

Income Statements for Amazon

The income statements for Amazon.com for the fiscal years 2015, 2016, and 2017 follow (in millions).

Revenue	12/31/2017	12/31/2016	12/31/2015
Total Net Sales	\$177,866	\$135,987	\$107,006
Cost of Sales	<u>111,934</u>	<u>88,265</u>	<u>71,651</u>
Gross Profit	\$65,932	\$47,722	\$35,355
Operating Expenses			
Technology and Content	\$22,620	\$16,085	\$12,540
Selling, General and Administrative	38,992	27,284	20,411
Other Operating Expenses	<u>214</u>	<u>167</u>	<u>171</u>
Total Operating Expenses	<u>61,826</u>	<u>43,536</u>	<u>33,122</u>
Operating Income (Loss)	\$4,106	\$4,186	\$2,233
Interest Expense, net	<u>300</u>	<u>294</u>	<u>665</u>
Income Before Tax	3,806	3,892	1,568
Income Tax Expense	<u>773</u>	<u>1,521</u>	<u>972</u>
Net Income (Loss) from Continuing Operations	\$3,033	\$2,371	\$596

Question 1.1 of 10

Describe how common-size financial statements can be used to evaluate a firm's financial performance. Explain specifically the benefits of vertical analysis and horizontal analysis.

Question 1.2 of 10

For the fiscal years 2015, 2016, and 2017, prepare common-size income statements, i.e., calculate each line item as a percentage of total revenue.

Question 1.3 of 10

Analyze the common-size income statements, commenting on percentages for individual years as well as trends over the three-year period.

Balance Sheets for Amazon.com

The balance sheets for Amazon.com for the fiscal years 2014, 2015, 2016, and 2017 are shown here (in millions)

All numbers in thousands

Period Ending	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Current Assets				
Cash and Cash Equivalents	\$ 20,522	\$19,334	\$15,890	\$14,557
Marketable Securities	10,464	6,647	3,918	2,859
Net Receivables	13,164	8,339	6,423	5,612
Inventory	<u>16,047</u>	<u>11,461</u>	<u>10,243</u>	<u>8,299</u>
Total Current Assets	\$ 60,197	\$45,781	\$36,474	\$31,327
Property Plant and Equipment	48,866	29,114	21,838	16,967
Goodwill	13,350	3,784	3,759	3,319
Total Assets	8,897	4,723	3,373	2,892
Liabilities and Equity				
Current Liabilities				
Accounts Payable	\$ 34,616	\$25,309	\$20,397	\$16,459
Accrued Expenses and Other	18,170	13,739	10,384	9,807
Unearned Revenue	<u>5,097</u>	<u>4,768</u>	<u>3,118</u>	<u>1,823</u>
Total Current Liabilities	\$ 57,883	\$43,816	\$33,899	\$28,089
Long-Term Debt	24,743	7,694	8,235	8,265
Other Liabilities	<u>20,975</u>	<u>12,067</u>	<u>9,926</u>	<u>7,410</u>
Stockholders' Equity				
Common Stock	\$ 5	\$ 5	\$ 5	\$ 5
Retained Earnings	8,636	4,916	2,545	1,949
Treasury Stock	(1,837)	(1,837)	(1,837)	(1,837)
Additional Paid-in Capital	21,389	17,186	13,394	11,135
Accumulated Other Comprehensive Loss	<u>(484)</u>	<u>(985)</u>	<u>(723)</u>	<u>(511)</u>
Total Stockholder Equity	<u>\$27,709</u>	<u>\$19,285</u>	<u>\$13,384</u>	<u>\$10,741</u>
Total Liabilities and Stockholder Equity	\$131,310	\$83,402	\$64,747	\$54,505

Question 2.1 of 10

For the fiscal years 2014, 2015, 2016, and 2017 prepare a comparative financial statement horizontal analysis of the balance sheet, i.e., calculate trend year over year for every item on the balance sheet compared to the base year of 2014.

Question 2.2 of 10

Comment on the horizontal analysis, noting trends in assets, liabilities, and equity over the four-year period.

Balance Sheets for Amazon.com

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Inventory	<u>16,047</u>	<u>11,461</u>	<u>10,243</u>
Total Current Assets	\$60,197	\$45,781	\$36,474
Property, Plant and Equipment, net	48,866	29,114	21,838
Goodwill	13,350	3,784	3,759
Other Assets	<u>8,897</u>	<u>4,723</u>	<u>3,373</u>
Total Assets	\$131,310	\$83,402	\$65,444
Liabilities and Equity			
Current Liabilities			
Accounts Payable	\$34,616	\$25,309	\$20,397
Accrued Expenses and Other	18,170	13,739	10,384
Unearned Revenue	<u>5,097</u>	<u>4,768</u>	<u>3,118</u>
Total Current Liabilities	\$57,883	\$43,816	\$33,899
Long Term Debt	24,743	7,694	8,235
Other Liabilities	<u>20,975</u>	<u>12,607</u>	<u>9,926</u>
Total Liabilities	\$103,601	\$64,117	\$52,060
Stockholders' Equity			
Common Stock	\$ 5	\$ 5	\$ 5
Retained Earnings	8,636	4,916	2,545
Treasury Stock	(1,837)	(1,837)	(1,837)
Additional Paid-in Capital	21,389	17,186	13,394
Other Stockholder Equity	<u>(484)</u>	<u>(985)</u>	<u>(723)</u>
Total Stockholder Equity	<u>\$27,709</u>	<u>\$19,285</u>	<u>\$13,384</u>
Total Liabilities and Stockholder Equity	\$131,310	\$83,402	\$65,444

Question 3.1 of 10

Describe how common-size financial statements can be used to evaluate a firm's financial performance. Explain specifically the benefits of vertical analysis and horizontal analysis.

Question 3.2 of 10

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Cost of Sales	<u>111,934</u>	<u>88,265</u>	<u>71,651</u>	<u>62,752</u>
Gross Profit	\$65,932	\$47,722	\$35,355	\$26,236
Operating Expenses				
Technology and Content	\$22,620	\$16,085	\$12,540	\$9,275
Selling, General and Administrative	38,992	27,284	20,411	16,650
Other Operating Expenses	<u>214</u>	<u>167</u>	<u>171</u>	<u>133</u>
Total Operating Expenses	<u>61,826</u>	<u>43,536</u>	<u>33,122</u>	<u>26,058</u>
Operating Income (Loss)	\$4,106	\$4,186	\$2,233	\$178
Interest Expense, net	<u>300</u>	<u>294</u>	<u>665</u>	<u>289</u>
Income Before Tax	3,806	3,892	1,568	(111)
Income Tax Expense	<u>773</u>	<u>1,521</u>	<u>972</u>	<u>130</u>
Net Income (Loss) from Continuing Operations	<u>\$3,033</u>	<u>\$2,371</u>	<u>\$596</u>	<u>\$(241)</u>

Question 4.1 of 10

For the fiscal years 2014, 2015, 2016, and 2017, prepare a comparative financial statement horizontal analysis of the income statement, i.e., calculate trend year over year for every item on the income statement compared to the base year of 2014.

Question 4.2 of 10

Comment on the horizontal analysis, noting trends in revenues and expenses over the four-year period.
