 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? _____
2. What did the merchandise Costco sold this year cost it? _____
3. What expense did it record for wages, rent, utilities and advertising? _____
4. What is the cost of the goods still on its shelves and in warehouses? _____
5. How much does it owe suppliers for goods bought on credit? _____
6. What is the government's share of this year's profit? _____
7. What was left of revenue after all expenses this year? _____
8. How much of its buildings' and equipment's cost has been used up so far? _____
9. What did its buildings and equipment originally cost? _____
10. How much does it owe lenders on long-term loans? _____
11. How much did it pay its shareholders as dividends? _____
12. How much profit has it earned over the years and kept in the business? _____

## 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 _____

**14** **Net profit margin**
= Net income ÷ Total revenue _____

**15** **Current ratio**
= Total current assets ÷ Total current liabilities _____

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.