate geographical locations so it is easy to determine how each location is performing within the group.

I made it to the highlights page, this is where I begin to come unstuck! There are so many statements, words and abbreviations I do not understand. But this section also shows an overview of how the business has performed and also the positive sustainability impacts they have accomplished. The first statement that has confused me is the mention of a two-year transition period, this is mentioned again by Ilana Atlas AO, the chairman of CCA in the chairman’s review. I have continued to research for what this actually means but have come up empty handed. What was the purpose of the transition period and what were they transitioning from? I continue browsing these highlights and I see the abbreviations NPAT, EBIT, EPS. I needed to look these up, NPAT is net profits after tax, EPS is earnings per share and EBIT is earnings before interest and taxes. So after finding out the meanings it makes a little more sense. While I still do not fully understand what these figures actually mean, I feel like I learned something anyway by discovering what they actually stand for. While I have seen EBITDA mentioned in financial information when I worked for Domino’s, I did not understand what the acronym stood for or what the number meant. Although I am still none the wiser, I am sure this will make sense later on. However, while EBIT and EBITDA share similarities they have different calculation equations.

Overall, the highlights show the business is performing well with a 6.7% increase in group revenue. I thought it was interesting to note that 2019 was the first year of revenue growth for Australian beverages since 2012. Alcohol and coffee is a consistent performer in the business with five consecutive years of double digit EBIT growth. In the New Zealand and Fiji market the revenue and EBIT increased by 7.3% and 10.1% respectively, while Indonesia and Papua New Guinea increased both their revenue and volume into double digits.

The operations illustration was quite informative. It really shows how vast the operations are throughout the Asia Pacific region, outlining the number of production facilities, production lines, brands, warehouses, customers, employees and coolers/fridges. I thought it really helped to paint a picture of how large this company actually is. During the workshop in week 3, Martin asked if many products were sold in Indonesia, I could not provide an answer at that time. After continuing my research, the answer is Indonesia’s operations are actually larger across most areas than in Australia. In fact, their customer base is four times larger. Why are Indonesia’s operations larger than Australia’s? Is it because we have a greater choice here in Australia? Or maybe that production costs are much less in Indonesia?

In the 2019 statement period the sale of SPC Ardmona was completed, it was sold for $40 million with a profit of $14 million. The sale agreement also included an earnout structure for the next four years which could generate an additional $15 million in revenue for Amatil. <https://www.smh.com.au/business/companies/coca-cola-amatil-to-sell-historic-spc-business-for-40-million-20190604-p51u8b.html>

During the year, CCA also ceased production of the Peats Ridge brand which was predominantly available at Officeworks stores due to the low value and consumption of the product.

Coca-Cola Amatil is very involved in community initiatives throughout all their territories. Throughout the bushfires late 2019 and early 2020, CCA donated over 250,000 bottles of water and powerade to support the firefighters and those affected by the fires, as a token of thanks the share a coke with firies campaign was launched. The Coca-Cola Australia Foundation provides sponsorship to support sporting and community initiatives. The Amatil – X program was extended to include the Indonesian market, the Amatil – X program was developed to nurture entrepreneurial skills and support start-ups that help to solve challenges that the business is facing.

One last thing that I found to be an important part of the business are the views on diversity. CCA had set targets to have 30% of women as board members and senior executives by 2020. They have already reached that target with 38% of women on the board and 43% as senior executives. I also found it interesting to compare the backgrounds of the board of directors and the group leadership team, 5 out of 8 board members have a degree in Commerce or Economics including the group managing director, which is great to relate back to what I learned in the first few chapters of the study guide.

The statement of changes in equity is normally only produced as a part of the annual financial statements. The opening profit in 2019 was restated due to a change in accounting standards. I found that my statement was not as comprehensive as the Wesfarmers example that Maria used and it also does not list profit but rather total comprehensive income. After clarifying this question at a workshop, I found out that this is normal for different companies to use varying terminology in their statements. In the 2019 statement I came across the disposal of discontinued operation, after researching what the term meant I came up with a disposal of discontinued operation is a part of a company’s business that has been divested and these are reported separately from the continuing operations. So in the case of Coca-Cola Amatil this would be related to the sale of SPC. However, the entries are not clear in that there is no balance in the item on the statement due to a $1M in reserves and a -$1M in the accumulated losses.

A balance sheet brings together the elements of accounting - assets, liabilities and equity. The balance sheet shows the realities of the firm on one particular day. In the balance sheet there were items introduced due to the introduction of a new accounting standard in relation to leases. A right of use asset relates to the lessee’s right to use the asset through the duration of the lease agreement, this raised balances in the right of use asset account as well as the lease liabilities accounts in both current and non-current liabilities. I noticed there was a large increase in the deferred tax liabilities account, after reading the footnote it was determined there was a $20.1M deferred tax asset in the account for the right of use assets and lease liabilities. A deferred tax asset results from either an overpayment or advance payment of taxes. A deferred tax asset for myself could be considered my income tax that I pay during the year, any excess amount is then refunded by the ATO at the end of the financial year.

It is shown in the balance sheet that CCA has assets totalling $6,578.9 million, liabilities totalling $4,626.7 million and equity equalling $1,952.2 million. These numbers are painting a picture that Amatil is in a strong financial position on the 31 December 2019.

The income statement is another core statement that deals with revenue and expenses. This statement shows whether the business is running at a profit or loss, hence why this statement can also be referred to as a profit and loss statement. Coca-Cola Amatil is profitable with a profit of $390 million, which is an increase of $8 million from the previous year. The support services and other expenses include non-trading items such as gains from property sales and redundancy employee costs. At my previous job at Dominos’ our main expenses were food, labour and mileage, these were the easiest to control at store level. If we kept those elements under control we were in a good position for the month. It was of benefit to me to ensure that we increased revenue and reduced our expenses to share in the profits, the greater the profit the bigger bonus I received.

**Challenges**

I feel lucky to be studying this unit at this time of the global pandemic. Along with many other companies, COVID-19 is the biggest challenge that Coca-Cola Amatil is facing at the present time. The Group Managing Director of CCA, Alison Watkins said, “Amatil has a strong balance sheet and low net debt levels, ensuring we are well positioned to navigate this event. We have been implementing contingency plans to mitigate the impacts of COVID-19. We remain committed to keeping our Shareholders informed, while we focus on sustaining our operations and our commitments to our workforce.” However, at the time of publication of the Annual Report for 2019, the full effects of COVID-19 were not known. As shown in this [article](https://www.smh.com.au/business/companies/for-coca-cola-amatil-2020-is-now-the-year-to-protect-the-business-20200327-p54er4.html) published on March 30, and also this [article](https://www.smh.com.au/business/companies/coca-cola-amatil-signals-up-to-190-million-of-non-cash-impairments-20200723-p55enr.html) from June 23, the impact has been far greater than expected.

While COVID-19 is the most current challenge facing CCA, past challenges are equally as important and how they have recovered from them. In 2017, Coca-Cola was hit with a double blow. Firstly, Woolworths decided to not stock the new Coke No Sugar range in their supermarkets. Secondly, Domino’s Pizza did not renew their supplier contract with CCA, instead opting to sign a deal with rival Pepsi/Schweppes, this loss of a customer was a reduction of about 0.3% revenue or 1 million cases. <https://www.smh.com.au/business/companies/second-setback-for-cocacola-amatil-as-pizza-chain-chooses-pepsi-20170706-gx61cp.html> Although 18 months later, Pizza Hut joined forces with Coca-Cola dropping their affiliation with Pepsi. <https://thewest.com.au/business/retail/coke-and-a-slice-coca-cola-gets-pizza-the-hut-action-ng-b881076620z>

It is not all bad news for Domino’s and Coca-Cola Amatil. Earlier this year Domino’s and CCA announced they would again be united in New Zealand from June 2020. <https://www.ccamatil.com/-/media/Cca/Corporate/Files/Media-Releases/2020/200520_DominosandCocaColaAmatilJoinForcesOnceAgain.ashx>

**Top 3 Blogs**

<https://belindamclintock.wordpress.com>

I found I could relate to Belinda’s blog. We have a lot of similarities in life, we are both married with children and undertaking a double degree. I like how simple Belinda’s blog is, gets straight to the point but still sharing a bit about her life and journey.

<https://briannabaker75.wixsite.com/briannaatcqu>

Brianna’s blog caught my eye with the background of NYC (well I hope it is anyway)! One of my favourite places in the world! I really enjoyed reading Brianna’s about me section and like Bri, I have tried university study before with limited success. We can do it Bri!!

<https://kelliconnell.wixsite.com/acct11059>

Like so many other students, Kelli’s blog stood out for me. I love how she has included personal pictures from her trip around Canada. Her blog entries are well thought out and I can tell she takes pride in her blog.

**Similarities and differences between firms**

At the PASS session in week three, we discussed similarities and differences in our firms annual reports and financial statements. We discovered that not all of our firms used the same names for their financial statements. Serena, Sandra and Jen all had a Statement of Financial Position, while Kelli and I had a Balance Sheet.

Kelli, Jen and I had a chance to discuss our annual reports and how they were presented. Kelli’s company, CIE Automotive, had a very long and “wordy” annual report that would not have been considered a marketing document and was difficult to read, while my company’s report was exciting to read and it had many illustrations throughout it. While Coca-Cola Amatil made a profit, Jen’s company had a loss during the period of the 2019 statements.

I found discussing the differences and similarities with other students to be a great learning tool, it showed me that nothing in accounting is the same in every firm.

**Studiosity**

I had heard of studiosity while I was completing STEPS prior to entry to my degree, although I never utilised the platform. I submitted my draft annual report KCQ’s to studiosity on Sunday night, I received feedback mid-morning on Monday. I was impressed with the detail of the feedback they provided in such a short time frame. Overall, I was impressed with the service provided by studiosity, I noted in the comments section that I had submitted a personal reflective journal and the requirements of the assignment requested that we use the words “I” and “me”. The feedback was geared more towards an essay type response but they pointed out some errors in grammar for me to fix. I will definitely use the studiosity service again, especially in an extended response assessment.

During the PASS sessions with Danielle, we discussed how we found studiosity. Judi and Kelli had similar feedback, in that the KCQ’s were too personal but overall they both found the service useful and would consider using studiosity again.

**STEP 4**

See the separate excel spreadsheet

**STEP 5 KCQ’s Chapter 2 and 3.1-3.2**

The history of financial statements are important to understanding the rules of “the game” of accounting. Financial statements are not a recent development in the accounting world, they have been produced for centuries, but what has changed is the availability of these statements to the general public. I was initially surprised that firms were secretive about their finances, but the more I think about it, it makes sense because I don’t share my personal financial information. What was the catalyst for the change? Why did firms suddenly decide to make their financial information available to anyone who wanted to view it? Maybe firms were finding it increasingly difficult to find equity investors, or even to take out a loan without solid evidence of the firms success. I couldn’t imagine a bank giving me money without proof that I was employed with the ability to pay it back.

Generally Accepted Accounting Principles (GAAP) are the minimum standards that accountants must follow when preparing financial statements to be viewed by people outside of the firm. These standards have been developed in Australia by the Australian Accounting standards Board (AASB). While I have never heard of this concept before I am confused as to why these rules only apply to statements that are going to be viewed by external parties. Why were the standards developed? Would it not be easier to have the same standards for internal reports in the firm as well? Why are only companies listed on the Australian Stock Exchange bound by these principles? The company I previously worked for, Domino’s, was a franchise, I understand from GAAP that the parent company, Domino’s Pizza Enterprises Ltd, would need to follow these standards when producing their financial statements, but would the franchisee need to follow these principles too?

Accrual Accounting – I think this concept is the bane of existence of accounting students! – it is such a confusing concept that is going to take a lot of practice. Accrual accounting is the concept that a transaction is recorded when the transaction actually takes place, not necessarily when cash is exchanged. For services that are provided before payment, I suppose this could contain an element of risk of non-payment for the service, like in the case of telephone bills. I pay my children’s school fees each fortnight although my total bill is for the entire term. Following the concept of accrual accounting, this would mean the school has recorded the transaction of a full terms tuition fee even though I have not paid in full.

There is no point to financial statements if the information provided in them is not valuable. There are ways to measure the quality of the information provided through relevance and faithful representation characteristics. Information provided in financial statements should be useful for the decision making process. Are there rules around how recent is classified as relevant in the decision making process or is it up to the readers discretion? Faithful representation interacts with relevance, while the information needs to be relevant it also needs to be an accurate representation of what is occurring in the firms business activities. Information that is complete, neutral and free from errors is considered to be faithfully represented. My initial reaction to this concept was that while it was easy to understand it is important. After thinking about the concept for some time I asked myself, how do you know if the information has been faithfully represented to you as an external party to the firm? Are there certain things you should look for in determining the faithful representation of the information? Using my example from earlier about borrowing money from a bank, if I was to provide a bank statement from five years ago rather than a current statement as proof of income, the bank would not find this information relevant to my application and ability to repay the loan. Nor would they find that I have faithfully represented my current income.

In a previous accounting unit a few years ago, I was just introduced to financial statements by name without really understanding what they do. So while the names were familiar I could not tell you what the purpose of each is. So I was happy to read that we would develop a “meaningful relationship” with each of the statements. A balance sheet, which is also known as a statement of financial position, is exactly that, it shows the financial position of a business on any given day. It shows three elements of accounting, assets, liabilities and equity. Before reading section 3.1 in the study guide I thought the balance sheet was similar to the other statements that report for a nominated period. An income statement introduces the other two elements of accounting, revenue and expenses, for a period. Because these two statements make up the fundamental accounting equation, it makes me wonder what the importance of the other two statements are. Does this mean the balance sheet and income statement are the most important in determining the financial position of a firm? The statement of changes in equity is the one statement I am struggling to understand the purpose of. I would think that the equity investors would be most concerned with this statement than the others because of their investment in the firm.

The final statement, the statement of cash flows, at first glance is confusing, mainly because I have never had to analyse one before. The main idea behind a statement of cash flows is it shows the cash coming and going in a business. I have never really thought about how a business goes into liquidation, but it makes complete sense, if you have no cash you can no longer continue to trade, like in the recent case of Virgin Australia. Financial statements give us the ability to view the firm as separate to its owners, as we learned in the earlier chapters of the study guide.

**STEP 6**

**Feedback**

To be completed at a later date