Same industry, different business

For the teacher. Every number comes from the filing named next to it.

Part A: First guess

Any reasoned guess is fine. Return to the guesses at the end of the lesson.

Part B: The two receipts

Making the products: Coca-Cola: $35.5; PepsiCo: $45.9; Difference: $10.4 (student calculation: $45.9 − $35.5)

Selling, general and administrative: Coca-Cola: $28.0; PepsiCo: $39.8; Difference: $11.8 (student calculation: $39.8 − $28.0)

B1. Making the products, and selling, general and administrative.

Source: Coca-Cola Form 10-K FY2025, consolidated statement of income (page 61); PepsiCo Form 10-K FY2025, consolidated statement of income (page 57). Receipt lines are Cityfort calculations shown on each company page.

Teacher note: those two gaps add up to more than the $16.5 gap in what was kept (student calculation: $25.3 − $8.8). Other lines run the other way: Coca-Cola's income tax line is $5.5 and PepsiCo's is $2.1.

Part C: What each company says

C1. Coca-Cola mostly sells concentrate and syrups to bottling partners (Item 1, page 3). Concentrate sales were 59% of FY2025 revenue (Item 7, page 37).

C2. Snacks and other convenient foods, such as Lay's and Doritos: 58% of PepsiCo's FY2025 net revenue (Note 1, page 67).

C3. Finished products (finished drinks) bring lower gross profit margins than concentrate. Coca-Cola Form 10-K FY2025, Item 1, page 4.

Part D: Venn diagram (sample)

Only Coca-Cola: Most revenue comes from concentrate (59% of FY2025 revenue); Both: Sells concentrate to bottlers; Only PepsiCo: Makes snacks (58% of FY2025 net revenue)

Only Coca-Cola: Kept $25.3 of each $100; Both: Owns some bottlers (Coca-Cola: most of its 41% from finished drinks; PepsiCo: drinks from its own bottlers, 36% of net revenue); Only PepsiCo: Kept $8.8 of each $100

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Only Coca-Cola: Making the products: $35.5; Both: Has a "making the products" line; Only PepsiCo: Making the products: $45.9

Only Coca-Cola: About 65,900 employees; Both: Wrote down a drinks brand in FY2025 ($2.4 and $2.1); Only PepsiCo: About 306,000 employees

Both: Partners' share: $0.1 each; sells drinks in many countries

Accept other items that are correct and cited.

Part E and discussion

Strong answers use a receipt line, a business choice and a citation. Example: "PepsiCo spends more of each $100 on making the products because its business makes snacks and finished drinks itself. Its 10-K says PBNA operates its own bottling plants (Item 1, page 3)."

Watch for ranking words. Steer students to "larger share", "smaller share" and "different".

Exit ticket

Most of Coca-Cola's revenue (59%) comes from selling concentrate to bottlers, who make and deliver the drinks. Most of PepsiCo's comes from products it makes, such as snacks (58%). Making finished products costs more of each $100: $45.9 vs. $35.5.

Brand write-downs ($2.4 vs. $2.1) or partners' share ($0.1 each). The amounts are close, so they cannot explain a gap of $16.5 (student calculation).

Coca-Cola Form 10-K FY2025, Item 1, page 4 (or page 3, or Item 7, page 37); or PepsiCo Form 10-K FY2025, Item 1, page 3, or Note 1, page 67.

Version B (matching) answers

1 Coca-Cola · 2 PepsiCo · 3 PepsiCo · 4 Coca-Cola · 5 PepsiCo · 6 Both · 7 PepsiCo · 8 Both.

Sentence: "...because most of its revenue comes from selling concentrate to bottlers."

Exit ticket (Version B): 1 Coca-Cola · 2 Brand write-downs · 3 Item 1.

Notes on the write-downs and other income

PepsiCo. Its income statement calls the line "Impairment of intangible assets": $1,993 million in FY2025 (Form 10-K FY2025, page 57). The "Impairment and Other Charges" table in Note 1 (page 67) lists three Rockstar rows for 2025, each with the affected line "Impairment of intangible assets": PBNA "Rockstar ... 1,539", IB Franchise "Rockstar ... 73" and EMEA "Rockstar ... 251" ($ millions). Together that is $1,863 million of the $1,993 million (Cityfort calculation: $1,539M + $73M + $251M). On the receipt, the line is $2.1 of each $100.

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Coca-Cola. Its "other operating charges" were $1.26 billion in FY2025, mostly a $960 million write-down of the BodyArmor trademark (Item 7, page 47). On the receipt, the line is $2.4 of each $100.

Other income. Coca-Cola's $100 includes $3.89 billion of interest, equity and other income. That includes a $1.95 billion one-time gain from selling its stake in Coke Consolidated, a bottler. PepsiCo's receipt is based on net revenue alone.

Same-basis check. On revenue alone, operating income was $28.71 per $100 at Coca-Cola and $12.24 at PepsiCo in FY2025. The gap is still there, so Coca-Cola's other income does not explain it.

Discussion question 3

Ranking is a judgment, and it depends on what someone values. PepsiCo took in almost twice the revenue (student calculation: $93.9 billion ÷ $47.9 billion is about 1.96). Coca-Cola kept more of each $100. The receipts show differences, not an order.

Extension answers: McDonald's vs. Chipotle

X1. Chipotle owns and runs all its restaurants in the U.S. and Canada, so their food ($29.4), labor ($24.9) and rent and other restaurant costs ($19.8) are its costs. Franchisees run about 95% of McDonald's restaurants and pay it rent and royalties. Their food and wages are not McDonald's costs. McDonald's pays occupancy costs on franchised restaurants ($9.7), because it generally owns or leases the land and buildings.

Extra facts from the pages:

Franchisees paid 61.6% of McDonald's FY2025 revenue: rent 38.8%, royalties 22.4% and initial fees 0.3%. Company-run restaurants brought in 36.0%.

Franchised restaurants supplied about 90% of McDonald's FY2025 restaurant margin dollars.

Systemwide sales were $139.4 billion in FY2025, but McDonald's revenue was $26.9 billion. Franchisees' food sales are not McDonald's revenue.

Operating income per $100 of revenue in FY2025: McDonald's $46.1, Chipotle $16.2.

Advanced answers: Costco vs. Walmart

A1. The biggest differences are in the first two lines: Costco $87.0 vs. Walmart $74.9 on goods, and $8.9 vs. $20.7 on running costs. Costco's page says it "earns thin margins on a high volume of sales, and members pay a fee on top." Walmart's page says it prices items at everyday low prices and controls costs to pay for them, as Walmart states.

Note: the two fiscal years differ. Costco's FY2026 ended Aug 30, 2026; Walmart's ended Jan 31, 2026. Walmart's kept line includes net gains, mostly on investments, as its page notes.

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Sources

1. S1: Coca-Cola: Form 10-K for fiscal year 2025 (year ended Dec 31, 2025), The Coca-Cola Company (SEC EDGAR), Feb 20, 2026. https://www.sec.gov/Archives/edgar/data/21344/000162828026010047/ko-20251231.htm
2. S2: PepsiCo: Form 10-K for fiscal year 2025 (year ended Dec 27, 2025), PepsiCo, Inc. (SEC EDGAR), Feb 3, 2026. https://www.sec.gov/Archives/edgar/data/77476/000007747626000007/pep-20251227.htm
3. S3: McDonald's: Form 10-K for fiscal year 2025 (year ended Dec 31, 2025), McDonald's Corporation (SEC EDGAR), Feb 24, 2026. https://www.sec.gov/Archives/edgar/data/63908/000006390826000035/mcd-20251231.htm
4. S4: Chipotle: Form 10-K for fiscal year 2025 (year ended Dec 31, 2025), Chipotle Mexican Grill, Inc. (SEC EDGAR), Feb 4, 2026. https://www.sec.gov/Archives/edgar/data/1058090/000105809026000009/cmg-20251231.htm
5. S5: Chipotle: Form 10-Q for Q3 FY2026 (quarter ended Sep 30, 2026), Chipotle Mexican Grill, Inc. (SEC EDGAR), Oct 29, 2026. https://www.sec.gov/Archives/edgar/data/1058090/000105809026000104/cmg-20260930.htm
6. S6: Costco: Form 10-K for fiscal year 2026 (year ended Aug 30, 2026), Costco Wholesale Corporation (SEC EDGAR), Oct 7, 2026. https://www.sec.gov/Archives/edgar/data/909832/000090983226000093/cost-20260830.htm
7. S7: Walmart: Form 10-K for fiscal year 2026 (year ended Jan 31, 2026), Walmart Inc. (SEC EDGAR), Mar 13, 2026. https://www.sec.gov/Archives/edgar/data/104169/000010416926000055/wmt-20260131.htm

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