 Name _____

Costco: Reading the Real Financial Statements

Source: Costco Wholesale Corporation Form 10-K, fiscal year ended August 31, 2025 (some lines combined; amounts in millions) · sec.gov/Archives/edgar/data/909832/000090983225000101/cost-20250831.htm

Costco Wholesale Corporation
Consolidated Statement of Income

	Fiscal 2025
Net sales	$ 269,912
Membership fees	5,323
Total revenue	275,235
Merchandise costs	239,886
Selling, general and administrative	24,966
Operating income	10,383
Interest and other income, net	435
Income before income taxes	10,818
Provision for income taxes	2,719
Net income	$ 8,099

Costco Wholesale Corporation
Statement of Retained Earnings

	Fiscal 2025
Retained earnings, Sep 1, 2024	$ 17,619
Add: Net income	8,099
Less: Dividends	(2,183)
Less: Others (incl. share repurchases, Ch11)	(885)
Retained earnings, Aug 31, 2025	$ 22,650

Costco Wholesale Corporation
Consolidated Balance Sheet

	Aug 31, 2025
Cash and cash equivalents	$ 14,161
Short-term investments and other	2,900
Receivables, net	3,203
Merchandise inventories	18,116
Total current assets	38,380
Property and equipment, at cost	50,840
Less: Accumulated depreciation	(18,931)
Property and equipment, net	31,909
Lease right-of-use and other assets	6,810
Total assets	$ 77,099
Accounts payable	$ 19,783
Accrued salaries and other current liabilities	14,471
Deferred membership fees	2,854
Total current liabilities	37,108
Long-term debt	5,713
Lease and other long-term liabilities	5,114
Total liabilities	47,935
Common stock and paid-in capital	8,284
Retained earnings	22,650
Others (AOCI)	(1,770)
Total equity	29,164
Total liabilities and equity	$ 77,099

FIND IT IN THE STATEMENTS

Write the amount ($ millions). Definitions are on the back.

1. How much does Costco expect to collect from its customers? **3,203**
2. What did the merchandise Costco sold this year cost it? **239,886**
3. What expense did it record for wages, rent, utilities and advertising? **24,966**
4. What is the cost of the goods still on its shelves and in warehouses? **18,116**
5. How much does it owe suppliers for goods bought on credit? **19,783**
6. What is the government's share of this year's profit? **2,719**
7. What was left of revenue after all expenses this year? **8,099**
8. How much of its buildings' and equipment's cost has been used up so far? **18,931**
9. What did its buildings and equipment originally cost? **50,840**
10. How much does it owe lenders on long-term loans? **5,713**
11. How much did it pay its shareholders as dividends? **2,183**
12. How much profit has it earned over the years and kept in the business? **22,650**

KEY CONCEPTS (HINTS)

INCOME STATEMENT · A WHOLE YEAR

Revenue (net sales)
What the company earns from selling goods and services, recorded when *earned*.

Cost of sales (cost of goods sold, merchandise costs)
The cost of the inventory that was *sold*. It leaves the balance sheet and becomes an expense.

Operating expenses (SG&A)
Costs of running the business other than the goods: wages, rent, utilities, advertising.

Depreciation
The part of a building's or equipment's cost recorded as an expense each year as it is used up. No cash is paid when it is recorded.

Income tax expense (provision)
The government's share of the profit.

Net income
Revenue minus *all* expenses, including interest and taxes.

STATEMENT OF RETAINED EARNINGS

Retained earnings
Profit earned since the start and kept in the business. Beginning + Net income − Dividends = Ending.

Dividends
Profit paid out to shareholders. Not an expense.

BALANCE SHEET · ONE DATE

Assets = Liabilities + Equity
Everything the company owns is financed by creditors or by owners.

Current assets / current liabilities
Expected to be used up or paid within one year.

Accounts receivable
Amounts customers owe the company, expected to be collected in cash.

Inventory
Goods held for sale, recorded at cost until sold.

Accumulated depreciation
All depreciation recorded so far on buildings and equipment. Cost − accumulated depreciation = net (book value).

Accounts payable
Amounts owed to suppliers for goods or services bought on credit.

Long-term debt
Money borrowed (loans, bonds) that is due after more than one year.

FINALLY, CALCULATE (USE THE NUMBERS ON THE FRONT)

13 **Gross profit margin**
= (Net sales − Cost of sales) ÷ Net sales — **11.1%**

14 **Net profit margin**
= Net income ÷ Total revenue — **2.9%**

15 **Current ratio**
= Total current assets ÷ Total current liabilities — **1.03**

13: (269,912 − 239,886) ÷ 269,912 = 11.1% · 14: 8,099 ÷ 275,235 = 2.9% · 15: 38,380 ÷ 37,108 = 1.03.
Costco keeps about 3 cents of every sales dollar as profit, and only about 11 cents after paying for the goods: it makes much of its profit from membership fees.

Some lines are combined. "Interest and other income, net" = interest income and other minus interest expense. Property and equipment at cost = net + accumulated depreciation. Costco reports its allowance on receivables as immaterial.