

safety measures to protect both its employees and shoppers, including mandating masks and enforcing capacity limits to ensure social distancing (Stewart, 2021).

In 2021, Costco faced legal scrutiny over its labor practices, particularly in California, where it was sued for alleged violations, such as failing to provide fair wages and adequate breaks for hourly workers. This legal challenge shed light on broader concerns about labor conditions within the retail sector, prompting Costco to reevaluate its employment practices and commitment to worker rights. Looking ahead, in 2022, Costco announced strategic investments in its e-commerce capabilities to bolster its online presence and better compete with digital giants like Amazon. Initiatives such as enhancing its website and mobile app, along with introducing services like online ordering, curbside pickup, and same-day delivery, reflected Costco's determination to meet evolving consumer preferences and shopping habits.

Despite its efforts to innovate and adapt, Costco faced criticism in 2023 over its sourcing practices and environmental impact. Concerns were raised about the company's reliance on single-use plastics and its supply chain's contribution to deforestation and habitat destruction, prompting calls for more sustainable practices from environmental activists. In summary, Costco's journey over the past five years illustrates its resilience in the face of challenges, its commitment to growth and innovation, and its ongoing efforts to balance business success with social responsibility in an ever-changing retail landscape.

PART-B

COSTCO FINANCIAL PERFORMANCE

Costco's financial performance over the past five years reflects a steady growth trajectory, characterized by improvements in key financial ratios. From 2019 to 2023, Costco has demonstrated resilience, efficiency, and strategic management in navigating the dynamic retail landscape. Here is a critical review of Costco's financial performance during this period:

RATIO	2019	2020	2021	2022	2023
Return on Equity (%)	25.80%	23,70%	31%	29.80%	27.10%
Current Ratio	1.01	1.13	1.00	1.02	1.07
Debt-to-Equity Ratio	0.6	0.51	0.45	0.56	0.58
Return on total assets (%)	8.30	7.70	8.60	9.20	9.40
EBIT margin (%)	26.08	27.55	29.07	29.46	27.16
EBITDA margin (%)	1.07	1.39	1.15	0.89	0.80
Return on Shareholders' funds (%)	0,55	0.58	2.80	0.51	0.77
Profit Margin (%)	2.40	2.40	2.56	2.57	2.60
Gross margin (%)	12.98	13.09	12.88	12.15	12.26

Costco Wholesale Corporation's financial performance over the past five years reflects a commendable trajectory, characterized by steady growth and effective management strategies. Return on Equity (ROE) measures a company's profitability by calculating the percentage of net income returned as equity to shareholders' investments, indicating how effectively the company utilizes shareholder equity to generate profits (Supriono, S., 2022). The company's Return on Equity (ROE) has displayed a positive trend, indicating its ability to generate profits from shareholders' equity. Despite slight fluctuations, Costco consistently delivered impressive returns to its shareholders, with ROE peaking at 31% in 2021 and slightly decreasing to 27.10% in 2023. Additionally, Costco's Current Ratio, a measure of liquidity, has remained relatively stable over the years, ranging from 1.00 to 1.13. This stability reflects Costco's ability to maintain a healthy balance between its current assets and liabilities, ensuring its capacity to meet short-term obligations promptly.

Moreover, Costco's Debt-to-Equity Ratio, while experiencing some fluctuations, has generally remained within a reasonable range, indicating prudent financial management. Despite a slight increase in 2023, Costco has maintained a conservative level of debt relative to its equity, ensuring financial stability and minimizing risk. Furthermore, Costco's Return on Total Assets has shown an upward trend, reaching 9.40% in 2023. This trend indicates Costco's success in generating profits from its assets, reflecting efficient asset utilization and management practices. In terms of profitability margins, Costco has demonstrated consistency, with stable gross margins and profit margins over the years. This stability underscores Costco's ability to maintain profitability despite changes in market conditions, highlighting its resilience and effective management. While Costco's EBIT and EBITDA margins have shown fluctuations, they remain at healthy levels, indicating the company's ability to generate earnings before interest, taxes, depreciation, and amortization. These fluctuations may be attributed to various factors, including changes in operating expenses and revenue streams (Rahman, 2020).

Overall, Costco's financial performance reflects resilience and effective management in navigating challenges and capitalizing on opportunities in the retail industry. The company's solid financial position and consistent growth underscore its position as a leading player in the retail industry (Rahman, 2020). Looking ahead, Costco can further enhance its performance by focusing on optimizing operational efficiency, exploring growth opportunities in emerging markets, and leveraging technology to enhance the customer experience and drive sales. With its strong foundation and promising outlook, Costco is well-positioned for continued success in the future (Rahman, 2020).

LIQUIDITY RATIO:

The liquidity ratios, including the current ratio, liquidity ratio, and asset cover, provide valuable insights into a company's ability to meet its short-term obligations and manage its financial resources effectively. Let's delve into each of these ratios and their implications for Costco Wholesale Corporation's financial performance over the years.

Year	2019	2020	2021	2022	2023
Current ratio (x)	1.01	1.13	1.00	1.02	1.07
Liquidity ratio (x)	0.47	0.60	0.47	0.42	0.52
Asset Cover (x)	3.48	3.22	3.38	3.56	3.61

1. Current Ratio:

The current ratio is a liquidity ratio that measures a company's ability to cover its short-term liabilities with its short-term assets. It is calculated by dividing current assets by current liabilities (Zheng, 2020). A current ratio above 1 indicates that a company has more current assets than current liabilities, suggesting that it can meet its short-term obligations. However, excessively high current ratios may signal inefficiency in asset utilization. Looking at Costco's current ratio over the five years from 2019 to 2023, we observe slight fluctuations ranging from 1.00 to 1.13. The current ratio improved from 2019 to 2020, indicating a better ability to cover short-term liabilities. Despite a slight decrease in 2021 and 2022, the ratio remained above 1, suggesting that Costco has maintained a healthy balance between its current assets and liabilities. The slight increase in 2023 further reinforces Costco's liquidity position, indicating an improvement in its ability to meet short-term obligations.

2. Liquidity Ratio:

The liquidity ratio, also known as the acid-test ratio or quick ratio, is a more stringent measure of liquidity compared to the current ratio. It excludes inventory from current assets since inventory may not be as liquid as other current assets in times of financial distress. The liquidity ratio is calculated by dividing quick assets (current assets excluding inventory) by current liabilities (Almeida, R.F.R., 2016). Analyzing Costco's liquidity ratio from 2019 to 2023, we observe fluctuations in the range of 0.42 to 0.60. Despite these fluctuations, the liquidity ratio generally remained below 1, indicating that Costco may have relied more on inventory to meet its short-term obligations. However, the ratio improved in 2020 and 2023, signaling a better ability to cover short-term liabilities with more liquid assets other than inventory. This improvement suggests enhanced liquidity management by Costco during these periods.

3. Asset Cover:

The asset cover ratio assesses a company's ability to cover its total liabilities with its total assets. It indicates the extent to which a company's assets can cushion against potential losses to creditors in the event of liquidation. The asset cover ratio is calculated by dividing total assets by total liabilities (Almeida, R.F.R., 2016). Examining Costco's asset cover ratio over the five years, we notice consistent values above 3, ranging from 3.22 to 3.61. These ratios indicate that Costco's total assets comfortably exceed its total liabilities, providing a substantial cushion for creditors. The steady increase in the asset cover ratio from 2019 to 2023 suggests that Costco

has been strengthening its financial position and enhancing its ability to cover liabilities with its assets over time.

In conclusion, analyzing Costco's liquidity ratios, including the current ratio, liquidity ratio, and asset cover, provides valuable insights into the company's ability to manage short-term obligations and financial risks. Despite some fluctuations, Costco has maintained a solid liquidity position and demonstrated prudent financial management practices, contributing to its overall financial stability and resilience.

GEARING RATIOS

COSTCO WHOLESALE CORPORATION					
Year	2019	2020	2021	2022	2023
Debt To Equity	0.45	0.56	0.58	0.44	0.34
Debt To Capital	0.31	0.25	0.30	0.36	0.35

Gearing ratios, such as the Debt-to-Equity ratio and Debt-to-Capital ratio, are essential financial metrics used to assess a company's capital structure and financial leverage. In the context of Costco Wholesale Corporation, these ratios provide insights into how the company finances its operations and the associated risk levels (Forehand, Roman, and Schaefer, 2021).

The Debt-to-Equity and Debt-to-Capital ratios serve as critical indicators of Costco Wholesale Corporation's capital structure and financial risk management strategies. The Debt-to-Equity ratio, a fundamental metric in financial analysis, delineates the extent to which a company relies on debt financing compared to equity (Forehand, Roman, and Schaefer, 2021). In 2019, Costco maintained a Debt-to-Equity ratio of 0.45, signifying that for every dollar of equity, the company held \$0.45 in debt. This ratio suggests a moderate reliance on debt financing, reflecting a balanced approach to capital structure. However, in subsequent years, the ratio saw an upward trajectory, reaching 0.58 in 2021. This escalation indicates an increasing dependence on debt for financing operations, potentially to fuel expansion or investment initiatives. Notably, in 2023, the ratio declined to 0.34, indicative of a strategic shift towards reducing debt exposure and optimizing the company's capital mix.

Conversely, the Debt-to-Capital ratio provides a nuanced perspective by considering total debt relative to the total capital, encompassing both debt and equity. In 2019, Costco exhibited a Debt-to-Capital ratio of 0.31, illustrating that 31% of the company's capital was financed by debt. This figure underscores a balanced capital structure, with a significant portion funded through equity. However, the ratio experienced fluctuations in subsequent years, climbing to 0.36 in 2022 before receding to 0.35 in 2023. This variability indicates dynamic adjustments in Costco's capital allocation strategies over time, potentially in response to market conditions or strategic objectives. Importantly, a lower Debt-to-Capital ratio signifies reduced financial

risk, as it denotes a smaller proportion of capital financed by debt, enhancing financial stability and flexibility (Ran, and Zhao, 2023).

In summary, these gearing ratios play a pivotal role in Costco's financial decision-making process, guiding the company's approach to capital sourcing and risk management. A higher Debt-to-Equity or Debt-to-Capital ratio implies heightened reliance on debt financing, which can amplify returns but also elevate financial risk. Conversely, a lower ratio indicates a more conservative capital structure, mitigating risk but potentially limiting growth opportunities. Costco's management must meticulously evaluate these ratios to strike a balance between leveraging financial resources for growth and safeguarding against excessive indebtedness (Ran, and Zhao, 2023). By maintaining an optimal gearing ratio, Costco can fortify its financial position, sustain growth momentum, and enhance shareholder value over the long term.

EFFICIENCY RATIO:

COSTCO WHOLESALE CORPORATION					
Year	2019	2020	2021	2022	2023
Net Assets Turnover (x)	3.36	3.00	3.31	3.54	3.51
Fixed Assets Turnover (x)	7.31	7.65	8.34	9.21	9.08
Interest Cover (x)	32.47	34.19	39.64	50.17	54.04
Stock Turnover (x)	11.66	11.83	12.00	11.13	12.76
Debtors Turnover (x)	99.48	107.58	108.66	101.27	106.03
Debtor Collection (days)	27.76	21.70	28.09	28.64	25.10
Creditors Payment (days)	31.47	32.55	32.56	31.24	30.33

Efficiency ratios are financial metrics used to assess how effectively a company utilizes its assets and resources to generate revenue and profits. These ratios provide insights into a company's operational efficiency, productivity, and overall performance. In the case of Costco Wholesale Corporation, several efficiency ratios, such as Net Assets Turnover, Fixed Assets Turnover, Stock Turnover, Debtors Turnover, Debtor Collection Days, and Creditors Payment Days, offer valuable perspectives on the company's efficiency in managing its resources and operations (Forehand, Roman, and Schaefer, 2021).

The table provided presents various financial ratios for Costco Wholesale over the five years from 2019 to 2023. Let's delve into each of these ratios to understand their significance and what they indicate about Costco's financial performance and operational efficiency.

Net Assets Turnover (x):

Net Assets Turnover measures how efficiently a company utilizes its total assets to generate revenue. It's calculated by dividing net revenue by average total assets. Costco's Net Assets Turnover shows a consistent trend over the five years, ranging from 3.00 to 3.54. This indicates that for every dollar of net assets, Costco generates revenue between three and four times annually. A higher ratio generally indicates better efficiency in asset utilization, suggesting Costco effectively leverages its assets to generate revenue (Forehand, Roman, and Schaefer, 2021).

Fixed Assets Turnover (x):

Fixed Assets Turnover evaluates how efficiently a company utilizes its fixed assets, such as property, plant, and equipment, to generate revenue. It's calculated by dividing net revenue by average fixed assets. Costco's Fixed Assets Turnover demonstrates a generally increasing trend from 7.31 in 2019 to 9.08 in 2023. This indicates that Costco has been progressively more efficient in using its fixed assets to generate revenue over the years. An increasing Fixed Assets Turnover suggests improved productivity and effectiveness in utilizing fixed assets, which can enhance profitability and return on investment (Forehand, Roman, and Schaefer, 2021).

Interest Cover (x):

Interest Cover, also known as the Times Interest Earned (TIE) Ratio, measures a company's ability to meet its interest obligations with its earnings before interest and taxes (EBIT). It's calculated by dividing EBIT by interest expenses. Costco's Interest Cover shows a consistently high level over the five years, ranging from 32.47 to 54.04. This indicates that Costco's earnings are significantly higher than its interest expenses, implying a strong capacity to cover interest payments comfortably. A high-Interest Cover ratio reflects financial stability and a lower risk of default on debt obligations, which is favorable for investors and creditors (Ran, and Zhao, 2023).

Stock Turnover (x):

Stock Turnover, or Inventory Turnover, measures how efficiently a company manages its inventory by evaluating how many times it sells and replaces its inventory during a specific period. It's calculated by dividing the cost of goods sold (COGS) by average inventory. Costco's Stock Turnover ranges from 11.13 to 12.76 over the five years, indicating that Costco effectively sells and replaces its inventory approximately 11 to 13 times annually. A higher Stock Turnover suggests efficient inventory management, reducing holding costs and minimizing the risk of obsolete inventory (Ran, and Zhao, 2023).

Debtors Turnover (x):

Debtors Turnover, or Accounts Receivable Turnover, measures how efficiently a company collects cash from its credit sales. It's calculated by dividing net revenue by average accounts receivable. Costco's Debtors Turnover ranges from 99.48 to 107.58, indicating that Costco collects cash from credit sales approximately 100 to 108 times annually. A higher debtor

turnover implies effective credit management and timely collection of receivables, enhancing liquidity and cash flow (Ran, and Zhao, 2023).

Debtor Collection (days):

Debtor Collection, or Days Sales Outstanding (DSO), represents the average number of days it takes for a company to collect cash from credit sales. It's calculated by dividing 365 (days in a year) by Debtor's Turnover. Costco's Debtor Collection days range from 21.70 to 28.64, indicating that it takes Costco approximately 22 to 29 days on average to collect cash from credit sales. A lower debt collection period suggests efficient credit management and prompt collection of receivables, improving cash flow and working capital management (Forehand, Roman, and Schaefer, 2021).

Creditors Payment (days):

Creditors Payment, or Days Payable Outstanding (DPO), represents the average number of days it takes for a company to pay its suppliers. It's calculated by dividing 365 (days in a year) by the Payables Turnover ratio. Costco's Creditors' Payment days range from 30.33 to 32.56, indicating that it takes Costco approximately 30 to 33 days on average to pay its suppliers. A longer creditor payment period suggests that Costco has negotiated favorable credit terms with its suppliers, enabling it to preserve cash flow and maintain liquidity (Forehand, Roman, and Schaefer, 2021).

In summary, the financial ratios provided offer valuable insights into Costco's operational efficiency, financial health, and management effectiveness. Costco's consistent performance across these key metrics reflects its strong operational capabilities and prudent financial management practices, positioning it as a leading player in the retail industry.

Recommendation on how to improve the financial management of the company

To enhance the financial management of Costco Wholesale Corporation, several strategic initiatives can be implemented to further optimize its operational efficiency, strengthen its financial position, and drive sustainable growth (Rahman, 2020).

Firstly, Costco should focus on optimizing its capital structure and managing its debt levels prudently. While debt can be a valuable source of financing for expansion and investment, excessive reliance on debt can increase financial risk and constrain flexibility (Rahman, 2020). Costco should evaluate its debt-to-equity and debt-to-capital ratios regularly to ensure they remain within optimal ranges. Additionally, the company can explore alternative financing options, such as equity financing or retained earnings, to diversify its capital sources and mitigate debt-related risks. By maintaining a balanced capital structure, Costco can enhance financial stability, reduce interest expenses, and preserve shareholder value (Rahman, 2020).

Secondly, Costco should continue to prioritize operational efficiency and cost management to drive profitability and improve margins. Implementing robust cost control measures, streamlining processes, and leveraging technology to enhance productivity can help reduce operating expenses and boost margins (Rahman, 2020). Moreover, optimizing inventory management practices and supply chain operations can minimize carrying costs and improve

inventory turnover, leading to better cash flow management and enhanced profitability. By focusing on operational excellence, Costco can enhance competitiveness, drive value creation, and maximize returns for shareholders (Rahman, 2020).

Lastly, Costco should invest in strategic initiatives to drive revenue growth and expand its market presence. This could involve diversifying product offerings, expanding into new geographic markets, and leveraging digital channels to reach a broader customer base (Eldomiaty et al, 2023). Investing in innovation and customer-centric initiatives, such as enhancing the online shopping experience, implementing personalized marketing strategies, and improving customer service, can help Costco stay ahead of evolving consumer preferences and market trends. Additionally, exploring strategic partnerships and alliances can provide opportunities for collaboration and market expansion. By pursuing growth-oriented strategies, Costco can capitalize on emerging opportunities, drive top-line growth, and strengthen its market leadership position (Eldomiaty et al, 2023).

In conclusion, by focusing on optimizing capital structure, enhancing operational efficiency, and pursuing growth-oriented strategies, Costco Wholesale Corporation can further improve its financial management practices and drive sustainable value creation (Eldomiaty et al, 2023; Rahman, 2020). By maintaining a prudent approach to financial management and embracing innovation and growth, Costco can navigate challenges, capitalize on opportunities, and sustain its position as a leading player in the retail industry.

PART C

PART 1

Year	A	B
0	-5000	-1000
1	2500	1500
2	2000	1000
3	1000	1000
4	-442	-470

1. Payback Period (PBP):

The payback period is a fundamental financial metric used to assess the time it takes for a project to recoup its initial investment. It's a crucial indicator of liquidity and risk, as it reflects how quickly cash flows generated by the project will cover the initial outlay (Johnson, 2021). In our analysis, Project A demonstrates a payback period of 2 years, while Project B takes 3 years to recover its initial investment. Project A requires an initial investment of £5000 million, with positive cumulative cash flows beginning in Year 2 (£2500 million). By Year 3, the cumulative cash flows exceed the initial investment, resulting in a payback period of 2 years.