

Financial Statement Analysis of Apple Inc.

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ABSTRACT

The motive behind choosing APPLE INC. is the curiosity to find out what do they do uniquely to have such a huge brand value and popularity across the globe. The brand value created by them is unmatched in their competitive domain and they continue to keep up to the expectations their customers have on them.

The research was carried out by first collecting data about the financial statements of Apple Inc. from their official website and then calculating different relevant ratios and metrics for final analysis. The results obtained were carefully analysed and the financial position or the probable position of the company was depicted at appropriate places.

At the end of the research, we will be able to have an overview of Apple's performance during the chosen year as well as have say on its future performance as well as about the path ahead of the company.

LITERATURE REVIEW

- **Analysis of Apple's Financial Statements:** This study conducted by Kumar (2019) provides a comprehensive analysis of Apple's financial statements. The study analyses the company's income statement, balance sheet, and cash flow statement to assess its financial performance. The study concludes that Apple's financial performance has been strong, and it is a profitable company.
- **Financial Performance of Apple Inc.:** This study conducted by Velmurugan and Gnanavel (2018) analysed the financial performance of Apple Inc. The study focused on analysing the company's financial ratios to assess its performance. The study concludes that Apple's financial performance has been strong and stable over the years.
- **Analysis of Apple Inc's Financial Statements:** This study conducted by Islam et al. (2020) analysed the financial statements of Apple Inc. The study used ratio analysis to assess the company's financial performance. The study concludes that Apple is a financially strong company, with a solid liquidity position.
- **Financial Statement Analysis of Apple Inc.:** This study conducted by Guru Murthy and Devi (2021) analysed the financial statements of Apple Inc. The study used ratio analysis to assess the company's

financial performance. The study concludes that Apple is a financially strong company, with a solid profitability position.

- Financial Analysis of Apple Inc.: This study conducted by Khan and Kaur (2018) analysed the financial statements of Apple Inc. The study used ratio analysis to assess the company's financial performance. The study concludes that Apple is a financially strong company, with a solid profitability and liquidity position.

Literature Review suggests that Apple Inc. is a financially sound business with a good position in terms of liquidity and profitability. Over the years, the business's financial performance has been consistent, robust, and successful. Financial statement analysis is a helpful tool for analysts, investors, and stakeholders to evaluate a company's financial performance since it offers insightful information about the company's financial situation.

PROBLEM STATEMENT:

The company's devoted customer base, targeted marketing initiatives, and ongoing investments in innovation and design will sustain revenue growth and its market leadership in the technology sector, according to Apple. According to this theory, there are numerous important aspects that contribute to Apple's success, including:

- Design and innovation: Apple is known for producing cutting-edge goods that push the boundaries of both technology and design. To keep ahead of the competition and provide new and improved goods to its clients, the firm makes significant investments in research and development.
- Customer base that is devoted to Apple and prepared to pay a premium for its products is sizable. The reputation for quality, dependability, and user experience underpins this client loyalty.
- Marketing strategy: Apple's marketing initiatives are geared on increasing brand recognition and forging an emotional bond with its audience. The firm frequently emphasises in its advertising campaigns the aesthetics and features of its goods, as well as the way of life and principles that come with owning an Apple product.
- If this theory is correct, we would anticipate Apple to keep releasing cutting-edge goods, hold onto its loyal client base, and outperform its rivals in the technological sector.

OBJECTIVE OF THE RESEARCH

This paper's main goal is a detailed examination of Apple's financial performance during the year (2021–2022). Also, the projected growth and financial health of Apple will be assessed Further key issues that will be covered include the rise of net income, sales revenue, operational income, assets, and numerous and substantial costs and various other metrics.

DATA SOURCES

- Apple's Income Statement
- Apple's Balance Sheet
- Apple's Cash Flow statement

RESEARCH METHODOLOGY

The data for the research has been taken for the official Apple site. Research has been done for the date of the fiscal year September 25, 2021 – September 24, 2022. Based on the data graphical charts are prepared for better understanding of the scenario and finally related ratios are calculated. Analysis based on the results obtained during the ratio calculation has been given. The results of the ratios are depicted appropriately.

APPL FINANCIAL SUMMARY

Apple Inc. released financial information for the first quarter that concluded on December 31, 2022. The business recorded sales of USD 117,154 million for the first quarter, down from USD 123,945 million in the same period last year. Compared to a year ago, net income decreased to USD 29,998 million from USD 34,630 million. Comparatively to USD 2.11 a year earlier, basic profits per share from continuing operations were USD 1.89. Continuing operations' diluted profits per share were US\$1.88, down from US\$2.1 in the prior year.

APPLE'S INCOME STATEMENT

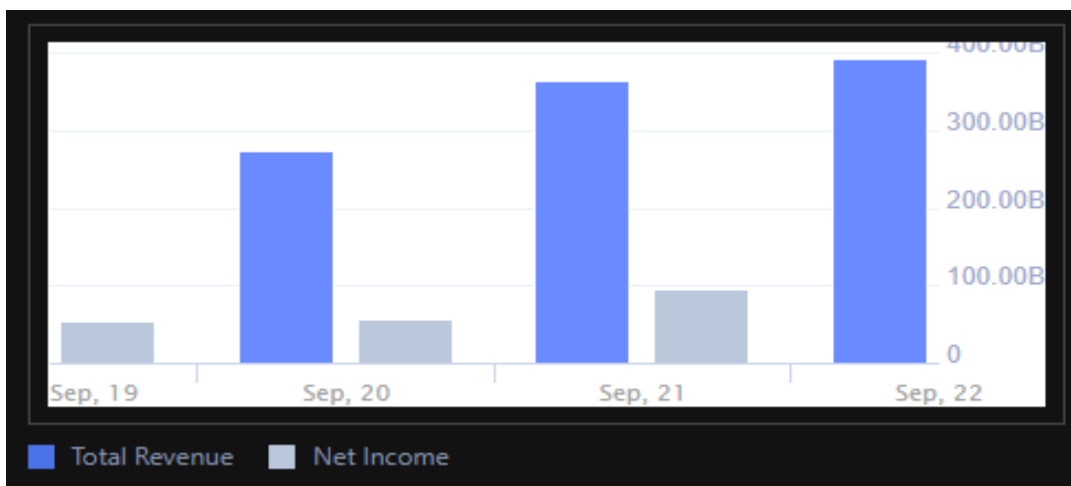
One of the three crucial financial statements used to describe a company's financial performance throughout a certain accounting period is the income statement. The balance sheet and the cash flow statement are the other two important statements.

The revenue, costs, profits, and losses incurred by a corporation during a specific period are the main topics of the income statement. An income statement, sometimes referred to as the profit and loss (P&L) statement or the statement of sales and expenses, offers important information about a company's operations, the effectiveness of its management, underperforming industries, and its performance in comparison to peers in the same industry.

Title	Sep 24, 2022	Sep 25, 2021
Total Revenue	394,328	365,817
Gross Profit	170,782	152,836
Operating Income	119,437	108,949

Title	Sep 24, 2022	Sep 25, 2021
Net Income	99,803	94,680

Title	AAPL
Gross margin	43.06%
Operating margin	29.41%
Net Profit margin	24.56%
Return on Investment	52.81%



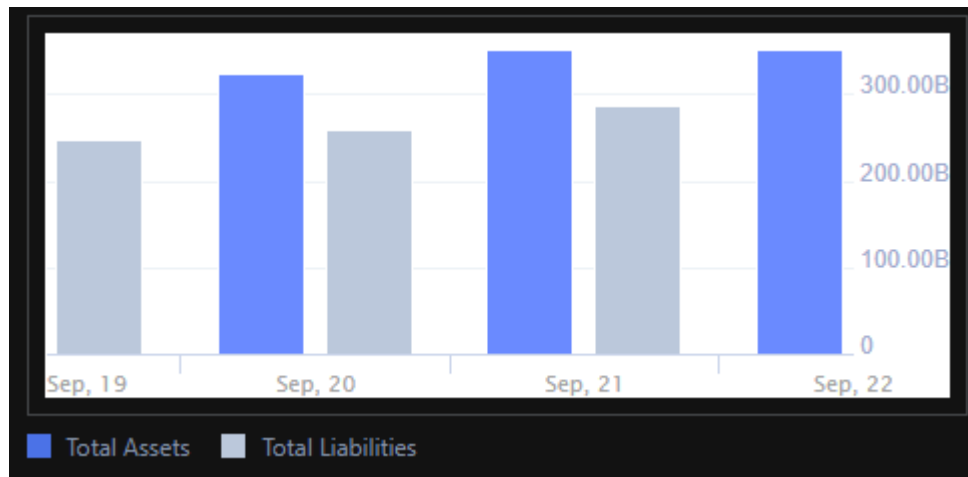
- From the data it is clear that the gross margin has been high (43%). High gross profit margin (GPM) than other businesses in the same sector is often more effective and financially secure. Either the firm has a low direct cost of production (if selling at the same price as the competition), or the company can charge more than the competition, depending on which scenario applies. (Perhaps due to the strength of its brand). Overall, gross profit margin can be a useful sign of a business's financial stability. The firm with the biggest gross profit margin isn't always the best; for example, if its goods are pricey, it can have a high gross margin but poor sales.

- The operating margin measures how much profit a company makes on a dollar of sales after paying for [variable costs](#) of production, such as wages and raw materials, but before paying interest or tax. It is calculated by dividing a company's operating income by its [net sales](#). Here AAPL has an operating margin of 29.41% which means that business retains \$0.2941 from each dollar of sales that it makes. A good margin will vary considerably by industry, but as a rule of thumb, a 10% net profit margin is considered average, a 20% margin is considered high (or "good"), and a 5% margin is low. APPLE has high operating ratio of 29.41% illustrating the company is efficient in its operations and is good at turning sales into profit.
- The net profit margin, or simply net margin, measures how much net income or profit is generated as a percentage of revenue. It is the ratio of net profits to revenues for a company or business segment. Although it can also be given in decimal form, net profit margin is frequently reported as a percentage. A company's net profit margin shows how much of every dollar in revenue it receives is converted into profit. Net Profit margin of 24.56% means that APPLE has net income of \$0.2456 for each dollar of sales they make.
- Return on investment (ROI) is a performance metric used to assess an investment's effectiveness or profitability or to compare the effectiveness of several investments. ROI aims to quantify the amount of return on a certain investment in relation to the cost of the investment. ROI is calculated by dividing the benefit (or return) of an investment by the investment's cost. A percentage or ratio is used to represent the outcome. AAPL's ROI of 52.81% indicates that more than half of the investments they made, flew back to them in terms of revenue. The high ROI of APPLE suggests that they have been very successful in the choices.

APPLE'S BALANCE SHEET

A balance sheet provides information about a business and its activities. It displays a company's obligations, assets, and net worth of the owners' equity. A balance sheet provides information about the company's financial situation to interested parties, enabling them to make wise financial decisions.

Title	Sep 24, 2022	Sep 25, 2021
Total Assets	352,755	351,002
Total Liabilities	302,083	287,912
Total Equity	50,672	63,090



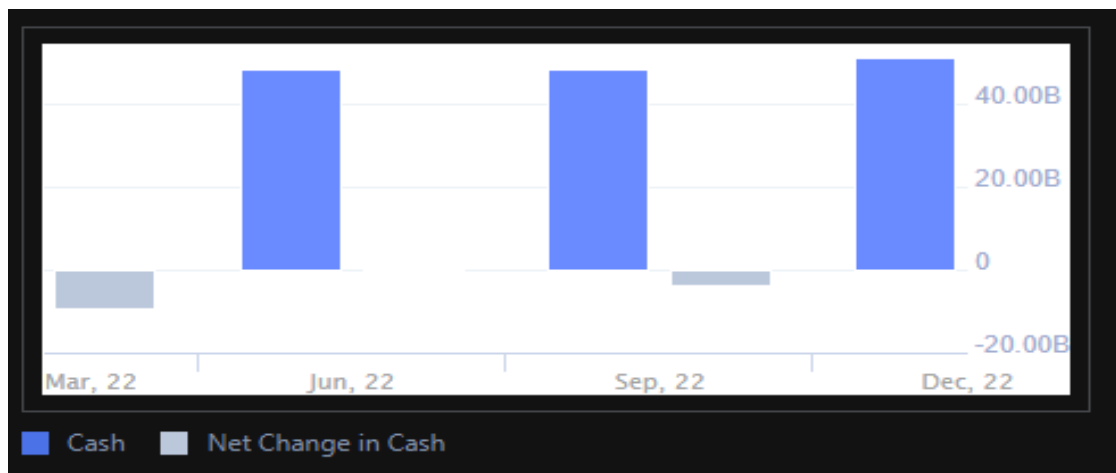
Title	AAPL
Quick Ratio	0.55
Current Ratio	0.94
LT Debt to Equity	175.63%
Total Debt to Equity	195.87%

- The quick ratio assesses a company's capacity to satisfy its short-term commitments using its most liquid assets and serves as an indicator of its short-term liquidity situation. It is also known as the "acid test ratio" because it shows how quickly the corporation can utilise its near-cash assets (assets that can be swiftly converted to cash) to settle its present liabilities. The term "acid test" refers to a rapid test intended to produce instant results. Here APPLE's Quick Ratio of 0.55 means that APPLE has \$0.55 for every \$1 owes in short -term liabilities meaning that it would not have enough to meet its short-term liabilities.
- Current ratio is a liquidity ratio that assesses a company's capacity to settle short-term debts or those that are due within a year. It explains to investors and analysts how a business may fully use its present assets possible to pay down its current liabilities and other payables. If a company's current ratio is significantly higher than that of its peer group, it suggests that management might not be making the most use of its resources. APPLE's current ratio is 0.94 which is just below 1, meaning that the company is just able to pay off most of its current liabilities. The ideal current ratio for a company is between 1.2 and 2, which indicates that it has two times as many current assets as liabilities to service its debts. If the current ratio is less than 1, the company's liquid assets are insufficient to meet its current liabilities.
- The debt-to-equity (D/E) ratio, which measures a company's financial leverage, is determined by dividing its total liabilities by the value of its shareholders. The D/E ratio is a crucial indicator in corporate finance. It gauges how much debt a business is using to fund operations as opposed to using

cash on hand. A specific kind of gearing ratio is the debt-to-equity ratio. APPLE's debt to equity ratio of 175.63% suggest that the company had been heavily reliant on debt financing hoping for increase in earnings and an increase in debt service cost, in turn ensuring additional benefits to its shareholders.

APPLE'S CASH FLOW STATEMENT

Title	Dec 31, 2022	Sep 24, 2022
Cash From Operating Activities	34,005	24,127
Cash From Investing Activities	-1,445	-1,217
Cash From Financing Activities	-35,563	-26,794
Net Change in Cash	-3,003	-3,884



AAPL

Cash Flow/Share	6.86
Revenue/Share	24.36
Operating Cash Flow	24.77 %

AAPL

- Cash flow per share, which serves as a gauge of a company's financial health, is after-tax earnings plus depreciation on a per-share basis. Cash flow per share is sometimes given greater weight by financial analysts than earnings per share. (EPS). Cash flow per share is more difficult to manipulate than earnings per share, making it a more accurate measure of the health and viability of a given company model. Here APPLE's cash flow per share of 6.86 shows that the company is in a healthy position financially, being able to produce enough cash from its operations after adding back the costs of depreciation and amortization as they are not actual expenses.
- The profit of a corporation is divided by the number of outstanding shares of its common stock to arrive at earnings per share (EPS). The resultant figure is used to gauge a company's profitability. It is typical for businesses to publish EPS that has been adjusted for unusual expenses and possible share dilution. The more lucrative a corporation is deemed to be, the greater its EPS. With an EPS of 24.36, APPLE is decently profitable as there is not much profit left to distribute back to its shareholders as dividends.
- A measure of the amount of money made by a company's regular business activities is called operating cash flow (OCF). Operating cash flow shows if a business can produce enough positive cash flow to support and expand its operations; if not, it may need outside finance for capital growth. APPLE's operating cash flow of 24.77% indicates that the company is making sales into cash, instead it is using it for other high expenses.

CONCLUSION

- APPLE posted record-breaking financial statistics for the fiscal year 2021–2022 with sales of \$394.3 billion and a net income of \$99.9 billion. In comparison to the prior year, these numbers reflect a significant increase in the respective metrics.
- The iPhone division, which earned \$170.8 billion in sales, marking a 50% year-over-year gain, was the company's main source of revenue growth. Sales of the iPad and Mac increased by 27% and 41%, respectively, as did sales in Apple's other product categories.
- The income generated by Apple's services division, which includes the App Store, Apple Music, Apple TV+, and other services, increased by 28% year over year to \$66.3 billion. The Apple Watch, Air Pods, and other accessories are part of the company's wearables, home, and accessories sector, which earned \$30.6 billion in revenue in fiscal year 2017—a 25% increase.
- Geographically, the Greater China area saw sales rise by 57% year over year, which contributed to Apple's revenue gain there. Sales increased by double digits throughout the Americas, Europe, Japan, and the rest of Asia-Pacific.
- Apple's gross margin for the year was 41.4%, up from 38.2% the year before in terms of profitability. Operating costs for the firm rose by 12% year over year, mostly because of higher investment in sales and marketing and R&D.

AAPL

- With high demand for its goods and services in every area, Apple's financial performance overall in the fiscal year 2021–2022 was extraordinary. Future growth is anticipated to be fuelled by the company's continuous emphasis on innovation and the expansion of its ecosystem of goods and services.

WORKS CITED

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- Reference :
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