

WHIRLPOOL CORPORATION: DISCLOSING MAJOR CUSTOMERS

The following excerpt is from Whirlpool Corporations 2005 10-K report filed with the SEC and is a required disclosure:

“The company is a major supplier to Sears of laundry, refrigerator, dishwasher, and trash compactor home appliances. Sears markets under its Kenmore brand name some products that Whirlpool supplies to Sears. Sears is also a major outlet for the company’s Whirlpool and KitchenAid brand products. In 2005 approximately 16% of the company’s net sales were attributable to sales to Sears.”

Required:

1. Why does the SEC require companies like Whirlpool to alert financial statement readers to the existence of major customers?
2. How might this information be of use to a financial analyst?
3. Why might Sears want to monitor the financial performance and health of Whirlpool? What specific information about Whirlpool would be of most interest to Sears?
4. Why might Whirlpool want to monitor the financial performance and health of Sears? What information about Sears would be of most interest to Whirlpool?