

FINANCIAL ACCOUNTING EXAM 2.2

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- The exam packet is comprised of :
 1. This 28-page document, which contains the questions you are to answer, and excerpts from Dillard's footnotes. Write all of your answers in this document, put your name on each page, and submit the document for grading.
 2. The exam supplement, which contains a chart of accounts for **all** exam entries, BSE matrix for a fictitious company, and financial statements from Dillard's fiscal 2012 annual report.
 - ***Dillard's fiscal 2012 year ended on February 2, 2013.***
 - Dillard's ranks among the nation's largest fashion apparel, cosmetics and home furnishing retailers. (2012 annual report)
 - **For the purpose of this exam, assume the company's policy is to report working-capital reconciliation adjustments that reflect the net effects of all operating entries during the period on the related accounts.**
 3. Scrap paper. Additional scrap paper is available at the front of the room.
- There are 20 possible points on the exam that can be applied to your course grade. Except for the essay portion of the exam, partial credit will not be awarded, so check your answers carefully.
- The exam is closed book and closed notes.
- You cannot use a laptop, tablet, cell phone, or other communication or mobile device.
- You may bring a calculator for your individual use (not to be shared with others), but your calculator must not contain course related information. We reserve the right to inspect your calculator and, in our sole judgment, deem it inappropriate for use during the exam. We will have basic calculators available for you to borrow.
- You may bring a hardcopy dictionary and/or a hardcopy grammar/style book for your individual use (not to be shared with others), but it must not contain course related information, either as handwritten notes or attached/inserted notes. No electronic dictionaries or grammar/style books allowed. We reserve the right to inspect your dictionary and grammar/style book before the exam and randomly during the exam. As a result, we may, in our sole judgment, deem it inappropriate for use during the exam.
- You are required to TURN IN ALL MATERIALS when you have finished the exam, including the exam document, the exam supplement, and all scrap paper (provided). Moreover, once the exam starts, you may not take any materials from the room, including the above and your dictionary or grammar/style book, if you brought them.
- If, in our sole judgment, we cannot read your responses to question 7, you will not receive full credit. If it's determined we cannot read your responses, you will be contacted and given an opportunity to type up your responses EXACTLY as written in your exam by a given time. No content changes are allowed. In this case, you will be penalized 1 point for not writing clearly.
- Regardless of one's intent, staring at classmates' exams is inappropriate. If you wish to take a break from staring at your exam, stare directly ahead or to either side without looking down.

Question 1

For parts (a) - (d) you are to record journal entries for Fred's Wallpaper and Paint Store.

(1) Write your journal entry in the space provided below each question. (2) Use the *most* appropriate accounts from the chart of accounts in the exam supplement (it contains some accounts that are not appropriate).

(1/2 point each, for a total of 2 points)

Part 1(a)**Record a journal entry for the following:**

On December 1, 2012, Fred's Wallpaper and Paint Store paid \$350 for insurance that will provide future benefits. The cost will be expensed when the benefits are realized in the future.

Note: Four rows have been provided, but you may not need them all.

	Debit	Credit
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Part 1(b)**Record a journal entry for the following:**

During December 2012, Fred's Wallpaper and Paint Store sold products to customers for \$1,700 of which \$1,100 was collected at the time of the sale and the remainder was fully expected to be collected within the next 30 days. The company policy is to recognize revenue at the time products are sold, providing collection is reasonably assured.

Note: Four rows have been provided, but you may not need them all.

	Debit	Credit
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Part 1(c)

Record a journal entry for the following:

During December 2012, the products sold cost \$500.

Note: Four rows have been provided, but you may not need them all.

	<u>Debit</u>	<u>Credit</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Part 1(d)

Record a journal entry for the following:

During December 2012, Fred’s Wallpaper and Paint Store recognized \$325 of selling, general, and administrative expense. \$200 was recognized when the company received invoices from its suppliers. The remaining expense was recognized when the company paid its suppliers.

Note: Four rows have been provided, but you may not need them all.

	<u>Debit</u>	<u>Credit</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Question 2

For parts (a) - (b) you are to create direct and indirect cash flow statements for Ellie's Holiday Decorations and Party Services. **The company experienced the events or circumstances recorded in the BSE matrix included in the separate exam supplement.**

(1/2 point for each statement, for a total of 1 point)

Part 1(a)

Complete the following:

Ellie's Holiday Decorations and Party Services	
2012 Direct Cash Flow Statement	
<i>In Dollars, for year ended December 31, 2012</i>	
Operating activities	
Customer collections	_____
Resource provider payments	_____
Tax payments	_____
Net cash from operations	_____
Investing activities	
Purchase property, plant, and equipment	_____
Net cash from investing activities	_____
Financing activities	
Issue common stock	_____
Net cash from financing activities	_____
Net change in cash during year	_____
Beginning cash balance	_____
Ending cash balance	=====

Part 1(b)

Complete the following:

Ellie's Holiday Decorations and Party Services	
2012 Indirect Cash Flow Statement	
<i>In Dollars, for year ended December 31, 2012</i>	
Operating activities	
Net income	_____
Depreciation	_____
Accounts receivable	_____
Inventory	_____
Prepaid expenses	_____
Accounts payable	_____
Accrued taxes	_____
Other accrued liabilities	_____
Deferred revenues	_____
Net cash from operations	_____
Investing activities	
Purchase property, plant, and equipment	_____
Net cash from investing activities	_____
Financing activities	
Issue common stock	_____
Net cash from financing activities	_____
Net change in cash during year	_____
Beginning cash balance	_____
Ending cash balance	=====

Question 3**RELEVANT INFORMATION for QUESTION 3**

The format for parts (i)-(ii) of question 3 is the same as the format for clicker questions discussed during class. **You MUST CIRCLE the letter associated with the best response to receive credit.** (1/2 point each for a total of 1 point)

Question 3(i)

CIRCLE the letter associated with the best response.

Based on the available information in the exam and exam supplement, it is reasonable to conclude:

- (a) The net effect of Dillard's operating and non-operating entries on Accounts receivable during the year ended February 2, 2013 was a \$2,811 increase.
- (b) The net effect of Dillard's operating entries on Accounts receivable during the year ended February 2, 2013 was a \$2,811 increase.
- (c) The net effect of Dillard's operating entries on Accounts receivable during the year ended February 2, 2013 was a \$2,811 decrease.
- (d) (a) and (b)
- (e) (a) and (c)

Question 3(ii)

CIRCLE the letter associated with the best response.

For the purpose of this exam question, assume:

- Purchasing merchandise on account and selling merchandise are the only operating entries that affected Dillard's merchandise inventories during the year ended February 2, 2013.
- All other operating entries are relatively immaterial and can be ignored.

Based on the assumptions and available information in the exam and supplement, it is reasonable to conclude:

- (a) The cost of the merchandise Dillard purchased exceeded the cost of the merchandise it sold during the year ended February 2, 2013.
- (b) The cost of the merchandise Dillard sold exceeded the cost of the merchandise Dillard purchased during the year ended February 2, 2013.
- (c) The cost of the merchandise Dillard acquired as part of an acquisition of another company was \$0 during the year ended February 2, 2013.
- (d) (a) and (c)
- (e) (b) and (c)

Question 4

RELEVANT INFORMATION for QUESTION 4

Base your responses to part (a) and (b) on Dillard’s financial statements in the exam supplement.

Part 4(a)

Record a single journal entry that summarizes the entries Dillard’s recorded during the year ended February 2, 2013 to declare dividends and the entries Dillard’s recorded to pay dividends to all shareholders who have claims on the net assets controlled by Dillard’s.

(1 point)

(1) Write your journal entry in the space provided below. (2) Use the *most* appropriate accounts from the chart of accounts in the exam supplement (it contains some accounts that are not appropriate).

Note: Four rows have been provided, but you may not need them all.

	Debit	Credit

Part 4(b)

Determine the direct effect(s) on the following Dillard’s metrics for fiscal 2012, everything else equal, for the entry in Part 4(a) [that summarizes the entries Dillard’s recorded to declare dividends and the entries Dillard’s recorded to pay dividends during the year ended February 2, 2013]. Ignore taxes.

(1/4 point per ratio, for a total of 1 point.)

If an incorrect entry in part 4(a) leads to errors here, you won’t receive credit here. Thus, check your part 4(a) entry carefully.

Guidance:

Include the direct affects, including the effect(s) of closing entries for events affecting income.

You must put an “X” in the appropriate box to receive credit. You will not receive credit if you put an X in more than one box per metric.

	Increases	Decreases	No Effect
Working capital (current assets - current liabilities)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asset turnover (revenues / average assets)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Net cash from operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Return on equity (ROE) (net profit / average owners' equity)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Question 5**RELEVANT INFORMATION for QUESTION 5**

Base your responses on Dillard's financial statements in the exam supplement.

Record a single journal entry that summarizes the entries Dillard's recorded during the year ended February 2, 2013 for its purchase of treasury stock.

(1 point)

(1) Write your journal entry in the space provided below. (2) Use the *most* appropriate accounts from the chart of accounts in the exam supplement (it contains some accounts that are not appropriate).

Note: Four rows have been provided, but you may not need them all.

	<u>Debit</u>	<u>Credit</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Question 6

RELEVANT INFORMATION for QUESTION 6

Base your responses to part (a) and (b) on Dillard’s financial statements in the exam supplement.

Part 6(a)

Record a journal entry that recognizes Dillard’s disposal of assets during the year ended February 2, 2013. For the purpose of this exam question, assume:

- The disposed assets were furniture, fixtures and equipment.
- The historical costs of the disposed assets was \$50,000.
- Hint: Book value of assets = historical cost - accumulated depreciation.

(1 point)

(1) Write your journal entry in the space provided below. (2) Use the *most* appropriate accounts from the chart of accounts in the exam supplement (it contains some accounts that are not appropriate).

Note: Four rows have been provided, but you may not need them all.

	Debit	Credit

Part 6(b)

Identify the Dillard’s financial statement line items that would have been directly affected (and the direction of the effects) if Dillard’s had recorded the journal entry in Part 6(a) for the disposal of assets during the year ended February 2, 2013, given the assumptions in 6(a).

(1/2 point per statement, for a total of 2 points.)

If an incorrect entry in part 6(a) leads to errors here, you won’t receive credit here. Thus, check your part 6(a) entry carefully.

Guidance:

- (1) Determine the appropriate line item(s) [not accounts] affected using Dillard’s statements. For example, write “cash and cash equivalents” rather than “cash” because this is the description of the line item on Dillard’s balance sheet.
- (2) Include line item(s) directly affected, including the effect(s) of closing entries for events affecting income. Ignore taxes.
- (3) **Identify the subtotal “Net cash provided by operating activities” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.**
- (4) **Don’t include totals or sub-totals other than “Net cash provided by operating activities” indirectly affected by the entry. For example, don’t report “Net income” on the income statement. However, “Net income” is NOT a total on the statement of cash flows, so you must include “Net income” if it’s affected on the statement of cash flows.**
- (5) Four lines were included below for each statement, but you may need none, more than one, or all lines. **Write “NONE” if no line item is effected on the statement.**
- (6) Indicate if the effect(s) of the entries associated with the above event increased or decreased the line item. Put an X in the appropriate column if the above event increases or decreases that line item. For full credit, be sure to mark only one box in each statement’s row. **NOTE: If a reported negative number changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.**
- (7) You won’t receive credit for a statement if you list line items not affected by the entry: don’t guess!

Balance Sheet			Statement of Stockholders' Equity		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Income Statement			Statement of Cash Flows		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

Question 7

RELEVANT INFORMATION for QUESTION 7

The format for question 7 requiring analyses is similar to the group assignments.

While there aren't correct responses to the question, some are definitely better than others. Generally, responses are better to the extent they are well organized, concise, use proper grammar, identify the most important arguments, counterarguments, and rebuttals, include appropriate qualifiers, and provide insights regarding the way you assessed the relative merits of the arguments, counterarguments and rebuttals.

Additionally, responses must cite sources and use quotation marks when copying word for word.

YOU MUST WRITE CLEARLY WITHIN THE GIVEN LINES TO RECEIVE CREDIT. YOU DO NOT NEED TO USE ALL THE SPACE TO RECEIVE FULL CREDIT. THE MARGINS ARE RESERVED FOR GRADING COMMENTS.

If, in our sole judgment, we can not read your response you will not receive full credit.

(total of 10 points)

Introduction

Financial analysts and others use financial models to derive their own assessments of the values of companies' shares, which generally differ from the prices at which the shares are currently traded in stock markets. To the extent these assessed values are significantly higher than the current share prices and investors have confidence in these assessments, they are motivated to buy the companies' shares, and to the extent the assessed values are significantly lower than the current share prices, they are motivated to sell shares.

While several models are used in practice, since the 1960s there has been widespread agreement in academia that the "discounted cash flow" model is the best conceptually and it is used widely in practice. You will learn about this model in finance courses. For now all you need to know is the assessed values depend on forecasts of future cash flows to shareholders (dividends or capital gains). A few years ago, a new model emerged: It converts the forecasted terms in the discounted cash flow model into four factors that are closely related to concepts we have studied in the course:

1. **Book value of owners' equity:** The current book value of owners' equity.
2. **ROEs:** The expected return on equity (ROE) for each future period.
3. **Growth rates:** The expected growth rate of owners' equity for each future period, which depends on several factors including the expected growth rates of revenues and the expected distributions to owners and contributions from them.
4. **Risks:** The expected cost of capital at each future period – the interest rates the company is expected to pay on issued debt and its expected future share prices (the higher the share price, the fewer the number of shares the company has to issue to raise the same amount of capital). The cost of both sources of capital depends on investors' perceptions about the risks the company faces.

Both of the models discussed above are relatively sophisticated mathematical formulas that allow investors to quantify their qualitative assessments of companies' future prospects into valuations. Our focus here is on these qualitative assessments of the two companies' future prospects. More specifically, based on the provided information and concepts studied thus far in the course, you are to qualitatively assess the two companies' expected ROEs, growth rates, and risks. To this end, you should base these assessments on the

extent to which you conclude: (1) past performance (based on plans already being executed and reflected in the financial statements) will persist and (2) new plans (not yet reflected in the financials) will succeed.

Required

In this question, you will explore Target's and Walmart's future ROEs, growth rates, and risks.

Based solely on concepts covered thus far in the course and the provided background information and tabular data, which company, Target or Walmart, appears to have the better future prospects at the most recent balance sheet dates, taking into consideration expected future ROEs, growth rates, and risks?

Note: If you conclude one company doesn't dominate the other on all three factors (ROEs, growth rates and risk): (1) In your opening remarks, identify the company that has the best prospects for each of the factors; and (2) incorporate the companies' relative strengths into your arguments, counterarguments, and the confidence you attribute to your claim

Note: The calendar dates for the companies' fiscal year ends differ only by a few days; but the companies refer to their fiscal years differently. For example, Target's **fiscal 2012** ends on February 2, 2013 and Walmart's **fiscal 2013** ends a couple of days earlier on January 31, 2013. To avoid confusion regarding fiscal years, we will refer to these dates as the most recent balance sheet dates.

Background Information

Excerpts from February 27, 2013 conference call Target Executives had with analysts

Shortly after the end of fiscal 2012, Target held an on-line conference call with financial analysts and others to discuss Target's fiscal 2012: performance for the fourth quarter; performance for the entire year; financial position at the end of the year; and future plans and strategies, including those not yet reflected in the company's financial statements. The following quotes are from a transcript of this conference call prepared by Thomson Reuters Streetevents. They include statements by Target executives followed by questions from analysts and related responses.

Gregg Steinhafel - Target Corp - President & CEO

"Our US operations generated fourth quarter adjusted earnings per share of \$1.65, 10.1% above last year and in line with our prior guidance, even though sales fell short of our expectations. Our fourth quarter GAAP earnings per share were \$1.47, reflecting **Canadian segment dilution** that was slightly favorable to our expectations. As we previously reported, fourth quarter **comparable store sales** in our US retail segment grew 0.4%, compared with an expected increase of 2% to 3%."

Note: "Canadian segment dilution" means the Canadian business segment's earnings per share were losses and thus lowered Target's overall earnings per share.

Note: "comparable store sales in our US retail segment grew by .4%" means sales in established stores (that have been operating for a couple of years) have increased by .4%. This information helps analysts distinguish sales growth due to established stores from that due to new stores.

"In our Canadian segment, preparations for our market launch are reaching their peak. We expect to open our first 24 Canadian stores by early April; and after more than two years of effort, our Target Canada team is eager to welcome their first guests [customers] and begin generating sales. ... For the year, we expect to open 124 Canadian Target stores in five waves before the Christmas holiday season."

...

“As we enter 2013, we will plan appropriately, as the US economy is growing at a painfully slow rate and unemployment remains persistently high. While there are some encouraging signs in the housing market, volatility in consumer confidence, the payroll tax increase, and rise in the price of gas all present incremental headwinds. Given these new challenges facing an already sluggish economy, we have a tempered view of the near-term sales environment. However, as we have seen in the past, our guests are quite resilient.”

...

“We believe that we are well positioned to succeed, even in this uncertain environment. We’ll focus on providing unbeatable value and back up that commitment with our newly enhanced price match policy, which now covers offers from key online competitors year round. We’re also committed to taking smart risks on bold innovative ideas and learning quickly from the results. We’ll raise the bar in differentiation, providing our guests unique products and experiences at affordable prices. And as Kathee will outline in more detail, we will continue to partner with designers on unique collections that embody the Expect More side of our brand promise and remind guests why Target is special.”

Kathee Tesija - Target Corp - EVP, Merchandising

“Though we fell short of our overall sales goal for the fourth quarter, we were pleased that we grew comparable store sales in four of our five merchandising categories and that we sustained our profitability in the face of choppy consumer spending and an intensely competitive environment. Consistent with the rest of the year, fourth quarter comparable store sales were strongest in our less discretionary frequency businesses, which saw growth in the low to mid-single digits. In both of our discretionary Home and Apparel categories, fourth quarter comparable store sales increased in line with the Company average and saw rapid growth in our digital channels. Fourth quarter comparable store sales in hard lines declined in the mid-single-digit range and were softest in Electronics. Many more electronics categories are in mature stages of the product cycle; and during the holiday season, electronics constitutes the primary battleground where competitors engage in their most irrational promotions. In Toys, overall fourth quarter comparable store sales were down slightly overall, but increased about 30% through our digital channels.”

...

“As Gregg mentioned, fourth quarter sales in our digital channels was quite strong, having accelerated throughout the year, as we improved site stability and speed while enhancing search and navigation. These investments are clearly driving higher overall guest satisfaction; and with our continued focus on expanded content and site functionality, we expect continued improvement in 2013. We’re also seeing amazing growth in traffic and sales through our mobile platforms. Mobile purchases now constitute more than 7% of our digital sales and mobile traffic is now more than 25% of our overall digital traffic.”

...

“After improving gradually in 2012, consumer sentiment fell sharply in the fourth quarter, reflecting turmoil surrounding the fiscal cliff and overall political uncertainty. In addition, more than 50% of US consumers believe that the economy will either remain the same or get worse in 2013, and 85% indicate they expect the economy to impact their lifestyle for the next several years. Beyond these potential headwinds to consumer spending, the average US household will see a \$1,000 reduction in their after-tax income as a result of the recent increase in payroll tax rates. However, even in this challenging environment, we expect to win by strengthening guest loyalty and driving increased sales through merchandising that supports both sides of our Expect More, Pay Less brand promise. We’ll continue to match prices on identical items offered by both store-based and online competitors. And we’ll offer guests affordable products and experiences that allow them to treat themselves and their families, while staying within their budgets.

For example, in Apparel we’re very pleased with the response to our current designer partnership, Prabal Gurung for Target. Prabal is one of the most celebrated designers in the fashion industry, and this

collection embodies his signature style and design aesthetic, all at affordable prices. The Prabal Gurung for Target collection features ready-to-wear, handbags, shoes and jewelry that provide key differentiation for Target this spring.”

John Mulligan - Target Corp - EVP, CFO

“In our US Credit Card segment, performance in the fourth quarter was outstanding once again. ... The superior performance and profitability of this asset enabled us to reach a sale and servicing agreement with TD Bank, a premier financial institution that shares our goals for portfolio growth and profitability.”

Note: Target sold its credit card business to TD Bank shortly after the close of fiscal 2012. However, because the sale was planned prior to the end of fiscal 2012, Target was required to write the carrying value of the business to its fair value in fiscal 2012, which resulted in a gain of \$161 million in fiscal 2012 income.

Questions and Answers

Question from Morgan Stanley - Analyst

Can you give us a little more color on the Canada dilution of \$0.45? I think that's bigger than a lot of people were expecting, and it sounds like a lot of it's related to the capital spending decisions. If you could walk us through that a little bit?

Response from Target Corp - EVP, CFO

“... The dilution is a bit higher even than we expected, perhaps a year ago; and all of that is attributable to independent capital investment decisions we've made, whether that's investing in three distribution centers to build them and own them ourselves, or the 40 store expansions that I mentioned that we worked through over the past year. So most of the increase, from our vantage point, is attributable to incremental depreciation and amortization. And of course, those capital investments were separate economic decisions and we expect to see economic benefit to that P&L [profit and loss or income] through time. But the sequencing is that the depreciation and amortization shows up first.”

Excerpts from February 21, 2013 conference call Walmart Executives had with analysts

Shortly after the end of fiscal 2013, Walmart held an on-line conference with financial analysts similar to the one Target held (discussed earlier). The following quotes are from a transcript of this conference call prepared by Thomson Reuters Streetevents. The Walmart transcript didn't include questions from analysts and related responses.

Mike Duke - Wal-Mart Stores, Inc. - President & CEO

“Our financial priorities remain growth, leverage, and returns, and those themes are reflected in what you hear from us today. Let me share with you the key areas that our management team is focused on that are critical to Walmart's long-term success. They are -- delivering a strong Walmart U.S. business, improving returns for International, driving greater efficiency through disciplined capital allocation, meeting our five-year **leverage goal**, investing in Global eCommerce, and continuing to strengthen our company's compliance organization.”

Note: When the CEO refers to “leverage,” he doesn't mean financial leverage (liabilities divided by assets). Rather he is referring to **expense leverage**, which means generating more revenues for each dollar of expense. For example, getting more revenues for each dollar of advertising expense.

“Our leverage teams are working across our businesses to drive incremental benefits for the Company. We're **investing in price** to drive greater sales volume that comes from building customer loyalty. We continue to expand initiatives such as workforce planning, on-shelf availability, and sourcing to accelerate the

productivity loop. We're also reducing costs, improving productivity, and delivering smarter, more efficient operations."

Note: "**Investing in price**" likely means decreasing product prices to increase market share (e.g., more sales at lower prices), which decreases gross margin per sales dollar.

...

"The focus of Bill and his team on cost containment has never been stronger, as Walmart U.S. leveraged operating expenses by 27 **basis points** this year. We pass the majority of these cost savings to customers every day. Our EDLP [Every Day Low Prices] promise, along with a broad assortment, is the key to driving sales. Strong merchandising, efficient operations, and thoughtful use of capital will keep Walmart U.S. strong into the future."

Note: A basis point is .01% or 1/100 of 1 percent.

Jeff Davis - Wal-Mart Stores, Inc. - EVP, Finance & Treasurer

"For the fourth quarter of fiscal 2013, Walmart reported diluted earnings per share from continuing operations of \$1.67 versus \$1.51 for the fourth quarter of last year. Our fiscal 2013 fourth-quarter effective tax rate was 27.7%, which was lower than our expectations and compares to 30.9% last year. Our fourth-quarter effective tax rate benefited from a number of discrete tax items, including the positive impact from fiscal 2013 legislative changes, most notably the American Taxpayer Relief Act of 2012."

...

"With respect to comp sales [comparable sales], total U.S. comp sales, without fuel, increased 1.2% for the 13-week period ended Jan. 25."

Note: Some of Walmart's businesses, including Sam's Club, sell a significant amount of fuel each year. The price of fuel and thus related revenues can vary greatly, which can distort overall sales figures. This is the reason Walmart reports comps without fuel.

"For the quarter, operating expenses as a percentage of sales were 18.3%, an increase of 11 basis points.

...

"Although we were unable to offset the 11 basis point increase in operating expenses, operating income grew 2.4% to \$8.6 billion. On a constant currency basis, operating income would have increased 1.4% to \$8.5 billion."

...

"For the 52-week period ended Jan. 25, U.S. comp sales, without fuel, increased 2.1%. While our gross profit grew 4.5%, our gross profit rate declined 12 basis points to 24.4%, which reflects our ongoing investment in price, as well as our global merchandise mix. With respect to consolidated operating expenses, the Company leveraged expenses by 14 basis points, which adequately covered the 12 basis point investment in gross profit rate. This is the third consecutive year that our company leveraged operating expenses."

...

"Turning to our balance sheet, consolidated inventory grew 7.6%, driven primarily by our U.S. operations. You'll hear more from the segment CEOs regarding the individual drivers of inventory growth."

Bill Simon - Wal-Mart Stores, Inc. - President & CEO, Walmart U.S.

"Our customers continue to rely on us to deliver Every Day Low Prices. This is evident by our consistent gains in market share across the majority of the businesses. According to The Nielsen Company, we gained 40 basis points of market share in the measured category of food, consumables, health & wellness/OTC [over the counter sales] during the 13 weeks ended January 26, 2013. And, according to The NPD Group, for the three-month period ending December 31, 2012, we also improved market share in toys and the Walmart entertainment categories."

...

“Now, let me now recap the [US] highlights of the year. During the fiscal year, net sales increased by \$10.3 billion to \$274.5 billion. The growth was supported by a solid 1.8% 52-week comp.”

...

“Over the course of the year, we grew our retail space by 14 million square feet. In fiscal year 2014, we plan to add between 15 million and 17 million square feet of retail space, representing between 220 and 240 total units, comprised of new stores, expansions, relocations and conversions. You’ve heard us say, supercenters [which include groceries] remain our primary growth vehicle, and we will continue to expand this format to drive share. During the year, we opened 129 supercenters, including new stores, expansions, relocations, and conversions. We plan to expand our supercenter fleet next year by adding approximately the same number of units.”

Doug McMillon - Wal-Mart Stores, Inc. - President & CEO, Walmart International

“International segment net sales were \$37.9 billion, up 6.9% over last year’s fourth quarter. We were disappointed in our sales performance in the quarter. As we discussed previously, we opened fewer new stores in Mexico, China, and Brazil than we had originally planned during the course of the year and the cumulative impact of that was felt more in the fourth quarter. In addition, our comparable store sales in our developed markets of the U.K., Canada, and Japan were pressured and below our expectations.

The holiday season was not as strong as we had planned in several of our markets.

Operating expenses were up 7.7% and we did not leverage operating expenses due to the softness in comp sales.

Operating income was \$2.4 billion, up 6.1%, but growing slower than sales. Currency exchange rate fluctuations increased operating income by \$78 million.”

Rosalind Brewer - Wal-Mart Stores, Inc. - President & CEO, Sam’s Club

“Our optimism, however, is tempered as sales growth slowed later during the fourth quarter, most notably during mid-December and late January and was more pronounced from our business members. Important indicators of the health of our business are traffic and add-ons from small business members. Both of these areas were soft in the fourth quarter, and we are closely monitoring them.

Additionally, as we indicated last quarter, operating income growth was challenged in the fourth quarter by our price investment initiative that will benefit Sam’s Club long term, but negatively impact the short-term results.

...

“Additionally, like Walmart U.S., our Advantage members are pressured by higher payroll income taxes, ongoing unemployment, and higher gas prices. Our role at Sam’s Club is to support our members by creating value for them through price investments.”

Quotes from reporters and analysts close to the time Target and Walmart hosted conference calls

“Target is probably the closest analog to Walmart in the retail sector. Both companies operate massive big-box department stores and both have added a grocery business recently. Target has a slightly different business model though. Rather than competing solely on price, the company has opted for a strategy that relies on a mix of name brands and a more-fashionable line of house brands than can be found in a Walmart. Target shoppers tend to have a little more cash at their disposal than Walmart customers, and as such will likely feel a little bit less of the pinch from rising gas prices.”

Six Retailers could outperform Walmart, Bobby Raines, February 22, 2013, <http://www.marketintelligencecenter.com/articles/262346>

“Walmart beat expectations in its latest earnings report, but offered a wary outlook for the first part of this year. Safeway also reported better-than-expected earnings Thursday. The two companies have more in common than one might think. Groceries now make up more than half Walmart’s American sales.

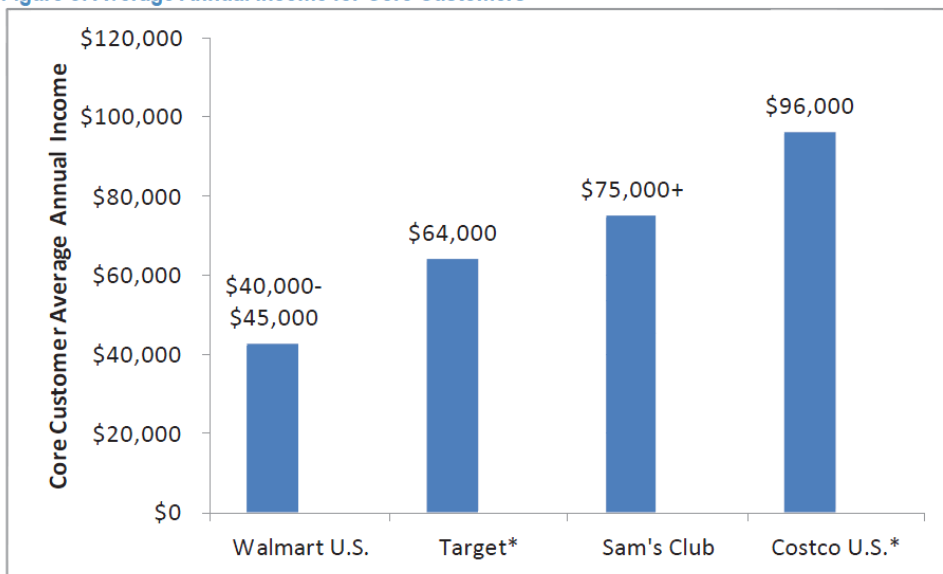
Today’s numbers look back, but the worry is about what’s ahead. There’s been a lot of speculation about how this year’s increase in the payroll tax will impact consumer spending, but other factors will also come into play.

It's clear some Walmart higher-ups are worried about tightwad consumers. Bloomberg obtained leaked e-mails where a top executive called February sales "a total disaster." [These are sales in the first month of fiscal 2014 -- the next fiscal year.] Low-income shoppers are especially sensitive to the payroll tax."

Walmart's worries: Payroll tax, gas prices, Mike Garrison, February 21, 2013, <http://www.marketplace.org/topics/business/walmart-grocers-face-more-payroll-tax>

"The difficulty of continued growth given WMT's [Walmart's] size is made more challenging given current economic conditions ... the consumer tends to spend in line with wage growth. However, with an average income of ~\$42,500, the 2% reduction in payroll tax cuts equates to \$70/month reduction in wages. Given lower discretionary spending dollars in this income class, the impact is likely to be even larger. We believe consumers will still shop Walmart but the basket is likely to shrink and some of the more discretionary categories (e.g., apparel) suffer." [Note this report came out approximately two weeks before Walmart's conference call, which is when it announced fourth quarter results.]

Figure 8: Average Annual Income for Core Customers



Walmart Stores Inc., Downgrading to Neutral; 2012 the Year of WMT That Was, JP Morgan, February 4, 2013

Comparing Balance Sheets and Select Financial Position Ratios

Numbers below are either disclosed on the company's balance sheets with similar captions or they combine numbers with related captions.

Note: The calendar date for the companies' fiscal year ends are within a few days of each other, but the companies refer to the fiscal years differently, e.g.

Target's fiscal 2012 ends on February 2, 2013 and **Walmart's fiscal 2013** ends on January 31, 2013.

	Target				Walmart			
	year end				year end			
	fiscal 2012	fiscal 2011	fiscal 2010	fiscal 2009	fiscal 2013	fiscal 2012	fiscal 2011	fiscal 2010
	2-Feb-13	28-Jan-12	29-Jan-11	30-Jan-10	31-Jan-13	31-Jan-12	31-Jan-11	31-Jan-10
	USD Millions \$				USD Millions \$			
Assets								
Current assets								
Cash and cash equivalents	784	794	1,712	2,200	7,781	6,550	7,395	7,907
Receivables	5,841	5,927	6,153	6,966	6,768	5,937	5,089	4,144
Inventories	7,903	7,918	7,596	7,179	43,803	40,714	36,318	32,713
Other current assets	1,860	1,810	1,752	2,079	1,588	1,774	3,091	3,268
Total current assets	16,388	16,449	17,213	18,424	59,940	54,975	51,893	48,032
Property, plant and equipment net	30,653	29,149	25,493	25,280	116,681	112,324	107,878	102,307
Other non-current assets	1,122	1,032	999	829	26,484	26,107	20,892	20,068
Total assets	48,163	46,630	43,705	44,533	203,105	193,406	180,663	170,407
Liabilities								
Current liabilities								
Accounts payable	7,056	6,857	6,625	6,511	38,080	36,608	33,557	30,451
Other current liabilities	6,975	7,430	3,445	4,816	33,738	25,692	24,927	25,092
Total current liabilities	14,031	14,287	10,070	11,327	71,818	62,300	58,484	55,543
Long-term debt (less current maturities)	14,654	13,697	15,607	15,118	41,417	47,079	43,842	36,401
Other noncurrent liabilities	2,920	2,825	2,541	2,741	8,132	8,266	7,090	5,815
Total liabilities	31,605	30,809	28,218	29,186	121,367	117,645	109,416	97,759
Stockholders' equity								
Common stock (paid-in capital less treasury stock)	3,979	3,543	3,370	2,981	3,952	4,034	3,929	4,181
Retained Earnings	13,155	12,959	12,698	12,947	72,978	68,691	63,967	66,357
Accumulated other comprehensive income (loss)	(576)	(681)	(581)	(581)	(587)	(1,401)	646	(70)
Noncontrolling interests					5,395	4,446	2,705	2,180
Total stockholders' equity	16,558	15,821	15,487	15,347	81,738	75,770	71,247	72,648
Total liabilities and shareholders' equity	48,163	46,630	43,705	44,533	203,105	193,415	180,663	170,407
RATIOS								
Level 1								
<i>Financial leverage (year-end)</i>								
Liabilities/assets	66%	66%	65%	66%	60%	61%	61%	57%
Level 2								
<i>Working capital</i>	2,357	2,162	7,143	7,097	(11,878)	(7,325)	(6,591)	(7,511)
Current assets - current liabilities								
<i>Current ratio</i>	1.17	1.15	1.71	1.63	0.83	0.88	0.89	0.86
Current assets/ current liabilities								
Level 3								
<i>Common Size Balance Sheet</i>								
Line item/total assets								
Assets								
Cash and cash equivalents	2%	2%	4%	5%	4%	3%	4%	5%
Receivables	12%	13%	14%	16%	3%	3%	3%	2%
Inventories	16%	17%	17%	16%	22%	21%	20%	19%
Other current assets	4%	4%	4%	5%	1%	1%	2%	2%
Total current assets	34%	35%	39%	41%	30%	28%	29%	28%
Property, plant and equipment net	64%	63%	58%	57%	57%	58%	60%	60%
Other non-current assets	2%	2%	2%	2%	13%	13%	12%	12%
Total assets	100%	100%	100%	100%	100%	100%	100%	100%
Liabilities								
Accounts payable	15%	15%	15%	15%	19%	19%	19%	18%
Other current liabilities	14%	16%	8%	11%	17%	13%	14%	15%
Total current liabilities	29%	31%	23%	25%	35%	32%	32%	33%
Long-term debt (less current maturities)	30%	29%	36%	34%	20%	24%	24%	21%
Other noncurrent liabilities	6%	6%	6%	6%	4%	4%	4%	3%
Total liabilities	66%	66%	65%	66%	60%	61%	61%	57%
Stockholders' equity								
Common stock (paid-in capital less treasury stock)	8%	8%	8%	7%	2%	2%	2%	2%
Retained Earnings	27%	28%	29%	29%	36%	36%	35%	39%
Accumulated other comprehensive income (loss)	-1%	-1%	-1%	-1%	0%	-1%	0%	0%
Noncontrolling interests	0%	0%	0%	0%	3%	2%	1%	1%
Total stockholders' equity	34%	34%	35%	34%	40%	39%	39%	43%
Total liabilities and shareholders' equity	100%	100%	100%	100%	100%	100%	100%	100%
Market's perception of missed or incorrectly measured BS items								
<i>Market-to-book ratio</i>								
Shares outstanding (issued - treasury)	643.3	669.3	704.0	744.6	3,314	3,418	3,516	3,786
Fiscal year-end price per share (historical quote)	\$ 60.87	\$ 50.37	\$ 54.82	\$ 51.10	\$ 69.95	\$ 61.37	\$ 56.07	\$ 53.48
Market value of stockholders' equity	39,158	33,713	38,593	38,049	231,814	209,763	197,142	202,475
Book value of stockholders' equity	16,558	15,821	15,487	15,347	81,738	75,770	71,247	72,648
Market-to-book ratio	2.36	2.13	2.49	2.48	2.84	2.77	2.77	2.79

Source: Companies' websites
See accompanying notes in annual reports.

Comparing Income Statements and Select Performance Ratios

Numbers below are either disclosed on the company's statements with similar captions or they combine numbers with related captions.

	Target				Walmart				
	year ended				year ended				
	fiscal 2012	fiscal 2011	fiscal 2010	fiscal 2009	fiscal 2013	fiscal 2012	fiscal 2011	fiscal 2010	
	2-Feb-13	28-Jan-12	29-Jan-11	30-Jan-10	31-Jan-13	31-Jan-12	31-Jan-11	31-Jan-10	
	USD Millions \$				USD Millions \$				
INCOME STATEMENTS									
Net revenues	73,301	69,865	67,390	65,357	469,162	446,950	421,849	408,085	
Cost of goods or services sold	50,568	47,860	45,725	44,062	352,488	335,127	314,946	304,444	
Gross profit	22,733	22,005	21,665	21,295	116,674	111,823	106,903	103,641	
Other operating income and (expenses)	17,362	16,683	16,413	16,622	88,873	85,265	81,361	79,639	
Operating profit	5,371	5,322	5,252	4,673	27,801	26,558	25,542	24,002	
Other income and (expenses)	762	866	757	801	2,064	2,160	2,004	1,884	
Profit before taxes	4,609	4,456	4,495	3,872	25,737	24,398	23,538	22,118	
Income tax refund (expense)	1,610	1,527	1,575	1,384	7,981	7,944	7,579	7,156	
Net profit (loss) from continuing operations	2,999	2,929	2,920	2,488	17,756	16,454	15,959	14,962	
SELECTED FINANCIAL DATA									
(controlling and non-controlling)									
Comprehensive Income	3,104	2,829	2,920	2,463	18,768	13,605	17,968	17,611	
Beginning total assets	46,630	43,705	44,533		193,406	180,663	170,407		
Ending total assets	48,163	46,630	43,705	44,533	203,105	193,406	180,663	170,407	
Average total assets	47,397	45,168	44,119		198,256	187,035	175,535		
(beginning + ending total assets)/2									
Beginning owner's equity	15,821	15,487	15,347		75,770	71,247	72,648		
Ending owner's equity	16,558	15,821	15,487	15,347	81,738	75,770	71,247	72,648	
Average owners' equity	16,190	15,654	15,417		78,754	73,509	71,948		
(beginning + ending owner's equity)/2									
RATIOS									
Level 1: Comprehensive income									
<i>Return-on-equity-Comprehensive Income (ROE-CI)</i>	19.17%	18.07%	18.94%		23.83%	18.51%	24.97%		
CI/average owners' equity									
Level 2: Major categories									
<i>Return-on-equity (ROE)</i>	18.52%	18.71%	18.94%		22.55%	22.38%	22.18%		
net profit/average owner's equity									
Level 3: Significant Subcategories--DuPont Model									
Profit margin ratio	6.29%	6.38%	6.67%	5.92%	5.49%	5.46%	5.58%	5.42%	
profit before taxes/revenue									
Asset turnover	1.55	1.55	1.53		2.37	2.39	2.40		
revenue/average total assets									
Financial leverage	2.93	2.89	2.86		2.52	2.54	2.44		
average total assets/average owners' equity									
Income tax factor	0.65	0.66	0.65	0.64	0.69	0.67	0.68	0.68	
1- (tax expense/pretax income)									
Level 4: Line items									
<i>Common size income statements:</i>									
		Percent of revenues					Percent of revenues		
Net revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Cost of goods or services sold	68.99%	68.50%	67.85%	67.42%	75.13%	74.98%	74.66%	74.60%	
Gross profit margin	31.01%	31.50%	32.15%	32.58%	24.87%	25.02%	25.34%	25.40%	
Other operating income and (expenses)	23.69%	23.88%	24.36%	25.43%	18.94%	19.08%	19.29%	19.52%	
Operating profit margin	7.33%	7.62%	7.79%	7.15%	5.93%	5.94%	6.05%	5.88%	
Other income and (expenses)	1.04%	1.24%	1.12%	1.23%	0.44%	0.48%	0.48%	0.46%	
Profit margin before taxes	6.29%	6.38%	6.67%	5.92%	5.49%	5.46%	5.58%	5.42%	
Income tax expense	2.20%	2.19%	2.34%	2.12%	1.70%	1.78%	1.80%	1.75%	
Net profit margin (loss)	4.09%	4.19%	4.33%	3.81%	3.78%	3.68%	3.78%	3.67%	
<i>Revenue growth</i>									
(current year-prior year)/prior year	4.92%	3.67%	3.11%		4.97%	5.95%	3.37%		

Source: Companies' websites

See accompanying notes in the annual reports.

Comparing Cash Flow Statements

Numbers below are either disclosed on the company's statements with similar captions or they combine numbers with related captions.

	Target				Walmart			
	year ended				year ended			
	fiscal 2012	fiscal 2011	fiscal 2010	fiscal 2009	fiscal 2013	fiscal 2012	fiscal 2011	fiscal 2010
	2-Feb-13	28-Jan-12	29-Jan-11	30-Jan-10	31-Jan-13	31-Jan-12	31-Jan-11	31-Jan-10
	USD Millions \$				USD Millions \$			
CASH FLOW STATEMENTS								
Cash flows from operating activities:								
Net profit from continuing operations	2,999	2,929	2,920	2,488	17,756	16,454	15,959	14,962
Adjustments to reconcile net profit to net cash from operations								
(Gains) losses on sales of assets and entities	(161)							
Depreciation and amortization	2,142	2,131	2,084	2,023	8,501	8,130	7,641	7,157
Deferred revenue	0	0	0	0	0	0	0	0
Other	333	583	622	1,599	394	1,448	1,738	(186)
Changes in Net Working Capital								
Receivables	(217)	(187)	(78)	(57)	(614)	(796)	(733)	(297)
Inventories	15	(322)	(417)	(474)	(2,759)	(3,727)	(3,205)	2,213
Accounts payable and other current liabilities	337	450	264	431	2,313	2,746	2,243	2,400
Other	(123)	(150)	(124)	(129)				
Net cash provided by (used for) operations	5,325	5,434	5,271	5,881	25,591	24,255	23,643	26,249
Cash flows from investing activities:								
Payments for property, plant, and equipment (capital expenditures)	(3,277)	(4,368)	(2,129)	(1,729)	(12,898)	(13,510)	(12,699)	(12,184)
Proceeds from disposals of property, plant, and equipment	66	37	69	33	532	580	489	1,002
Acquisition of businesses, net of acquired cash					(316)	(3,548)	(202)	
Other	356	151	316	(7)	71	(131)	219	(438)
Net cash provided by (used for) investing activities	(2,855)	(4,180)	(1,744)	(1,703)	(12,611)	(16,609)	(12,193)	(11,620)
Cash flows from financing activities:								
Proceeds from issuance of share capital	360	89	294	47				
Share capital repurchases	(1,875)	(1,842)	(2,452)	(423)	(7,600)	(6,298)	(14,776)	(7,276)
Additions to long-term debt	1,971	1,994	1,011	0	211	5,050	11,396	5,546
Reductions of long-term debt	(1,529)	(3,125)	(2,259)	(1,970)	(1,478)	(4,584)	(4,080)	(6,033)
Net short term borrowings (repayments)	(530)	1,500			2,754	3,019	503	(1,033)
Dividends	(869)	(750)	(609)	(496)	(5,361)	(5,048)	(4,437)	(4,217)
Other	(16)	(6)			(498)	(597)	(634)	(1,178)
Net cash provided by (used for) financing activities	(2,488)	(2,140)	(4,015)	(2,842)	(11,972)	(8,458)	(12,028)	(14,191)
Other	8	(32)			223	(33)	66	194
Net increase (decrease) in cash during year	(10)	(918)	(488)	1,336	1,231	(845)	(512)	632
Cash and cash equivalents at start of year	794	1,712	2,200	864	6,550	7,395	7,907	7,275
Cash and cash equivalents at end of year	784	794	1,712	2,200	7,781	6,550	7,395	7,907

Source: Companies' websites
See accompanying notes in the annual reports.

Estimating Customer Collections and Free Cash Flow

Numbers below are either disclosed on the company's statements with similar captions or they combine numbers with related captions.

	Target				Walmart			
	year ended				year ended			
	fiscal 2012	fiscal 2011	fiscal 2010	fiscal 2009	fiscal 2013	fiscal 2012	fiscal 2011	fiscal 2010
	2-Feb-13	28-Jan-12	29-Jan-11	30-Jan-10	31-Jan-13	31-Jan-12	31-Jan-11	31-Jan-10
	USD Millions \$				USD Millions \$			
ESTIMATE OF CUSTOMER COLLECTIONS								
Revenue	73,301	69,865	67,390	65,357	469,162	446,950	421,849	408,085
Accounts Receivable, net adjustment	-217	-187	-78	-57	-614	-796	-733	-297
Deferred Revenue adjustment	0	0	0	0	0	0	0	0
Estimated Cash Collections from Customers	73,084	69,678	67,312	65,300	468,548	446,154	421,116	407,788
ESTIMATE OF FREE CASH FLOW								
Net cash provided by (used for) operations	5,325	5,434	5,271	5,881	25,591	24,255	23,643	26,249
Payments for property, plant, and equipment	-3,277	-4,368	-2,129	-1,729	-12,898	-13,510	-12,699	-12,184
Estimated Free Cash Flow (FCF)	2,048	1,066	3,142	4,152	12,693	10,745	10,944	14,065
<i>FCF as a percentage of estimated customer collections</i>	<i>2.80%</i>	<i>1.53%</i>	<i>4.67%</i>	<i>6.36%</i>	<i>2.71%</i>	<i>2.41%</i>	<i>2.60%</i>	<i>3.45%</i>

Source: Companies' websites
See accompanying notes in the annual reports.

Comparing Common-Size Cash Flow Statements

	Target				Walmart			
	year ended				year ended			
	fiscal 2012	fiscal 2011	fiscal 2010	fiscal 2009	fiscal 2013	fiscal 2012	fiscal 2011	fiscal 2010
	2-Feb-13	28-Jan-12	29-Jan-11	30-Jan-10	31-Jan-13	31-Jan-12	31-Jan-11	31-Jan-10
COMMON SIZED CASH FLOW STATEMENTS								
% of estimated customer collections								
Cash flows from operating activities:								
Net profit from continuing operations	4.1%	4.2%	4.3%	3.8%	3.8%	3.7%	3.8%	3.7%
Adjustments to reconcile net profit to net cash from operations								
(Gains) losses on sales of assets and entities	-0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Depreciation and amortization	2.9%	3.1%	3.1%	3.1%	1.8%	1.8%	1.8%	1.8%
Deferred revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other	0.5%	0.8%	0.9%	2.4%	0.1%	0.3%	0.4%	0.0%
Changes in Net Working Capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Receivables	-0.3%	-0.3%	-0.1%	-0.1%	-0.1%	-0.2%	-0.2%	-0.1%
Inventories	0.0%	-0.5%	-0.6%	-0.7%	-0.6%	-0.8%	-0.8%	0.5%
Accounts payable and accrued liabilities	0.5%	0.6%	0.4%	0.7%	0.5%	0.6%	0.5%	0.6%
Other	-0.2%	-0.2%	-0.2%	-0.2%	0.0%	0.0%	0.0%	0.0%
Net cash provided by (used for) operations	7.3%	7.8%	7.8%	9.0%	5.5%	5.4%	5.6%	6.4%
Cash flows from investing activities:								
Payments for property, plant, and equipment (capital expenditures)	-4.5%	-6.3%	-3.2%	-2.6%	-2.8%	-3.0%	-3.0%	-3.0%
Proceeds from disposals of property, plant, and equipment	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
Acquisition of businesses, net of acquired cash	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.8%	0.0%	0.0%
Other	0.5%	0.2%	0.5%	0.0%	0.0%	0.0%	0.1%	-0.1%
Net cash provided by (used for) investing activities	-3.9%	-6.0%	-2.6%	-2.6%	-2.7%	-3.7%	-2.9%	-2.8%
Cash flows from financing activities:								
Proceeds from issuance of share capital	0.5%	0.1%	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%
Share capital (repurchases) sales	-2.6%	-2.6%	-3.6%	-0.6%	-1.6%	-1.4%	-3.5%	-1.8%
Proceeds from long-term borrowings	2.7%	2.9%	1.5%	0.0%	0.0%	1.1%	2.7%	1.4%
Payments for long-term borrowings and capital leases	-2.1%	-4.5%	-3.4%	-3.0%	-0.3%	-1.0%	-1.0%	-1.5%
Net short term borrowings (repayments)	-0.7%	2.2%	0.0%	0.0%	0.6%	0.7%	0.1%	-0.3%
Dividends	-1.2%	-1.1%	-0.9%	-0.8%	-1.1%	-1.1%	-1.1%	-1.0%
Other	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.2%	-0.3%
Net cash provided by (used for) financing activities	-3.4%	-3.1%	-6.0%	-4.4%	-2.6%	-1.9%	-2.9%	-3.5%
Other								
Net increase (decrease) in cash during year	0.0%	-1.3%	-0.7%	2.0%	0.3%	-0.2%	-0.1%	0.2%
Cash and cash equivalents at start of year	1.1%	2.5%	3.3%	1.3%	1.4%	1.7%	1.9%	1.8%
Cash and cash equivalents at end of year	1.1%	1.1%	2.5%	3.4%	1.7%	1.5%	1.8%	1.9%

Source: Companies' websites
See accompanying notes in the annual reports.

Part I: Your qualified claim and opening remarks

Claim:

Fill in the blank with either Target or Walmart:

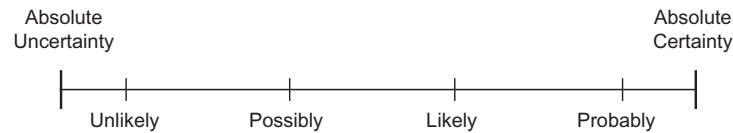
_____ appears to have the better future prospects at the most recent balance sheet dates, taking into consideration expected future ROEs, growth rates, and risks.

Qualifiers:

Put an X at the spot on the scale below that indicates the likelihood your claim is correct, given the available information and concepts covered thus far.

After completing Parts II and III, put an X at the spot on the scale below that indicates the likelihood your claim is correct, given the available information and concepts covered thus far. Your response should depend on the strength of your arguments, counterarguments, and rebuttals to counterarguments. For example, when you conclude your arguments and counterarguments are equally strong, your X will be near the middle of the scale. By contrast, when you conclude your arguments are very strong and there are no viable counterarguments, your X will be near the right end of the scale.

Given these directions, your response should ignore the possibility that other relevant information exists that could change your arguments, counterarguments, or rebuttals, and thus the confidence you have in your claim.



The Toulmin Method of Argumentation: The Second Triad, Keith Green
http://www.youtube.com/watch?v=-gRaC_vZiD8

