Negative equity is not the same as bankruptcy

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

Part A (made-up numbers)

A1. Liabilities $1,500 ($700 + $800). Assets $1,000: the borrowed $800 came in and went straight out to the sellers. Equity −$500 ($1,000 − $1,500).

A2. Yes. Negative equity says liabilities are larger than assets on paper; it does not say the stand has closed or cannot pay its bills.

Part B

Assets: what a company owns. Liabilities: what it owes. Equity: assets minus liabilities. Retained earnings: profit kept over its history. Treasury stock: shares the company bought back, at cost.

Part C

McDonald's: below zero on both dates. Fact: treasury stock $79.3 billion above retained earnings $70.3 billion at Dec 31, 2025.

Where: McDonald's Form 10-K for FY2025, balance sheet

Starbucks: below zero. Fact: liabilities have exceeded assets every year since at least FY2021, with buybacks of $4 billion in FY2022 and $1.3 billion in FY2024.

Where: Starbucks fiscal 2026 earnings release; FY2023 and FY2025 10-Ks

Lowe's: below zero on both dates. Fact: $32.1 billion of buybacks in FY2020 to FY2022; the deficit first appeared in FY2021.

Where: Lowe's Form 10-K for FY2022 and FY2025; Form 10-Q for Q2 FY2026

Home Depot: below zero on Jan 30, 2022; above zero on Aug 2, 2026. Fact: buybacks paused in March 2024 and none were made in FY2025.

Where: Home Depot Form 10-K for FY2021 and FY2025; Form 10-Q for Q2 FY2026

C1. $79.3 billion − $70.3 billion = $9 billion (Cityfort calculation). Other parts of equity, such as money from shares issued, make up the rest of the total.

Part D

D1. Road 2 (payouts) for all four cards.

D2. With buybacks paused, the profit Home Depot kept after paying dividends added to equity, and it turned positive.

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D3. Negative equity is a balance-sheet total; bankruptcy is a legal process when a company cannot pay what it owes.

Not accepted on any part: "broke," "failing," "safe," "reckless" or any other verdict.

Advanced

It is money received for something Starbucks still has to provide over time, so it is owed in goods or services, not repaid in cash with interest. As a liability, it lowers equity until it is booked as revenue.

Exit ticket

1. Equity = assets − liabilities.

2. Any two of: losses, dividends, buybacks.

3. False. McDonald's, Starbucks and Lowe's reported negative equity and kept operating.

4. The balance sheet's shareholders' equity section (retained earnings and treasury stock) and the cash flow statement (buybacks and dividends).

Notes

- Data checked Nov 15, 2026. Equity, treasury stock, retained earnings, buybacks and dividends are copied from each filing as stored on the company's Cityfort page. C1 is a Cityfort calculation by subtraction.

Sources

1. S1: McDonald's: Form 10-K, fiscal year 2025 (ended Dec 31, 2025), McDonald's Corporation (SEC EDGAR), Feb 24, 2026. https://www.sec.gov/Archives/edgar/data/63908/000006390826000035/mcd-20251231.htm
2. S2: McDonald's: Form 10-Q, Q2 2026 (quarter ended Jun 30, 2026), McDonald's Corporation (SEC EDGAR), Aug 7, 2026. https://www.sec.gov/Archives/edgar/data/63908/000006390826000073/mcd-20260630.htm
3. S3: Starbucks: Q4 and fiscal 2026 earnings release (Form 8-K, Exhibit 99.1, Oct 29, 2026), Starbucks Corporation (SEC EDGAR), Oct 29, 2026. https://www.sec.gov/Archives/edgar/data/829224/000082922426000154/sbux-09272026xearningsrele.htm
4. S4: Starbucks: Form 10-K for fiscal year 2023 (ended Oct 1, 2023), Starbucks Corporation (SEC EDGAR), Nov 17, 2023. https://www.sec.gov/Archives/edgar/data/829224/000082922423000058/sbux-20231001.htm
5. S5: Starbucks: Form 10-K for fiscal year 2025 (ended Sep 28, 2025), Starbucks Corporation (SEC EDGAR), Nov 14, 2025. https://www.sec.gov/Archives/edgar/data/829224/000082922425000114/sbux-20250928.htm
6. S6: Lowe's: Form 10-K for fiscal 2025 (year ended Jan 30, 2026), Lowe's Companies, Inc. (SEC EDGAR), Mar 23, 2026. https://www.sec.gov/Archives/edgar/data/60667/000006066726000029/low-20260130.htm
7. S7: Lowe's: Form 10-K for fiscal 2022 (53 weeks, year ended Feb 3, 2023), Lowe's Companies, Inc. (SEC EDGAR), Mar 27, 2023. https://www.sec.gov/Archives/edgar/data/60667/000006066723000034/low-20230203.htm
8. S8: Lowe's: Form 10-Q for Q2 fiscal 2026 (quarter ended Jul 31, 2026), Lowe's Companies, Inc. (SEC EDGAR), Aug 27, 2026. https://www.sec.gov/Archives/edgar/data/60667/000006066726000117/low-20260731.htm

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9. S9: Home Depot: Form 10-K for fiscal 2025 (year ended Feb 1, 2026), The Home Depot, Inc. (SEC EDGAR), Mar 18, 2026. https://www.sec.gov/Archives/edgar/data/354950/000162828026019436/hd-20260201.htm
10. S10: Home Depot: Form 10-K for fiscal 2023 (year ended Jan 28, 2024), The Home Depot, Inc. (SEC EDGAR), Mar 13, 2024. https://www.sec.gov/Archives/edgar/data/354950/000035495024000062/hd-20240128.htm
11. S11: Home Depot: Form 10-K for fiscal 2021 (year ended Jan 30, 2022), The Home Depot, Inc. (SEC EDGAR), Mar 23, 2022. https://www.sec.gov/Archives/edgar/data/354950/000035495022000070/hd-20220130.htm
12. S12: Home Depot: Form 10-Q for Q2 fiscal 2026 (quarter ended Aug 2, 2026), The Home Depot, Inc. (SEC EDGAR), Aug 25, 2026. https://www.sec.gov/Archives/edgar/data/354950/000162828026058715/hd-20260802.htm

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"Debt, cash and staying power: Lesson 4 – Negative equity is not the same as bankruptcy" by Cityfort (cityfort.co/teachers/debt-cash-and-staying-power/negative-equity), CC BY-NC 4.0. Data from McDonald's FY2025 Form 10-K, filed Feb 24, 2026; McDonald's Q2 FY2026 Form 10-Q, filed Aug 7, 2026; Starbucks's FY2026 earnings release (Form 8-K), filed Oct 29, 2026; Starbucks's FY2025 Form 10-K, filed Nov 14, 2025; Lowe's FY2025 Form 10-K, filed Mar 23, 2026; Lowe's Q2 FY2026 Form 10-Q, filed Aug 27, 2026; Home Depot's FY2025 Form 10-K, filed Mar 18, 2026; and Home Depot's Q2 FY2026 Form 10-Q, filed Aug 25, 2026.

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