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## APPENDIX B

### PORTION OF THE FORM 10-K FOR TARGET CORPORATION

This appendix contains a small portion of the Form 10-K for the Target Corporation that was filed with the Securities and Exchange Commission on March 8, 2017. This material relates to the company's fiscal year ended January 28, 2017. Throughout the text, this is referred to as the company's 2016 fiscal year. **This material in this appendix is included for illustrative purposes, and it is intended to be used for educational purposes only.**

For the ATC-1 problem in each chapter, you will need the complete version of Target's Form 10-K, which can be found online at <http://investors.target.com>. Once on the "sec filings" page, under "filter by form type" drop-down window, select "Annual filings," and then select the "10-K" that has a filing date of "03/08/17." Several versions of this 10-K are available, but the pdf format works best for the purposes of this text. The authors suggest you download and save this file so that you do not need to look it up each time you need it. The Form 10-K may be also obtained from the SEC's EDGAR website, using the procedures explained in Appendix A.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended February 1, 2014

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number **1-6049**



**TARGET CORPORATION**  
(Exact name of registrant as specified in its charter)

**Minnesota**  
(State or other jurisdiction of incorporation or organization)  
**1000 Nicollet Mall, Minneapolis, Minnesota**  
(Address of principal executive offices)

**41-0215170**  
(I.R.S. Employer Identification No.)  
**55403**  
(Zip Code)

Registrant's telephone number, including area code: 612/304-6073

Securities Registered Pursuant To Section 12(B) Of The Act:

Title of Each Class  
Common Stock, par value \$0.0833 per share

Name of Each Exchange on Which Registered  
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

### Item 8. Financial Statements and Supplementary Data

### Report of Management on the Consolidated Financial Statements

Management is responsible for the consistency, integrity, and presentation of the information in the Annual Report. The consolidated financial statements and other information presented in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United States and include necessary judgments and estimates by management.

To fulfill our responsibility, we maintain comprehensive systems of internal control designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with established procedures. The concept of reasonable assurance is based upon recognition that the cost of the controls should not exceed the benefit derived. We believe our systems of internal control provide this reasonable assurance.

The Board of Directors exercised its oversight role with respect to the Corporation's systems of internal control primarily through its Audit Committee, which is comprised of independent directors. The Committee oversees the Corporation's systems of internal control, accounting practices, financial reporting and audits to assess whether their quality, integrity, and objectivity are sufficient to protect shareholders' investments.

In addition, our consolidated financial statements have been audited by Ernst & Young LLP, independent registered public accounting firm, whose report also appears on this page.




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Brian C. Cornell  
Chairman and Chief Executive Officer  
March 8, 2017




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Cathy R. Smith  
Executive Vice President and  
Chief Financial Officer

### Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

#### The Board of Directors and Shareholders

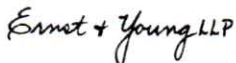
#### Target Corporation

We have audited the accompanying consolidated statements of financial position of Target Corporation and subsidiaries (the Corporation) as of January 28, 2017 and January 30, 2016, and the related consolidated statements of operations, comprehensive income, cash flows, and shareholders' investment for each of the three years in the period ended January 28, 2017. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Target Corporation and subsidiaries at January 28, 2017 and January 30, 2016, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 28, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Corporation's internal control over financial reporting as of January 28, 2017, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), and our report dated March 8, 2017, expressed an unqualified opinion thereon.




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Minneapolis, Minnesota  
March 8, 2017

**Report of Management on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we assessed the effectiveness of our internal control over financial reporting as of January 28, 2017, based on the framework in *Internal Control—Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our assessment, we conclude that the Corporation's internal control over financial reporting is effective based on those criteria.

Our internal control over financial reporting as of January 28, 2017, has been audited by Ernst & Young LLP, the independent registered public accounting firm who has also audited our consolidated financial statements, as stated in their report which appears on this page.




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Brian C. Cornell  
Chairman and Chief Executive Officer  
March 8, 2017




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Cathy R. Smith  
Executive Vice President and  
Chief Financial Officer

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**Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting****The Board of Directors and Shareholders****Target Corporation**

We have audited Target Corporation and subsidiaries' (the Corporation) internal control over financial reporting as of January 28, 2017, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). The Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

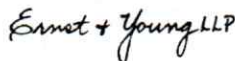
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of January 28, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Target Corporation and subsidiaries as of January 28, 2017 and January 30, 2016, and the related consolidated statements of operations, comprehensive income, cash flows and shareholders' investment for each of the three years in the period ended January 28, 2017, and our report dated March 8, 2017, expressed an unqualified opinion thereon.




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Minneapolis, Minnesota  
March 8, 2017

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**Consolidated Statements of Operations**

(millions, except per share data)	2016	2015	2014
Sales	\$69,495	\$73,785	\$72,618
Cost of sales	48,872	51,997	51,278
Gross margin	20,623	21,788	21,340
Selling, general and administrative expenses	13,356	14,665	14,676
Depreciation and amortization	2,298	2,213	2,129
Gain on sale	—	(620)	—
Earnings from continuing operations before interest expense and income taxes	4,969	5,530	4,535
Net interest expense	1,004	607	882
Earnings from continuing operations before income taxes	3,965	4,923	3,653
Provision for income taxes	1,296	1,602	1,204
<b>Net earnings from continuing operations</b>	<b>2,669</b>	<b>3,321</b>	<b>2,449</b>
<b>Discontinued operations, net of tax</b>	<b>68</b>	<b>42</b>	<b>(4,085)</b>
<b>Net earnings / (loss)</b>	<b>\$ 2,737</b>	<b>\$ 3,363</b>	<b>\$ (1,636)</b>
<b>Basic earnings / (loss) per share</b>			
Continuing operations	\$ 4.62	\$ 5.29	\$ 3.86
Discontinued operations	0.12	0.07	(6.44)
Net earnings / (loss) per share	\$ 4.74	\$ 5.35	\$ (2.58)
<b>Diluted earnings / (loss) per share</b>			
Continuing operations	\$ 4.58	\$ 5.25	\$ 3.83
Discontinued operations	0.12	0.07	(6.38)
Net earnings / (loss) per share	\$ 4.70	\$ 5.31	\$ (2.56)
Weighted average common shares outstanding			
Basic	577.6	627.7	634.7
Dilutive effect of share-based awards	4.9	5.2	5.4
Diluted	582.5	632.9	640.1
Antidilutive shares	0.1	—	3.3
Dividends declared per share	\$ 2.36	\$ 2.20	\$ 1.99

Note: Per share amounts may not foot due to rounding.  
See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Comprehensive Income**

(millions)	2016	2015	2014
Net income / (loss)	\$2,737	\$3,363	\$(1,636)
Other comprehensive (loss) / income, net of tax			
Pension and other benefit liabilities, net of tax benefit of \$9, \$18, and \$90	(13)	(27)	(139)
Currency translation adjustment and cash flow hedges, net of provision for taxes of \$2, \$2, and \$2	4	(3)	431
Other comprehensive (loss) / income	(9)	(30)	292
Comprehensive income / (loss)	\$2,728	\$3,333	\$(1,344)

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Financial Position**

(millions, except footnotes)	January 28, 2017	January 30, 2016
<b>Assets</b>		
Cash and cash equivalents, including short-term investments of \$1,110 and \$3,008	\$ 2,512	\$ 4,046
Inventory	8,309	8,601
Assets of discontinued operations	69	322
Other current assets	1,100	1,161
Total current assets	11,990	14,130
<b>Property and equipment</b>		
Land	6,106	6,125
Buildings and improvements	27,611	27,059
Fixtures and equipment	5,503	5,347
Computer hardware and software	2,651	2,617
Construction-in-progress	200	315
Accumulated depreciation	(17,413)	(16,246)
Property and equipment, net	24,658	25,217
Noncurrent assets of discontinued operations	12	75
Other noncurrent assets	771	840
<b>Total assets</b>	<b>\$ 37,431</b>	<b>\$40,262</b>
<b>Liabilities and shareholders' investment</b>		
Accounts payable	\$ 7,252	\$ 7,418
Accrued and other current liabilities	3,737	4,236
Current portion of long-term debt and other borrowings	1,718	815
Liabilities of discontinued operations	1	153
Total current liabilities	12,708	12,622
Long-term debt and other borrowings	11,031	11,945
Deferred income taxes	861	823
Noncurrent liabilities of discontinued operations	18	18
Other noncurrent liabilities	1,860	1,897
Total noncurrent liabilities	13,770	14,683
<b>Shareholders' investment</b>		
Common stock	46	50
Additional paid-in capital	5,661	5,348
Retained earnings	5,884	8,188
Accumulated other comprehensive loss		
Pension and other benefit liabilities	(601)	(588)
Currency translation adjustment and cash flow hedges	(37)	(41)
Total shareholders' investment	10,953	12,957
<b>Total liabilities and shareholders' investment</b>	<b>\$ 37,431</b>	<b>\$40,262</b>

**Common Stock** Authorized 6,000,000,000 shares, \$0.0833 par value; 556,156,228 shares issued and outstanding at January 28, 2017; 602,226,517 shares issued and outstanding at January 30, 2016.

**Preferred Stock** Authorized 5,000,000 shares, \$0.01 par value; no shares were issued or outstanding at January 28, 2017 or January 30, 2016. See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Cash Flows**

(millions)	2016	2015	2014
<b>Operating activities</b>			
Net earnings / (loss)	\$2,737	\$3,363	\$(1,636)
Earnings / (losses) from discontinued operations, net of tax	68	42	(4,085)
Net earnings from continuing operations	2,669	3,321	2,449
Adjustments to reconcile net earnings to cash provided by operations:			
Depreciation and amortization	2,298	2,213	2,129
Share-based compensation expense	113	115	71
Deferred income taxes	41	(322)	7
Gain on sale	—	(620)	—
Loss on debt extinguishment	422	—	285
Noncash (gains) / losses and other, net	—	57	40
Changes in operating accounts:			
Inventory	293	(316)	(512)
Other assets	36	227	(115)
Accounts payable and accrued liabilities	(543)	579	803
Cash provided by operating activities—continuing operations	5,329	5,254	5,157
Cash provided by / (required for) operating activities—discontinued operations	107	704	(692)
Cash provided by operations	5,436	5,958	4,465
<b>Investing activities</b>			
Expenditures for property and equipment	(1,547)	(1,438)	(1,786)
Proceeds from disposal of property and equipment	46	28	95
Proceeds from sale of businesses	—	1,875	—
Cash paid for acquisitions, net of cash assumed	—	—	(20)
Other investments	28	24	106
Cash (required for) / provided by investing activities—continuing operations	(1,473)	489	(1,605)
Cash provided by / (required for) investing activities—discontinued operations	—	19	(321)
Cash (required for) / provided by investing activities	(1,473)	508	(1,926)
<b>Financing activities</b>			
Change in commercial paper, net	—	—	(80)
Additions to long-term debt	1,977	—	1,993
Reductions of long-term debt	(2,641)	(85)	(2,079)
Dividends paid	(1,348)	(1,362)	(1,205)
Repurchase of stock	(3,706)	(3,483)	(26)
Stock option exercises	221	300	373
Cash required for financing activities	(5,497)	(4,630)	(1,024)
Net (decrease) / increase in cash and cash equivalents	(1,534)	1,836	1,515
Cash and cash equivalents at beginning of period <sup>(a)</sup>	4,046	2,210	695
<b>Cash and cash equivalents at end of period</b>	<b>\$2,512</b>	<b>\$4,046</b>	<b>\$ 2,210</b>
<b>Supplemental information</b>			
Interest paid, net of capitalized interest	\$ 999	\$ 604	\$ 871
Income taxes paid / (refunded)	1,514	(127)	1,251
Property and equipment acquired through capital lease obligations	238	126	88

<sup>(a)</sup>Includes cash of our discontinued operations of \$25 million at February 1, 2014. See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Shareholders' Investment**

(millions)	Common Stock Shares	Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Total
February 1, 2014	632.9	\$53	\$4,470	\$12,599	\$(891)	\$16,231
Net loss	—	—	—	(1,636)	—	(1,636)
Other comprehensive income	—	—	—	—	292	292
Dividends declared	—	—	—	(1,273)	—	(1,273)
Repurchase of stock	(0.8)	—	—	(46)	—	(46)
Stock options and awards	8.1	—	429	—	—	429
January 31, 2015	640.2	\$53	\$4,899	\$9,644	\$(599)	\$13,997
Net earnings	—	—	—	3,363	—	3,363
Other comprehensive loss	—	—	—	—	(30)	(30)
Dividends declared	—	—	—	(1,378)	—	(1,378)
Repurchase of stock	(44.7)	(4)	—	(3,441)	—	(3,445)
Stock options and awards	6.7	1	449	—	—	450
January 30, 2016	602.2	\$50	\$5,348	\$8,188	\$(629)	\$12,957
Net earnings	—	—	—	2,737	—	2,737
Other comprehensive loss	—	—	—	—	(9)	(9)
Dividends declared	—	—	—	(1,359)	—	(1,359)
Repurchase of stock	(50.9)	(4)	—	(3,682)	—	(3,686)
Stock options and awards	4.9	—	313	—	—	313
January 28, 2017	556.2	\$46	\$5,661	\$5,884	\$(638)	\$10,953

See accompanying Notes to Consolidated Financial Statements.



**1.** Award: 5.00 points

How many employees did Target have as of January 28, 2017? [Annual report of Target Corporation for 2016-17](#)

rev: 12\_20\_2019\_QC\_CS-192351

- 323,000
- 232,000
- 273,000
- 307,000

**References**

Multiple Choice Difficulty: 1 Easy

**2.** Award: 5.00 points

What company operated the pharmacies in Target stores as of January 28, 2017? [Annual report of Target Corporation for 2016-17](#)

rev: 12\_20\_2019\_QC\_CS-192351

- Rite Aide
- Walgreens
- CVS
- Target

**References**

Multiple Choice Difficulty: 1 Easy



**3.** Award: 5.00 points

What is the name of Target's independent auditors?

- Deloitte and Touche, LLP
- Ernst and Young, LLP
- PricewaterhouseCoopers, LLP
- KPMG, LLP

## References

Multiple Choice Difficulty: 1 Easy

**4.** Award: 5.00 points

What type of audit opinion did Target receive for its 2016 financial statements?

- Disclaimer
- Adverse
- Qualified
- Unqualified

## References

Multiple Choice Difficulty: 1 Easy

**5.** Award: 5.00 points

"2016" refers to the fiscal year that ended on January 28, 2017. What was Target's gross profit (margin) percentage for 2016?



- 29.3%
- 29.5%
- 29.7%
- 29.9%

## References

Multiple Choice Difficulty: 1 Easy

**6.** Award: 5.00 points

A decrease in the gross profit (margin) percentage would most likely be caused by which of the following?

- A decrease in the volume of sales and thus a decrease in dollars of sales revenue.
- A weakening ability to control cost of sales expenses.
- Less efficiency using assets to generate sales.
- Increased financing with debt.

## References

Multiple Choice Difficulty: 1 Easy

**7.** Award: 5.00 points

"2016" refers to the fiscal year that ended on January 28, 2017. By what dollar amount did Target's cost of sales increase or decrease from 2015 to 2016?

- \$1,578 million increase
- \$2,635 million increase
- \$4,290 million decrease
- \$3,125 million decrease



## References

Multiple Choice Difficulty: 1 Easy

**8.** Award: 5.00 points

"2016" refers to the fiscal year that ended on January 28, 2017. By what percentage did Target's selling, general, and administrative expense increase or decrease from 2015 to 2016?

- 8.9% increase
- 6.1% increase
- 8.9% decrease
- 6.1% decrease

## References

Multiple Choice Difficulty: 1 Easy

**9.** Award: 5.00 points

"2016" refers to the fiscal year that ended on January 28, 2017. What percentage of total assets were comprised on current assets for 2016?

- 28.4%
- 31.3%
- 32.0%
- 32.9%

## References

Multiple Choice Difficulty: 1 Easy

**10.** Award: 5.00 points



What percentage of total assets were financed with stockholders' equity as of January 28, 2017?

- 29.3%
- 28.9%
- 31.7%
- 30.6%

#### References

Multiple Choice Difficulty: 1 Easy

11.

Award: 5.00 points

Which of the following statements is true?

- In 2016, Target's long-term debt and interest expense both increased.
- In 2016, Target's long-term debt and interest expense both decreased.
- In 2016, Target's long-term debt increased and interest expense decreased.
- In 2016, Target's long-term debt decreased and interest expense increased.

#### References

Multiple Choice Difficulty: 1 Easy

12.

Award: 5.00 points

"2016" refers to the fiscal year that ended on January 28, 2017. What was Target's current ratio for 2016?

- 0.94 to 1.00
- 1.04 to 1.00



1.14 to 1.00

1.24 to 1.00

#### References

**Multiple Choice** Difficulty: 1 Easy

**13.** Award: 5.00 points

"2016" refers to the fiscal year that ended on January 28, 2017. What was the average number of days it took Target to sell its inventory in 2016?

37 days

51 days

62 days

73 days

#### References

**Multiple Choice** Difficulty: 1 Easy

**14.** Award: 5.00 points

How many shares of common stock did Target have issued and outstanding as of January 28, 2017?

556,156,228

437,159,428

381,004,328

296,937,628

#### References



Multiple Choice Difficulty: 1 Easy

15. Award: 5.00 points

"2016" refers to the fiscal year that ended on January 28, 2017. What amount of dividends did Target's declare and pay in 2016 (in millions)?

	<u>Declared</u>	<u>Paid</u>
a.	\$1,348	\$1,359
b.	\$3,706	\$3,483
c.	\$3,483	\$3,706
d.	\$1,359	\$1,348

- Option A
- Option B
- Option C
- Option D

References

Multiple Choice Difficulty: 1 Easy

16. Award: 5.00 points

When does Target recognize the revenue earned from the sale and use of "gift cards?" [Annual report of Target Corporation for 2016-17](#)

rev: 12\_20\_2019\_QC\_CS-192351

- When the customer uses the gift card to purchase goods.
- When the gift card is sold.
- Equally, per month, over the life of the gift card.
- Twenty-five percent when the card is sold, and the remainder equally, per month, over the life of the gift card.

References



Multiple Choice Difficulty: 1 Easy

17. Award: 5.00 points

What accounting method does Target use to account for cost of sales and depreciation expense?  
Annual report of Target Corporation for 2016-17

	<u>Cost of sales</u>	<u>Depreciation</u>
a.	FIFO	Accelerated
b.	FIFO	Straight-line
c.	LIFO	Accelerated
d.	LIFO	Straight-line

rev: 12\_20\_2019\_QC\_CS-192351

- Option A
- Option B
- Option C
- Option D

References

Multiple Choice Difficulty: 1 Easy

18. Award: 5.00 points

What company owns and manages the Target brand credit cards? Annual report of Target Corporation for 2016-17

rev: 12\_20\_2019\_QC\_CS-192351

- Bank of America
- Barclays Bank
- Citi Group
- TD Bank Group

References



Multiple Choice Difficulty: 1 Easy

19. Award: 5.00 points

"2016" refers to the fiscal year that ended on January 28, 2017. What was Target's times-interest-earned ratio for 2016? [Annual report of Target Corporation for 2016-17](#)

rev: 12\_20\_2019\_QC\_CS-192351

- 4.9
- 3.1
- 3.8
- 3.9

References

Multiple Choice Difficulty: 1 Easy

20. Award: 5.00 points

"2016" refers to the fiscal year that ended on January 28, 2017. Why was Target's return on equity ratio higher than its return on assets ratio for 2016?

- Expenses decreased as a percentage of sales
- Financial leverage
- Long-term assets decreased as a percentage of total assets
- Operating leverage

References

Multiple Choice Difficulty: 1 Easy

