Exhibits 10.11, 10.12, and 10.13 present the financial statements of Walmart for 2006–2008. Exhibits 4.50–4.52 (Case 4.2 in Chapter 4) also present summary financial statements for Walmart, and Exhibit 4.53 presents selected financial statement ratios for Years 2006–2008. (Note: A few of the amounts presented in Chapter 4 for Walmart differ slightly from the amounts provided here because, for purposes of computing financial analysis ratios, the Chapter 4 data have been adjusted slightly to remove the effects of nonrecurring items such as discontinued operations.)

Required (additional requirements follow on page 862)

a. Design a spreadsheet and prepare a set of financial statement forecasts for Walmart for Year +1 to Year +5 using the assumptions that follow. Project the amounts in the order presented (unless indicated otherwise) beginning with the income statement, then the balance sheet, and then the statement of cash flows. For this portion of the problem, assume that Walmart will exercise its financial flexibility with the cash and cash equivalents account to balance the balance sheet.

For Module 4 Assignment

EXHIBIT 10.11

Balance Sheets for Wal-Mart Stores, Inc.
(Problem 10.16)

	2006	2007	2008
Cash	$ 7,373	$ 5,492	$ 7,275
Receivables	2,840	3,642	3,905
Inventories	33,685	35,159	34,511
Prepaid expenses and other current assets	2,690	2,760	3,063
Current assets of discontinued segments	0	967	195
Current Assets	**$ 46,588**	**$ 48,020**	**$ 48,949**
Property, plant & equipment—At cost	115,190	127,992	131,161
Accumulated depreciation	(26,750)	(31,125)	(35,508)
Goodwill and other non-current assets	16,165	18,627	18,827
Total Assets	**$151,193**	**$163,514**	**$163,429**
Accounts payable—Trade	$ 28,090	$ 30,344	$ 28,849
Accrued liabilities	14,675	15,725	18,112
Accrued income taxes and other current liabilities	706	1,140	760
Notes payable and short term debt	2,570	5,040	1,506
Current maturities of long term debt and leases	5,713	6,229	6,163
Current Liabilities	**$ 51,754**	**$ 58,478**	**$ 55,390**
Long term debt	30,375	33,402	34,549
Deferred taxes and other non-current liabilities	4,971	5,087	6,014
Total Liabilities	**$ 87,460**	**$ 96,967**	**$ 95,953**
Minority interest	2,160	1,939	2,191
Common stock + paid in capital	3,247	3,425	4,313
Retained earnings	55,818	57,319	63,660
Accumulated other comprehensive income	4,971	5,087	(2,688)
Shareholders' Equity	**$ 63,733**	**$ 66,547**	**$ 67,476**
Total Liabilities and Equities	**$151,193**	**$163,514**	**$163,429**

EXHIBIT 10.12

Income Statements for Wal-Mart Stores, Inc. (Problem 10.16)

	2006	2007	2008
Revenues	$348,368	$378,476	$405,607
Cost of goods sold	(263,979)	(286,350)	(306,158)
Gross Profit	**$ 84,389**	**$ 92,126**	**$ 99,449**
Selling, general, and administrative expense	(63,892)	(70,174)	(76,651)
Operating Profit	**$ 20,497**	**$ 21,952**	**$ 22,798**
Interest income	280	309	284
Interest expense	(1,809)	(2,103)	(2,184)
Income before Tax	**$ 18,968**	**$ 20,158**	**$ 20,898**
Income tax expense	(6,354)	(6,889)	(7,145)
Minority interest in earnings	(425)	(406)	(499)
Income from discontinued operations	(905)	(132)	146
Net Income	**$ 11,284**	**$ 12,731**	**$ 13,400**
Other comprehensive income items	1,575	1,356	(6,552)
Comprehensive Income	**$ 12,859**	**$ 14,087**	**$ 6,848**

EXHIBIT 10.13

Statements of Cash Flows for Wal-Mart Stores, Inc. (Problem 10.16)

	2006	2007	2008
Net Income	**$ 11,284**	**$ 12,731**	**$ 13,400**
Add back depreciation	5,459	6,317	6,739
Other adjustments to net income	860	132	(146)
Deferred taxes	89	(8)	581
(Increase) Decrease in receivables	(214)	(564)	(101)
(Increase) Decrease in inventories	(1,274)	(775)	(220)
Increase (Decrease) in accounts payable	2,132	865	(410)
Increase (Decrease) in other current liabilities	588	1,034	2,036
Other operating cash flows	1,311	910	1,268
Net Cash Flow From Operations	**$ 20,235**	**$ 20,642**	**$ 23,147**
Proceeds from sales of property, plant, and equipment	394	957	714
Property, plant, and equipment acquired	(15,666)	(14,937)	(11,499)
Investments (acquired) sold	267	(95)	781
Other investment transactions	542	(1,595)	(738)
Net Cash Flow from Investing Activities	**$(14,463)**	**$(15,670)**	**$(10,742)**

(Continued)

EXHIBIT 10.13 (Continued)

	2006	2007	2008
Increase (Decrease) in short-term borrowing	(1,193)	2,376	(3,745)
Increase (Decrease) in long-term borrowing	1,101	2,101	827
Issue of capital stock	—	—	—
Share repurchases—treasury stock	(1,718)	(7,691)	(3,521)
Dividend payments	(2,802)	(3,586)	(3,746)
Other financing transactions	(510)	(622)	267
Net Cash Flow from Financing Activities	**$ (5,122)**	**$ (7,422)**	**$ (9,918)**
Effects of exchange rate changes on cash	97	252	(781)
Net Change in Cash	**$ 747**	**$ (2,198)**	**$ 1,706**

Note: The net changes in cash reported by Walmart do not reconcile exactly with the changes in cash balances each year because Walmart reclassifies prior year amounts of cash associated with discontinued segments.

Income Statement

Sales

Sales grew by 10.4 percent in 2006, 8.6 percent in 2007, and 7.2 percent in 2008. The compound annual sales growth rate during the last five years was 9.4 percent. Walmart generates sales growth primarily through increasing same-store sales, opening new stores, and acquiring other retailers. In the future, Walmart will continue to grow in international markets by opening stores and acquiring other firms and in domestic U.S. markets by converting discount stores to Supercenters. In addition, despite vigorous competition, Walmart will likely continue to generate steady increases in same-store sales, consistent with its experience through 2008. Assume that sales will grow 7.0 percent each year from Year +1 through Year +5.

Cost of Goods Sold

The percentage of costs of goods sold relative to sales decreased slightly from 75.8 percent of sales in 2006 to 75.7 percent in 2007 to 75.5 percent in 2008. Walmart's everyday low-price strategy, its movement into grocery products, and competition will likely prevent Walmart from achieving significant additional decreases in this expense percentage. Assume that the cost of goods sold to sales percentage will remain steady at 75.5 percent for Year +1 to Year +5.

Selling and Administrative Expenses

The selling and administrative expense percentage has steadily increased from 18.3 percent of sales in 2006 to 18.5 percent in 2007 to 18.9 percent of sales in 2008. Identifying and transacting international corporate acquisitions and opening additional Supercenters, together with the slowdown in the sales growth rate, will put upward pressure on this expense percentage. Assume that the selling and administrative expense to sales percentage will be 19.0 percent of sales for Year +1 to Year +5.

Interest Income

Walmart earns some interest income on its cash and cash equivalents accounts. The average interest rate earned on average cash balances was approximately 4.4 percent during 2008, similar to rates earned in 2006 and 2007. Assume that Walmart will earn interest income