Short Paper: Use of Leases

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The first company I have selected for the analysis is “Coca Cola” & its shares are being traded on NYSE. While its rival company I have selected is “PepsiCo”, both of these companies are very old rivals of each other.

Both companies are using lease facilities to finance its assets. Coca Cola’s strategy is that is owned extra lease services, in real estate, and places for its offices all over the world and is using these leasehold properties for administrative, production, processing, packing, storing, warehousing, supply chain and the retail operations (Company, 2019). The location of these properties is generally within the geographic boundaries of the country/state in which the operating segment of the company is located.

While Pepsico’s leasing strategy is also alike Coca Cola and its head office located in Purchase, New York. And remaining facilities are scattered in States like Plano, Texas. All these properties are held by PepsiCo and are the major segment of its total properties (PepsiCo, 2019). It operating segments are using the manufacturing plants, storage facilities, supply chain centers, workplaces, and other such kinds of facilities. All these properties are either leased or are owned by the Company in connection with the manufacturing, marketing, supply chain, and selling its goods.

Both the companies are following the disclosure rules and regulations as specified by the SFAS No. 13.

Coca Cola’s and PepsiCo’s are utilizing the direct financing method to account for their lease transactions lessors, and their lessors are in their lease dealings.

Yes, assets acquired under finance lease are disclosed by both of the companies in their financial statement under the heading “Item 2. Properties” of the annual report. These are classified according to physical locations and the nature of the assets leased. Management of both the companies have trust that their the production facilities under use by the company is appropriate and enough, and these properties are being utilized up to their full potential. Moreover, the management is certain that the companies have enough production volume that their current planned levels are being achieved successfully. It is the policy of both the companies that they keep reviewing their expected supplies for the services, and additional lease are acquired or the old ones are paid off on the basis of these reviews.

# References

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PepsiCo. (2019, June 30). *FORM 10-K*. Retrieved from Annual Report 2018: https://www.pepsico.com/docs/album/annual-reports/2018-annual-report.pdf?sfvrsn=35d1d2bc\_2