

DEPARTMENT OF MATHEMATICS  
COMPUTATIONAL FINANCE  
NED UNIVERSITY OF ENGINEERING AND TECHNOLOGY



## **EVALUATING THE FINANCIAL PERFORMANCE AND STRATEGIC GROWTH OF APPLE INC**

**SUBMITTED BY:**

RUBAB ZEHRA (CF-004)

YUSMA BATOOL (CF-022)

YOUSUF ABBAS (CF-026)

HASSAN MEHDI (CF-031)

**SUBMITTED TO:**

SIR MUHAMMAD AMIN

**BATCH: 2023**

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# PREFACE

This report, titled “*Evaluating the Financial Performance and Strategic Growth of Apple Inc.*”, presents a comprehensive assessment of Apple’s financial position and strategic trajectory over the past five years. The analysis draws upon verified data from the company’s annual financial statements, focusing on its profitability, liquidity, operational efficiency, and capital structure.

The report explores how Apple Inc. has maintained its global dominance through effective financial management, innovation, and sustained shareholder value. Each section has been structured to provide clear insights into the company’s income statement, balance sheet, and broader strategic developments influencing its market position.

This work reflects a practical application of financial analysis and corporate evaluation techniques, aiming to deliver meaningful interpretations supported by data-driven insights. The intention is to present a professional, accurate, and objective evaluation that contributes to a deeper understanding of Apple’s financial stability and long-term growth performance.

## EXECUTIVE SUMMARY

This report critically evaluates the financial performance and strategic growth of Apple Inc. over a five-year period from 2020 to 2024. The primary objective of this analysis is to assess the company's profitability, liquidity, operational efficiency, and overall financial stability, using data extracted from Apple's published annual reports and consolidated financial statements. The study aims to interpret the company's financial health, identify growth trends, and examine how strategic decisions have contributed to its sustained market leadership.

The report employs a quantitative analytical approach, reviewing Apple's income statements and balance sheets to examine changes in revenue, expenses, assets, and liabilities. The analysis includes graphical and tabular representations to highlight trends in profitability, asset management, and shareholder equity over time. Additionally, financial interpretations are provided to explain underlying causes behind revenue fluctuations, changes in cost structures, and variations in total assets and liabilities.

The findings reveal that Apple has maintained a strong financial position, demonstrating consistent revenue growth, effective cost control, and sound capital management. Despite macroeconomic challenges and fluctuating global market conditions, Apple continued to expand its operations and sustain profitability. The company's strategic investments in product innovation, service diversification, and technology infrastructure have significantly contributed to its financial resilience and long-term sustainability.

In conclusion, the report underscores that Apple Inc. remains one of the most financially stable and strategically progressive organizations globally. The company's performance reflects a balanced financial structure and a forward-looking growth strategy. The study recommends that Apple continue reinforcing its innovation-driven approach, optimize its capital allocation policies, and strengthen global market adaptability to maintain its leadership and investor confidence in an evolving technological landscape.

## TABLE OF CONTENTS

### CHAPTER 1: INTRODUCTION

1.1 BACKGROUND OF THE STUDY.....	1
1.2 PROBLEM STATEMENT.....	1
1.3 OBJECTIVES OF THE STUDY.....	2
1.4 RESEARCH QUESTIONS.....	2
1.5 SCOPE OF THE STUDY.....	3
1.6 SIGNIFICANCE OF THE STUDY.....	3
1.7 METHODOLOGY.....	3

### CHAPTER 2: COMPANY PROFILE AND STRATEGIC POSITION

2.1 BACKGROUND.....	4
2.2 COMPANY PROFILE.....	4
2.3 INDUSTRY ANALYSIS: PORTER'S FIVE FORCES.....	4
2.4 MACRO-ENVIRONMENTAL ANALYSIS (PESTEL) .....	5
2.5 MARKET POSITION.....	6
2.6 COMPETITORS.....	6
2.7 STRATEGIC SUMMARY: SWOT ANALYSIS.....	7

### CHAPTER 3: FINANCIAL OVERVIEW AND PERFORMANCE EVALUATION OF APPLE INC.

3.1 INCOME STATEMENT ANALYSIS.....	11
3.2 BALANCE SHEET ANALYSIS.....	13
3.3 OVERALL FINANCIAL OUTLOOK.....	15

### CHAPTER 4: COMPREHENSIVE ANALYTICAL EVALUATION OF APPLE INC.

4.1 HORIZONTAL ANALYSIS.....	16
4.2 VERTICAL ANALYSIS.....	20
4.3 RATIO ANALYSIS.....	23
4.4 KEY METRIC TRENDS .....	32

### CHAPTER 5: DISCUSSION AND CONCLUSION

5.1 DISCUSSION OF KEY FINDINGS.....	33
5.2 CONCLUSION.....	34
5.3 RECOMMENDATIONS.....	35

REFERENCES.....	36
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ANNEXURES (A-F) .....	38
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## CHAPTER 1

### INTRODUCTION

#### 1.1. BACKGROUND OF THE STUDY

A core of corporate governance and investment decision-making is the financial statement analysis [1]. It gives a structured system through which stakeholders assess the previous performance, the financial status of a company and the prospects of the company. This is mainly aimed at reducing the uncertainty in economic decisions through proper evaluation of profitability, liquidity, solvency and operational efficiency [1]. This is not a descriptive process but a diagnostic one with the aim of discovering the driving force behind financial outcomes. The analytical tool-box is sound enough and three of the methods are very basic, horizontal, vertical, and ratio analysis. Horizontal analysis (or trend analysis) is a financial analysis that considers financial data of various periods to determine patterns of growth and any major changes, as a measure of a business dynamic momentum and direction [2]. Vertical analysis (also known as common-size analysis) re-expresses every single line in a financial statement as a percentage of a significant base number, such as revenue on the income statement or total assets on the balance sheet. This can be used to structure a perspective on cost levels, asset structure, and financing decision-making and make significant comparisons between companies of varying scales [2]. Lastly, a ratio analysis is an analysis method that reduces numerous financial statements into the standard and comparable measures. Being divided into such areas as profitability, liquidity, and efficiency, such ratios give the strong indicators concerning the financial well-being and competitive position of a company [3].

This paper uses this three-fold analytical model on the example of Apple Inc., a model of the contemporary corporate success, and a market giant in the worldwide technology industry. The rise of Apple as a niche computer producer in the past to a full-fledged ecosystem that is vertically-integrated is a tempting financial inquiry. Its financial statements are the direct result of its strategies such as high pricing, brand loyalty and decision to pivot its operations towards high-margin services. Apple analysis is not a numbers game; it is a study of the financial structure of a company that has continuously made its way in one of the most competitive business sectors in the world [4].

#### 1.2. PROBLEM STATEMENT

Despite Apple Inc.'s transparent financial reporting, the raw data in its annual statements does not readily reveal the underlying trends, structural efficiencies, or comparative strengths and weaknesses critical for strategic decision-making. This analysis addresses that gap by systematically interpreting the data to assess the company's true financial health.

### **1.3. OBJECTIVES OF THE STUDY**

The overall focus of this study is to conduct an overall and significant financial performance analysis of Apple Inc. within a five-year time span. This objective is operationalized under the following objectives:

- To quantify by a horizontal analysis of the consolidated income statement and balance sheet of Apple Inc. and understand the percentage changes in key line items year on year, thus pointing out the existence of key growth trends, cyclical trends and possible anomalies between 2020 and 2024.
- To perform a vertical analysis and transform the income statement and the balance sheet into the common-size statements, which will help conduct an analysis of the internal structure of the expenditures, costs, assets, and liabilities and observe variations in the operational and financial strategy during the specified period.
- To calculate a number of important financial ratios to compare the performance of Apple in the areas of critical importance, such as profitability (e.g., Gross Margin, Return on Equity), liquidity (e.g., Current Ratio, Quick Ratio), and using assets efficiently (e.g., Return on Assets).
- To pull together empirical results of the horizontal analysis, vertical analysis and ratios analysis into a coherent and final diagnosis of the financial health of Apple Inc, its strategic performance and, the ability to create value over an extended period.

### **1.4. RESEARCH QUESTIONS**

To ensure a focused and inquiry-driven investigation, this study is guided by the following research questions:

1. What are the majority of trends that reveal information about the revenue streams, cost structure and asset accumulation of Apple Inc. based on horizontal analysis between 2020-2024 and what do such trends tell us about the positions of Apple Inc. under the market and its growth strategy?
2. How has the composition of Apple's expenses (e.g., R&D, SG&A) and capital structure (liabilities vs. equity) evolved, as revealed by vertical analysis, and what does this indicate about the company's operational priorities and financial policy?
3. So, what does the resultant profitability, liquidity, and efficiency ratios reveal about the capacity of Apple to generate returns to shareholders, sustain financial flexibility situation in the short-term, and put its asset base to productive use relative to the industry standards?

## 1.5. SCOPE OF THE STUDY

The limits to this study are well formulated to have depth and accuracy. The time frame is limited to the five financial years between 2020 and 2024, which encompasses the performance of Apple during a timeframe of global disruption of the economy, supply chain issues, and its individual development. The data is limited to secondary financial data which is obtained by browsing through the official audited annual reports of Apple Inc. (Form 10-K) which is submitted to the U.S. Securities and Exchange Commission (SEC). The analysis area is only limited to the consolidated income statement and the balance sheet. Although cash flow statement is an important document, its analysis is not included in order to have a focused attention on profitability, financial position and structure of operation. Raised in contextual aspects like macroeconomic conditions and competitive forces are recognized but not the main focus of this financial-based study.

## 1.6. SIGNIFICANCE OF THE STUDY

The results of this paper are important to a wide range of people. It gives investors and analysts evidence-based estimation of financial sustainability and investment prospects of Apple. In the case of Apple, it is a clear reflection to the management of strategic decisions in terms of financial performance. Moreover, it sets the performance bar on finance among its competitors and policy makers in the lively technology industry. It is also a useful academic case study in applied financial analysis in that it shows the practical application of theoretical frameworks to a real-world corporate entity.

## 1.7. METHODOLOGY

This study will be a quantitative, documentary research design. The audited consolidated financial statements of Apple Inc. in the fiscal period 2020-2024 will serve as the main sources of data sources as they will be obtained directly in the annual reports of the company included in the SEC database under the EDGAR system. The methodology is designed on the basis of the use of three main techniques of financial statement analysis to provide a thorough analysis [1]. First, horizontal analysis will be conducted where the annual absolute and percentage changes of the all the material line items of the income statement and balance sheet will be obtained in order to establish the trends and growth rates. It is a method of measuring the financial drive and trend of the company in the long run [2]. Secondly, the vertical analysis will be done. This would be by transforming the income statement into a common-size format net sales being the base (100) and the balance sheet being the base (100). This makes the component structures proportional to analyze the relative value of each item and how this has changed over the years [2]. Thirdly, ratio analysis shall be conducted to calculate a group of important financial variables. This will encompass among other things Gross Profit Margin, Net Profit Margin, Return on Assets (ROA), and Return on Equity (ROE) and Current Ratio as well as Quick Ratio. The ratios are important in giving vital information about the profitability of the company, its liquidity and general financial health [3]. All information will be put in a systematic manner and calculated in spreadsheet software to be precise. The results from the ratio analysis will be evaluated against industry standards and Apple's own historical performance to draw meaningful conclusions. These three methods of analysis will be synthesized to provide a logical and critical analysis of the performance of Apple financially [5].

## CHAPTER 2

### COMPANY PROFILE AND STRATEGIC POSITION

#### 2.1. BACKGROUND

In 1976, Steve Jobs, Steve Wozniak and Ronald Wayne founded Apple Company. It has transformed the world of personal computing with Apple II and in 1984, Apple Macintosh that brought a user-friendly graphic interface. Following a decline in the 1990s, Steve Jobs has come back in 1997 and guided the company through one of the most incredible corporate turnarounds in business history.

He reorganized the company into a functional, collaborative model and introduced a line of iconic products iMac, ipod, iphone, ipad which has transformed the global consumer technology and culture. During his tenure and with his present CEO Tim Cook, Apple became a vertical technology giant once a niche computer manufacturer. This has since become characterized by its mighty ecosystem, design and outstanding brand loyalty and is rated among the most valuable and influential corporations globally.

#### 2.2. COMPANY PROFILE

##### 2.2.2. PRODUCTS AND SERVICES

Apple offers a mix of hardware and digital services that together create one of the strongest ecosystems in the technology sector. Its major products include the iPhone, Mac, iPad, Apple Watch, and Air Pods, which are widely recognized for their design and performance. Alongside hardware, Apple has developed services such as the App Store, Apple Music, Apple TV+, iCloud, Apple Pay, and AppleCare, which add value and create recurring revenue. The seamless integration between devices and services has built a strong base of loyal customers who prefer staying within the Apple ecosystem.

#### 2.3. INDUSTRY ANALYSIS: PORTER'S FIVE FORCES

##### 2.3.1. COMPETITIVE RIVALRY

Apple faces fierce competition from well-established giants like Samsung in hardware and Google in software and services. The industry is characterized by high-stakes innovation, frequent product launches, and aggressive marketing, putting constant pressure on market share and pricing.

##### 2.3.2. THREATS OF NEW ENTRANTS

The barriers to entry in the consumer electronics industry are prohibitively high. Significant capital is required for research and development, manufacturing, and global marketing. Furthermore, established supply chains and strong brand loyalty, such as that enjoyed by Apple, create a formidable moat for potential new competitors.

### 2.3.3. BARGAINING POWER OF SUPPLIERS

The bargaining power of suppliers is moderate to low for Apple. While the company relies on a global network of specialized suppliers for advanced components like custom semiconductors (e.g., from TSMC), displays, and chipsets, Apple's immense purchasing volume and brand power give it a significant advantage. Apple often secures long-term contracts and even invests in its suppliers' production capacity, which reduces the suppliers' power. However, reliance on a single source for cutting-edge components can temporarily increase supplier power.

### 2.3.4. BARGAINING POWER OF BUYERS

Individual consumers have a wide array of choices, granting them significant power. However, Apple mitigates this through its integrated ecosystem, which creates high switching costs and fosters brand loyalty, thereby reducing buyer power for existing customers.

### 2.3.5. THREATS OF SUBSTITUTES

While specific Apple products like the iPhone have direct substitutes (e.g., an Android phone), the seamless integration of the Apple ecosystem spanning hardware, software, and services has few true substitutes. This unique integration is a key defense against substitution threats.

## 2.4. MACRO-ENVIRONMENT ANALYSIS: PESTEL

Apple's global operations are subject to a complex array of external macro-environmental forces, as analyzed through the PESTEL framework.

### 2.4.1. POLITICAL

Geopolitical tensions, particularly between the U.S. and China, pose a significant risk to Apple's intricate supply chain and market access. Trade policies and tariffs can directly impact costs and profitability.

### 2.4.2. ECONOMIC

Global inflationary pressures and potential economic recessions can suppress consumer spending on premium electronics. Fluctuations in foreign currency exchange rates also significantly impact revenue from international markets, which constitute a large portion of Apple's sales.

### 2.4.3. SOCIAL

There is a growing consumer emphasis on data privacy and security a key pillar of Apple's brand identity. Concurrently, there is increasing demand for corporate responsibility in sustainability and ethical labor practices throughout the supply chain.

#### 2.4.4. TECHNOLOGICAL

The rapid pace of innovation in Artificial Intelligence (AI), Augmented Reality (AR), and semiconductor design (e.g., Apple Silicon) presents both opportunities for growth and the risk of disruption if Apple fails to keep pace.

#### 2.4.5. ENVIRONMENTAL

Intensifying global focus on climate change drives regulations and consumer expectations around carbon neutrality and e-waste. This aligns with Apple's stated goal of becoming 100% carbon neutral by 2030 across its entire footprint.

#### 2.4.6. LEGAL

Apple faces ongoing legal and regulatory scrutiny worldwide, particularly concerning antitrust allegations related to its App Store policies and its control over the iOS ecosystem.

### 2.5. MARKET POSITION

#### 2.5.1. MARKET PRESENCE AND REVENUE PERFORMANCE

Apple's strong market presence is evident in its consistent financial performance. In 2024, Apple generated \$390.8 billion in total revenue, showcasing its sustained growth over the years. iPhone sales remain the primary revenue source, contributing 51% of total revenue, while the Services division including Apple Music, Apple TV+, cloud storage, and gaming accounted for 24%. Other divisions, including Mac, iPad, and Wearables/Home/Accessories, contribute meaningfully to revenue, further highlighting Apple's diversified income streams.

The Americas, particularly the United States, remain Apple's largest market, contributing approximately 35% of total revenue. Europe also represents a key region, generating significant revenue, and China has become an essential market, with \$66.9 billion in revenue in 2024. Japan and the Rest of Asia Pacific also add meaningful contributions to the total revenue. Apple's global footprint demonstrates its ability to maintain a dominant market position while continuing to expand its reach in strategic regions.

### 2.6. COMPETITORS

Apple operates in a highly competitive global market, facing challenges from established giants and emerging players across hardware, software, and services

#### 2.6.1. GOOGLE

Google is also a major competitor, not just through its Pixel phones but through its vast digital ecosystem. Google Drive, Google Photos, YouTube Music, and Android OS compete directly with Apple's iCloud, Apple Music, and iOS. By combining its massive music library and linking it

smoothly with YouTube, Google has placed itself as a direct competitor to Apple Music, targeting users who prioritize accessibility and cross-platform convenience.

### 2.6.2. XIAOMI AND OTHER EMERGING PLAYERS

Besides traditional tech leaders, Apple is under growing pressure from upstart firms such as Xiaomi, Huawei, and Oppo. These players are selling feature-pack devices at competitive prices to price-conscious customers in Asia, Africa, and Latin America. Although these brands lack Apple's brand following and premium positioning, their phenomenal growth and low prices are a long-term threat to Apple's worldwide market share. Despite this competitive pressure, Apple maintains its leadership in the premium segment through its strong brand, integrated ecosystem, and continuous innovation.

## 2.7. STRATEGIC SUMMARY: SWOT ANALYSIS

A SWOT analysis synthesizes Apple's strategic position by evaluating internal factors (Strengths and Weaknesses) against external factors (Opportunities and Threats).

### 2.7.1. STRENGTHS

Apple's primary strengths lie in its unparalleled brand loyalty and market positioning. The company maintains industry-leading profitability and massive cash reserves, providing significant financial flexibility. Furthermore, its seamlessly integrated ecosystem of hardware, software, and services creates high switching costs for customers and fosters recurring revenue. A deep-rooted culture of innovation and design excellence, exemplified by the successful transition to Apple Silicon, continues to be a core competitive advantage.

### 2.7.2. WEAKNESSES

Despite its market dominance, Apple faces several internal challenges. A significant weakness is its high dependency on the iPhone for a majority of its revenue, creating potential vulnerability should market demand shift. The company's premium pricing strategy, while protecting margins, inherently limits market share growth in price-sensitive developing economies. Additionally, its tightly controlled, closed ecosystem, while a strength for user experience, can be perceived as restrictive and may limit broader adoption.

### 2.7.3. OPPORTUNITIES

Externally, Apple is positioned to capitalize on several key opportunities. The most prominent is the exponential growth potential of its high-margin Services segment, including Apple Music, TV+, and iCloud. The company is also well-placed to expand into new technological frontiers such as augmented reality (AR/VR with Vision Pro), health tech, and the automotive sector. The growing global consumer demand for privacy and data security aligns perfectly with Apple's brand messaging,

and its leadership in corporate sustainability provides a powerful differentiator in an increasingly conscious market.

### 2.7.4. THREATS

Apple operates in a challenging external environment. It faces intense and relentless competition from well-established rivals like Samsung and Google, as well as agile, low-cost manufacturers from China. Globally, it is exposed to supply chain vulnerabilities, including semiconductor shortages and geopolitical tensions. The company is also confronting increasing regulatory scrutiny and antitrust litigation worldwide, particularly concerning its App Store policies. Finally, potential economic downturns and currency volatility pose persistent threats to consumer spending on its premium products.

## CHAPTER 03

### FINANCIAL OVERVIEW AND PERFORMANCE EVALUATION OF APPLE INC.

The financial strength and operational effectiveness of Apple Inc. have continued to be outstanding. The company has experienced high-revenue growth, cost-saving, and high-profitability even in such difficult macroeconomic conditions, including inflationary pressure and global supply chains shock, over the past five years between 2020 and 2024. The stability of the balance sheet through the proper use of the capital and the management of the liquidity of the firm highlights sound financial position and sustainability of the firm in the long run. This financial overview gives a critical analysis of the financial performance of Apple covering important trends in the various sources of revenue, profitability, asset management, and capital structure. The analysis combines quantitative data of consolidated financial statements of Apple and the visual comparison of the results to evaluate the financial course of the company, its efficiency and corporate value in the next five years.

#### 3.1. INCOME STATEMENT ANALYSIS

Apple in 2020 yielded total net sales of about 274.5 billion and this increased remarkably to 391 billion in 2024. This growth of over 42 percent in five years shows that the firm has the constant capacity to capture consumers and gain market share in the world market. The growth was majorly contributed by the performance of the iPhone line and the growth of the services business such as Apple Music, iCloud, as well as the App Store.

Also highlighted in Table 3.1, the cost of sales also rose between 2020 and 2024, which was then 169.6 billion and 210.3 billion respectively, and this time mainly because of the increased production and distribution costs. Nevertheless, even though the costs increased, the gross margin of Apple increased in 2024 to 180.7 billion, which demonstrated the efficiency of using the resources, the effective pricing choices, and transition to the production of the products and services with higher margins.

Table 3.1 also indicates that the operating expenses incurred by Apple such as research and development (R&D) and selling, general and administrative costs (SG&A) were increasing progressively over the period. The costs of research and development increased to 31.4 billion as against 18.7billion, and this emphasized on Apple investment in innovation and long-term product development. Likewise, the SG&A expenses grew up to 19.9 billion to 26.1 billion denoting growth in marketing and international operations. With the increased costs, the operating income of Apple almost doubled in 2020 to 2024 to \$66.3 billion to 123.2 billion with good operational control and a robust revenue model. The net income which rose in 2020 as it was 57.4 billion and in 2024 it went to 93.7 billion which is more than 63 percent growth, as shown in Table 3.1. This trend of growth underlines the strength of Apple, ability to remain profitable even in the time of economic turmoil, and cost management practices. The continued growth in net income and gross margins highlights the proper financial management and focus on innovation and diversification in Netflix, which have long-term shareholder value and financial sustainability.

Table 3.1

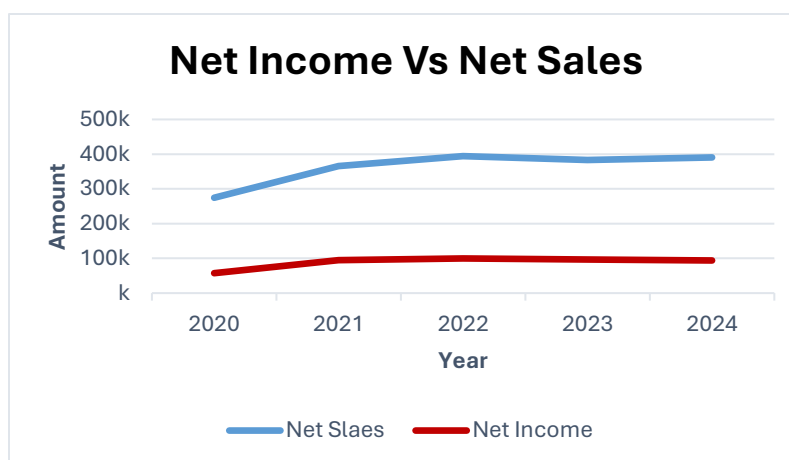
Apple Inc. Consolidated Income Statement (in millions USD, 2020–2024)

Apple Inc.					
CONSOLIDATED STATEMENTS OF OPERATIONS					
	Years ended				
	2024	2023	2022	2021	2020
<b>Net sales:</b>					
Products	\$ 294,866.00	\$ 298,085.00	\$ 316,199.00	\$ 297,392.00	\$ 220,747.00
Services	96,169.00	85,200.00	78,129.00	68,425.00	53,768.00
Total Net Sales	391,035.00	383,285.00	394,328.00	365,817.00	274,515.00
<b>Cost of Sales:</b>					
Products	185,233.00	189,282.00	201,471.00	192,266.00	151,286.00
Services	25,119.00	24,855.00	22,075.00	20,715.00	18,273.00
Total Cost of Sales	210,352.00	214,137.00	223,546.00	212,981.00	169,559.00
Gross Margin	180,683.00	169,148.00	170,782.00	152,836.00	104,956.00
<b>Operating Expenses:</b>					
Research and development	31,370.00	29,915.00	26,251.00	21,914.00	18,752.00
Selling, general and administrative	26,097.00	24,932.00	25,094.00	21,973.00	19,916.00
Total operating expenses	57,467.00	54,847.00	51,345.00	43,887.00	38,668.00
Operating Income	123,216.00	114,301.00	119,437.00	108,949.00	66,288.00
Other income/(expense), net	269.00	(565.00)	(334.00)	258.00	803.00
Income before provision for income taxes	123,485.00	113,736.00	119,103.00	109,207.00	67,091.00
Provision for income taxes	29,749.00	16,741.00	19,300.00	14,527.00	9,680.00
<b>Net income</b>	\$ 93,736.00	\$ 96,995.00	\$ 99,803.00	\$ 94,680.00	\$ 57,411.00

As is shown in Figure 3.1, Apple net sales and net income have a strong upward trend during the years 2020–24. This trend points to the steady growth in revenue with the help of the constant profit margins. The company has been able to control its costs and price competence, which explains its successful market performance with the ability to remain strong in terms of profitability despite turbulence in the market and changes in costs.

Figure 3.1 shows that the sales along with the net income will steadily increase between 2020 and 2022, with a slight decline in 2023–2024. The chart states that Apple has been increasing its profits in the proportion of its sales, and its margins have not been declining in response to the changing demand in the world market. The slight decrease in net income compared to revenue in 2024 can be explained by higher operating costs and taxes, as opposed to a decrease in the efficiency of operations

Fig 3.1



### 3.2. BALANCE SHEET ANALYSIS

Table 3.2 of Apple Inc. shows that its 2020-2024 balance sheet has good and consistent financial position, with strong liquidity, efficient use of assets, and consistent capital structure. The overall assets of the company have been on a steady upward trend where it was USD 323.9 billion in 2020 and in 2024 it stood at USD 381.6 billion. The growth is a testament to the ever-reinvestment of Apple in product innovation, technological advancement and long term growth projects. The increase in total assets is mainly because of the growing cash reserves, marketable securities and property, plant and equipment investments, which are held by Apple. This type of asset increase signifies the ability of the company to meet its operations, fund new projects as well as preserve high levels of its solvency. Furthermore, the increase in the non-current assets indicates how Apple has always been keen on innovation and strengthening its infrastructure to facilitate its business growth going forward.

Examination of the Apple balance sheet show in table 3.2 between 2020 and 2024 shows a strategic and optimistic outlook on capital management. The firm has had balanced financial structure which has been characterized by a calculated increase in leverage in order to maximize cost of capital. The total liabilities increased to between \$258.5 billion to \$308.0 billion, a step that had a strategic way of financing buys back of shares and dividends without affecting the financial stability. This debt application highlights a calculated attempt to raise shareholder returns as it finances its daily operations and innovations.

This leveraging strategy had a direct effect on equity of the balance sheet. The equity of the shareholders has been declining by 65.3 billion to 57.0 billion which is not a positive sign that it is weak but it is a direct result of the bold capital-saving program. The associated reduction in retained earnings is an accounting effect of this huge share repurchases, which eventually increases earnings per share and generates direct value to shareholders.

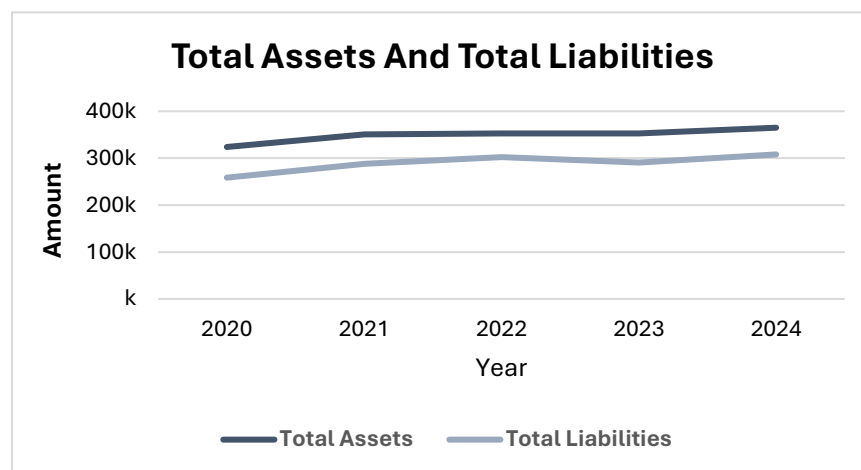
Table 3.2:

Apple Inc. Consolidated Balance sheet (in millions USD, 2020–2024)

Apple Inc.					
CONSOLIDATED BALANCE SHEETS					
	Years				
	2024	2023	2022	2021	2020
<b>ASSETS:</b>					
Current assets:					
Cash and cash equivalents	\$ 29,943.00	\$ 29,965.00	\$ 23,646.00	\$ 34,940.00	\$ 38,016.00
Marketable Securities	35,228.00	31,590.00	24,658.00	27,699.00	52,927.00
Accounts receivable, net	33,410.00	29,508.00	28,184.00	26,278.00	16,120.00
Inventories	32,833.00	31,477.00	32,748.00	6,580.00	4,061.00
Vendor non-trade receivables	7,286.00	6,331.00	4,946.00	25,228.00	21,325.00
Other current assets	14,287.00	14,695.00	21,223.00	14,111.00	11,264.00
Total current assets	152,987.00	143,566.00	135,405.00	134,836.00	143,713.00
Noncurrent assets:					
Marketable securities	91,479.00	100,544.00	120,805.00	127,877.00	100,887.00
Property, plant and equipment, net	45,680.00	43,715.00	42,117.00	39,440.00	36,766.00
Other non-current assets	74,834.00	64,758.00	54,428.00	48,849.00	42,522.00
Total non-current assets	211,993.00	209,017.00	217,350.00	216,166.00	180,175.00
Total Assets	\$ 364,980.00	\$ 352,583.00	\$ 352,755.00	\$ 351,002.00	323,888.00
<b>LIABILITIES AND SHAREHOLDER'S EQUITY:</b>					
Current liabilities:					
Account payable	\$ 68,960.00	\$ 62,611.00	\$ 64,115.00	\$ 54,763.00	\$ 42,296.00
Other current liabilities	78,304.00	58,829.00	60,845.00	47,493.00	42,684.00
Deferred revenue	8,249.00	8,061.00	7,912.00	7,612.00	6,643.00
Commercial paper	9,967.00	5,985.00	9,982.00	6,000.00	4,996.00
Term debt	10,912.00	9,822.00	11,128.00	9,613.00	8,773.00
Total current liabilities	176,392.00	145,308.00	153,982.00	125,481.00	105,392.00
Non-current liabilities:					
Term debt	85,750.00	95,281.00	98,959.00	109,106.00	98,667.00
Other non-current liabilities	45,888.00	49,848.00	49,142.00	53,325.00	54,490.00
Total noncurrent liabilities	131,638.00	145,129.00	148,101.00	162,431.00	153,157.00
Total liabilities	308,030.00	290,437.00	302,083.00	287,912.00	258,549.00
Shareholders' equity:					
Common stock and additional paid-in capital	83,276.00	73,812.00	64,849.00	57,365.00	50,779.00
Retained earnings	(19,154.00)	(214.00)	(3,068.00)	5,562.00	14,966.00
Accumulated other comprehensive income/(loss)	(7,172.00)	(11,452.00)	(11,109.00)	163.00	(406.00)
Total shareholders' equity	\$ 56,950.00	\$ 62,146.00	\$ 50,672.00	\$ 63,090.00	\$ 65,339.00
Total liabilities and equity	\$ 364,980.00	\$ 352,583.00	\$ 352,755.00	\$ 351,002.00	\$ 323,888.00

Figure 3.2 shows similar and increasing growth of total assets and total liabilities, which shows a growing financial base. This synchronized expansion attests to the fact that the rising leverage of Apple is ensured by the strong and expanding asset base. All in all, the balance sheet indicates a company that is effectively utilizing its high cash flow generating ability to leverage the position so as to guarantee long-term value creation to shareholders but also remain in the position to finance future growth.

Fig: 3.2



The figure in Figure 3.2 shows the visual representation of the increase in the asset base of Apple and its stable liability and equity structure in the period of five years. This financial trend is a reminder of the ability of Apple to continue operating effectively, prudently use its debts, and increase the shareholder equity by reinvesting its earned profits and exercising a strict command over its capital.

### 3.3. OVERALL FINANCIAL OUTLOOK

Apple Inc.'s financial trajectory from 2020 to 2024 paints a picture of a company in a powerful, sustained growth phase. Over this five-year period, revenue surged from \$274.5 billion to \$391.0 billion, a testament to the enduring strength of its core products and the remarkable expansion of its high-margin services segment. This top-line growth was matched by disciplined financial management, as net income consistently averaged over \$90 billion annually in the last three years. This profitability underscores Apple's masterful combination of strategic pricing, operational efficiency, and continuous product innovation.

This financial strength is deeply embedded in the company's balance sheet. While total assets grew to \$364.9 billion, signaling ongoing investment, the company maintained a balanced capital structure by proportionately managing its liabilities. This careful balancing act supports both ambitious growth initiatives and solid liquidity. A key outcome of this strategy is the delivery of long-term value to shareholders, evidenced by the steady performance of shareholder equity. Bolstered by massive cash reserves and unwavering investment in research and development, Apple has built a resilient financial model. This model not only fuels its market-leading innovation but also provides the stability to confidently navigate global market fluctuations, ensuring continued investor confidence.

## CHAPTER 04

### COMPREHENSIVE ANALYTICAL EVALUATION OF APPLE INC.

The financial performance of Apple Inc. from 2020 to 2024 is evaluated through a tri-fold analytical framework. Horizontal analysis identifies growth trajectories and trends across the period, while vertical analysis reveals the structural composition of the income statement and balance sheet. These perspectives are complemented by a detailed ratio analysis, which benchmarks Apple's profitability, liquidity, and efficiency against operational outcomes.

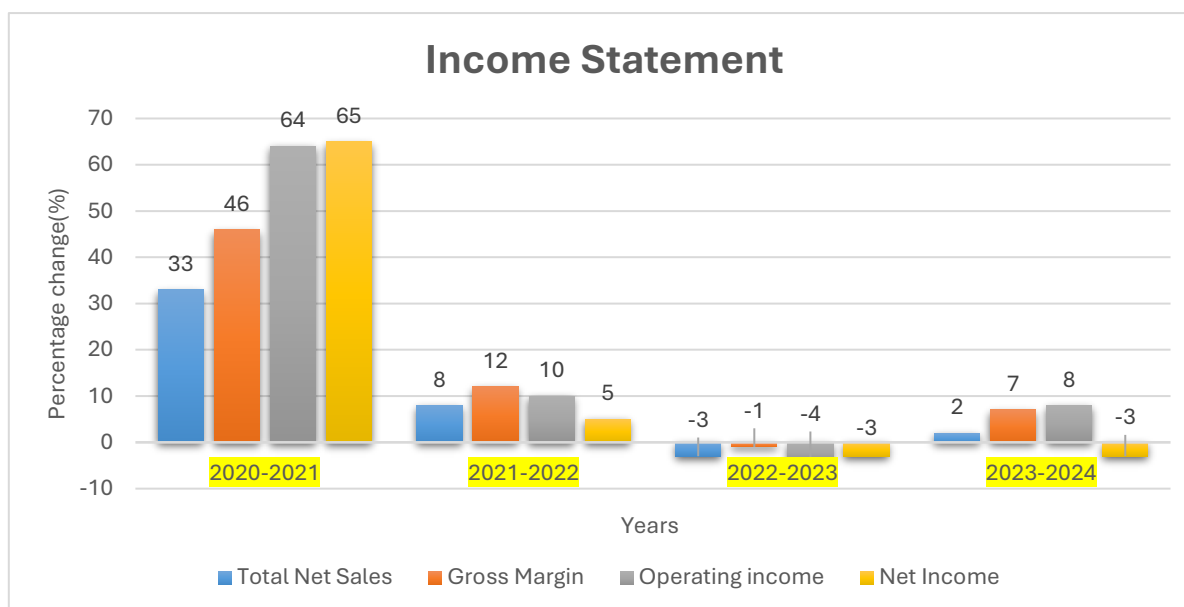
#### 4.1. HORIZONTAL ANALYSIS

Horizontal analysis assists in assessing Apple Inc.'s performance by analyzing the financial data of Apple Inc. across a range of time periods to detect trends and fluctuations. Horizontal analysis demonstrates how much key line items, such as revenues, expenses, assets, and liabilities, have either increased or decreased in relation to the prior period or periods in percentages. For example, if Apple Inc.'s revenues grow at a higher percentage than its operating expenses, then Apple Inc.'s efficiency and profitability are improving. Horizontal analysis allows investors and management to determine whether Apple Inc.'s overall financial wellbeing and business performance is growing, stable, or declining over time.

##### 4.1.1. INCOME STATEMENT

<b>Financials</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>	<b>2023-2024</b>
Net sales:				
Products	35%	6%	-6%	-1%
Services	27%	14%	9%	13%
<b>Total Net Sales</b>	<b>33%</b>	<b>8%</b>	<b>-3%</b>	<b>2%</b>
Cost of Sales:				
Products	27%	5%	-6%	-2%
Services	13%	7%	13%	1%
Total Cost of Sales	26%	5%	-4%	-2%
<b>Gross Margin</b>	<b>46%</b>	<b>12%</b>	<b>-1%</b>	<b>7%</b>
Operating Expenses:				
Research and development	17%	20%	14%	5%
Selling, general administrative	10%	14%	-1%	5%
Total operating expenses	13%	17%	7%	5%
<b>Operating Income</b>	<b>64%</b>	<b>10%</b>	<b>-4%</b>	<b>8%</b>
Other income/(expense), net	-68%	-229%	69%	-148%
Income before provision for income taxes	63%	9%	-5%	9%
Provision for income taxes	50%	33%	-13%	78%
<b>Net income</b>	<b>65%</b>	<b>5%</b>	<b>-3%</b>	<b>-3%</b>

## TREND ANALYSIS



From the table of horizontal analysis percentage changes and the graph of trend analysis, we can conclude that the years from 2020 and 2024 indicates that the company showed a strong performance in years one and two, before showing some volatility and light recovery in year four. From 2020-2021, the company showed the highest positive growth, with total net sales up by 33% and gross margin up 46%, and net income up a significant 65%, indicating a strong retrospect pandemic rebound and a bigger appetite to buy the products and services being offered by the company. From 2021-2022, the performance generally plateaued with total net sales growing by only 8%, and net income only up by 5%, a sign of moderate stability, but the momentum has definitely fallen.

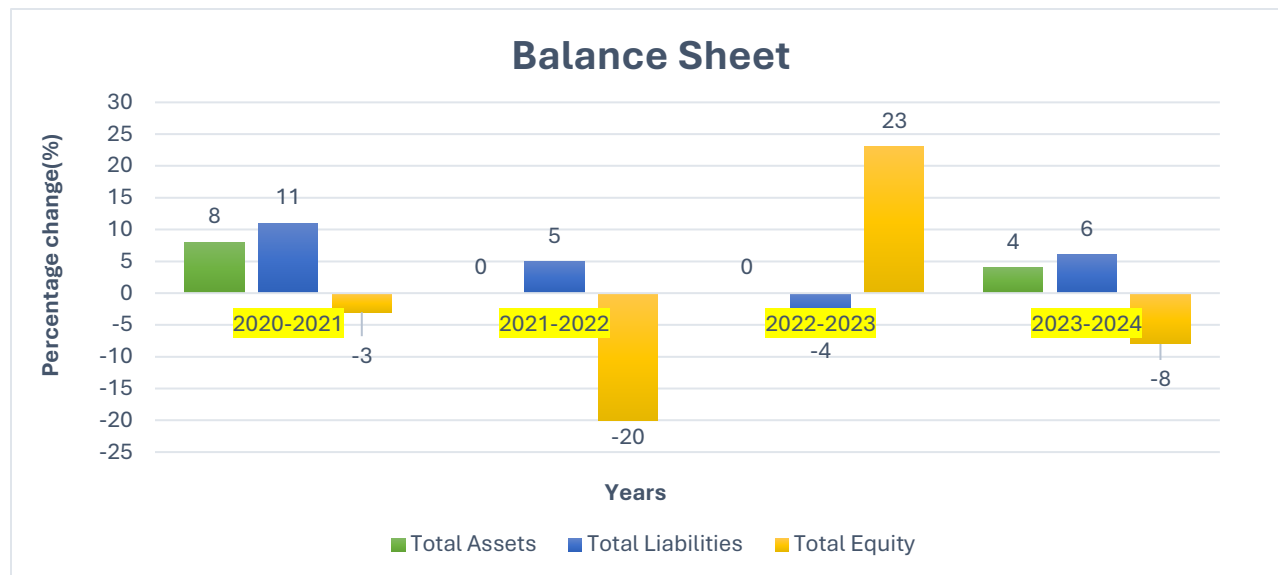
From 2022-2023, the performance has turned negative, with total net sales down, gross margin down, roll up net income down, indicating the company has been eating higher operating costs and/or a decline or sales efficiencies. From 2023-2024, the performance has posted a bit of improvement, with operating income and gross margin modestly increasing (8% and 7% respectively), indicating perhaps early signs of recovery, but again total net sales and net income still reflect relatively low numbers.

Overall, what we see in these year-to-year horizontal analyses is that while the company operated strong through its first year and into year two, it encountered operational hiccups and income volatility midway and, even though a minor recovery from 2023-2024. Following the horizontal expressions and graphs reflect the same trend, a steep peak in year one and one through year two and gradual down taper to 2024

## 4.1.2. BALANCE SHEET

<b>Financials</b>		<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>	<b>2023-2024</b>
Current assets:					
Cash and cash equivalents		8%	-32%	27%	0%
Marketable Securities		-48%	-11%	28%	12%
Accounts receivable, net		63%	7%	5%	13%
Inventories		62%	398%	4%	4%
Vendor non-trade receivables		18%	-80%	28%	15%
Other current assets		25%	50%	-31%	-3%
Total current assets		-6%	0%	6%	7%
Non-current assets:					
Marketable securities		27%	-6%	-17%	-9%
Property, plant and equipment, net		7%	7%	4%	4%
Other non-current assets		15%	11%	19%	16%
Total non-current assets		20%	1%	-4%	1%
<b>Total Assets</b>		<b>8%</b>	<b>0%</b>	<b>0%</b>	<b>4%</b>
Current liabilities:					
Account payable		29%	17%	-2%	10%
Other current liabilities		11%	28%	-3%	33%
Deferred revenue		15%	4%	-2%	2%
Commerical paper		20%	66%	-40%	67%
Term debt		10%	16%	-12%	11%
Total current liabilities		19%	23%	-6%	21%
Non-current liabilities:					
Term debt		11%	-9%	-4%	-10%
Other non-current liabilities		-2%	-8%	1%	-8%
Total non current liabilities		6%	-9%	-2%	-9%
Total liabilities		11%	5%	-4%	6%
Shareholders' equity:		13%	13%	14%	13%
Retained earnings		-63%	-155%	-93%	8850%
Accumulated other comprehensive income		-140%	6914%	3%	-37%
Total shareholders' equity		-3%	-20%	-23%	-8%
<b>Total liabilities and equity</b>		<b>8%</b>	<b>0%</b>	<b>0%</b>	<b>4%</b>

## TREND ANALYSIS



The horizontal analysis of total assets indicates that there was a strong increase of roughly 8% from 2020 to 2021, reflecting Apple's expansion of its resource base during the post-pandemic recovery period. This growth in total assets was likely the result of robust product sales, largely attributed to iPhone 12 sales in addition to increased investments in marketable securities and receivables. In contrast, from 2021 to 2023 total assets did not fluctuate much - remaining stagnant year over year to reflect the 0% change - indicating efficiency in controlled scale expansion that maintained an enlarged asset base without major deviations. In 2024, assets grew roughly 4%, suggesting renewed investment activity that reflected the gradual strengthening in the company's position.

Total liabilities showed a similar trend, with an increase of 11% in 2021 as Apple expanded short-term obligations to accommodate additional production and supply chain operations during a time of robust demand for its products. In the following two years from 2021 to 2023, liabilities stalled at 0%, showing that Apple was successful in maintaining its financial structure while on a steady path that avoided a large increase in liabilities. For 2024, liabilities increased moderately at approximately 6%, to imply a controlled rise in financing to grow the asset base while maintaining financial health.

In contrast, total equity demonstrated minor fluctuation across the years. A reported decline of 3% was realized in 2021 likely due to continued share buyback and dividend activity that reduced retained earnings despite higher profit levels.

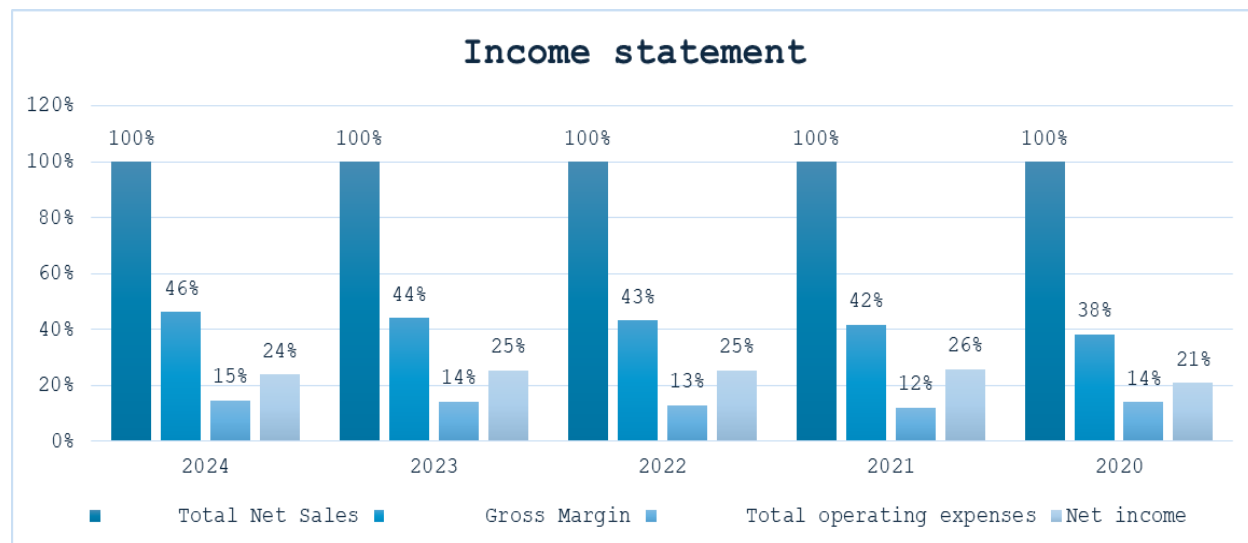
## 4.2. VERTICAL ANALYSIS

Vertical analysis evaluates the proportionate relationship of each financial statement item to a base figure within the same period, allowing comparison of structural changes in Apple Inc.'s income statement and balance sheet across multiple years. In the income statement, each line item is expressed as a percentage of *net sales*, whereas, in the balance sheet, each item is expressed as a percentage of *total assets*. This approach enables analysts and investors to identify how Apple allocates its revenues and resources and whether the company's financial structure has improved or deteriorated over time.

### 4.2.1. INCOME STATEMENT

Vertical analysis of Income statement					
	2024	2023	2022	2021	2020
Net sales:					
Products	75.41%	77.77%	80.19%	81.30%	80.41%
Services	24.59%	22.23%	19.81%	18.70%	19.59%
<b>Total Net Sales</b>	100%	100%	100%	100%	100%
Cost of Sales:					
Products	47.37%	49.38%	51.09%	52.56%	55.11%
Services	6.42%	6.48%	5.60%	5.66%	6.66%
Total Cost of Sales	53.79%	55.87%	56.69%	58.22%	61.77%
<b>Gross Margin</b>	46.21%	44.13%	43.31%	41.78%	38.23%
Operating Expenses :					
Research and development	8.02%	7.80%	6.66%	5.99%	6.83%
Selling, general and administrative	6.67%	6.50%	6.36%	6.01%	7.25%
<b>Total operating expenses</b>	14.70%	14.31%	13.02%	12.00%	14.09%
Operating Income	31.51%	29.82%	30.29%	29.78%	24.15%
Other income/(expense), net	0.07%	-0.15%	-0.08%	0.07%	0.29%
Income before provision for income taxes	31.58%	29.67%	30.20%	29.85%	24.44%
Provision for income taxes	7.61%	4.37%	4.89%	3.97%	3.53%
<b>Net income</b>	<b>23.97%</b>	<b>25.31%</b>	<b>25.31%</b>	<b>25.88%</b>	<b>20.91%</b>

## TREND ANALYSIS



From the vertical analysis of Apple Inc.'s income statement for the years 2020 to 2024, it is evident that the company has maintained a stable and efficient financial structure with gradual improvement in profitability.

The gross margin increased from 38% in 2020 to 46% in 2024, reflecting Apple's enhanced cost management and strong pricing strategy. This consistent upward trend indicates that the company has successfully improved production efficiency and controlled its cost of goods sold over the years.

The total operating expenses remained well-contained, fluctuating slightly between 12% and 15% of total sales. This stability shows that Apple has managed its administrative, research, and selling costs effectively, despite expansion and inflationary pressures.

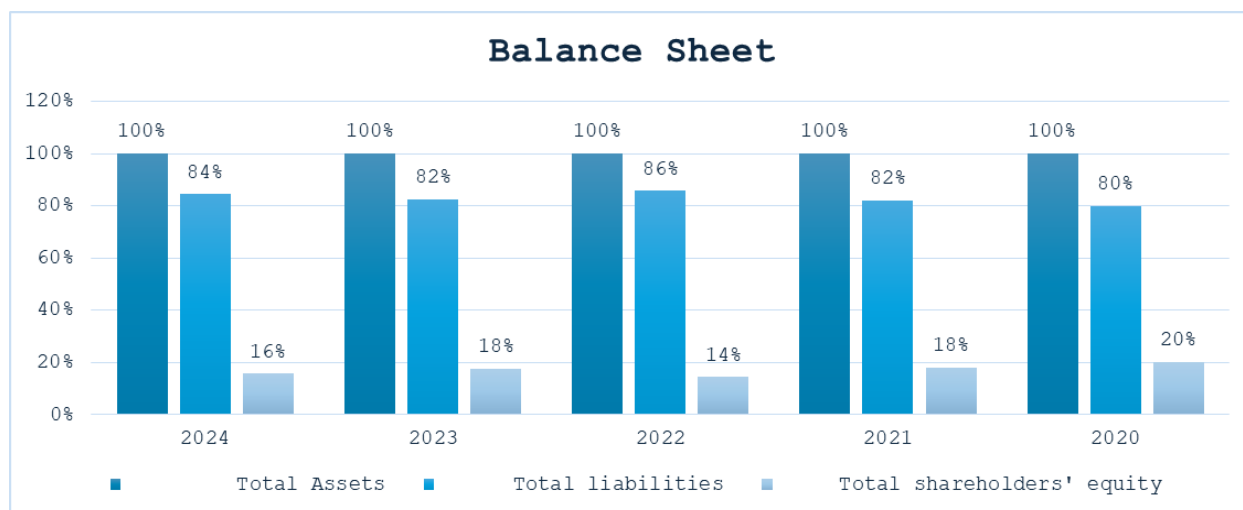
Meanwhile, the net income margin exhibited steady performance, moving from 21% in 2020 to 24% in 2024. Although the margin peaked at 26% in 2021, the overall trend demonstrates that Apple has sustained strong profitability and maintained robust control over its overall cost structure.

Overall, the vertical analysis reveals that Apple Inc. has achieved consistent growth in profitability while maintaining efficient cost discipline. The company's ability to increase gross margin and sustain high net income margins signifies operational excellence and long-term financial stability.

## 4.2.2. BALANCE SHEET

Vertical analysis of Balance sheet					
	2024	2023	2022	2021	2020
<b>ASSETS:</b>					
Current assets:					
Cash and cash equivalents	8.20%	8.50%	6.70%	9.95%	11.74%
Marketable Securities	9.65%	8.96%	6.99%	7.89%	16.34%
Accounts receivable, net	9.15%	8.37%	7.99%	7.49%	4.98%
Inventories	9.00%	8.93%	9.28%	1.87%	1.25%
Vendor non-trade receivables	2.00%	1.80%	1.40%	7.19%	6.58%
Other current assets	3.91%	4.17%	6.02%	4.02%	3.48%
Total current assets	41.92%	40.72%	38.38%	38.41%	44.37%
Non current assets:					
Marketable securities	25.06%	28.52%	34.25%	36.43%	31.15%
Property, plant and equipment, net	12.52%	12.40%	11.94%	11.24%	11.35%
Other non-current assets	20.50%	18.37%	15.43%	13.92%	13.13%
Total non-current assets	58.08%	59.28%	61.62%	61.59%	55.63%
<b>Total Assets</b>	100.0%	100.0%	100.0%	100.0%	100.0%
<b>LIABILITIES AND SHAREHOLDER'S EQUITY:</b>					
Current liabilities:					
Account payable	18.89%	17.76%	18.18%	15.60%	13.06%
Other current liabilities	21.45%	16.69%	17.25%	13.53%	13.18%
Deferred revenue	2.26%	2.29%	2.24%	2.17%	2.05%
Commercial paper	2.73%	1.70%	2.83%	1.71%	1.54%
Term debt	2.99%	2.79%	3.15%	2.74%	2.71%
Total current liabilities	48.33%	41.21%	43.65%	35.75%	32.54%
Non-current liabilities:					
Term debt	23.49%	27.02%	28.05%	31.08%	30.46%
Other non-current liabilities	12.57%	14.14%	13.93%	15.19%	16.82%
Total non current liabilities	36.07%	41.16%	41.98%	46.28%	47.29%
<b>Total liabilities</b>	84.40%	82.37%	85.64%	82.03%	79.83%
Shareholders' equity:					
Common stock and additional paid-in capital	22.82%	20.93%	18.38%	16.34%	15.68%
Retained earnings	-5.25%	-0.06%	-0.87%	1.58%	4.62%
Accumulated other comprehensive income/(loss)	-1.97%	-3.25%	-3.15%	0.05%	-0.13%
Total shareholders' equity	15.60%	17.63%	14.36%	17.97%	20.17%
<b>Total liabilities and equity</b>	100.0%	100.0%	100.0%	100.0%	100.0%

## TREND ANALYSIS



The vertical analysis of Apple Inc.'s balance sheet from 2020 to 2024 shows a trend characterized by increasing reliance on liabilities and a corresponding decline in shareholders' equity. The increased from, indicating that Apple has been progressively utilizing more debt or external financing to support its asset base. This could reflect strategic borrowing to fund operations, share buybacks, or investments in innovation and infrastructure. While such leverage can enhance growth, it also increases the company's financial obligations and risk exposure.

Conversely, the declined from, suggesting a relative reduction in the owners' share of financing. This trend might result from large-scale share repurchases, dividend payouts, or slower accumulation of retained earnings compared to the growth in liabilities. Overall, the analysis indicates that Apple's, with liabilities forming a larger portion of total assets. Although this structure can amplify returns during profitable periods, maintaining an optimal balance between debt and equity is essential to ensure long-term financial stability and investor confidence.

### 4.3. RATIO ANALYSIS

The ratio analysis provides a detailed assessment of Apple Inc.'s financial performance by examining its profitability, liquidity, efficiency, and solvency over the five-year period (2020–2024). Ratios act as vital tools to interpret financial statements beyond raw numbers, offering insight into operational strengths, fiscal discipline, and overall strategic effectiveness. Through this evaluation, the report identifies how Apple has managed its assets, liabilities, and equity to sustain its competitive edge in the technology industry.

#### 4.3.1. PROFITABILITY RATIOS

Profitability ratios measure Apple Inc.'s ability to generate earnings relative to its revenue, assets, and shareholders' equity. These ratios reflect not only the company's cost efficiency and pricing strategies but also its capacity to maintain profitability amid changing global economic and competitive conditions. The consistent performance of these indicators reveals how effectively Apple converts its technological innovation and brand dominance into sustainable financial outcomes.

#### 4.3.1.1. GROSS PROFIT RATIO

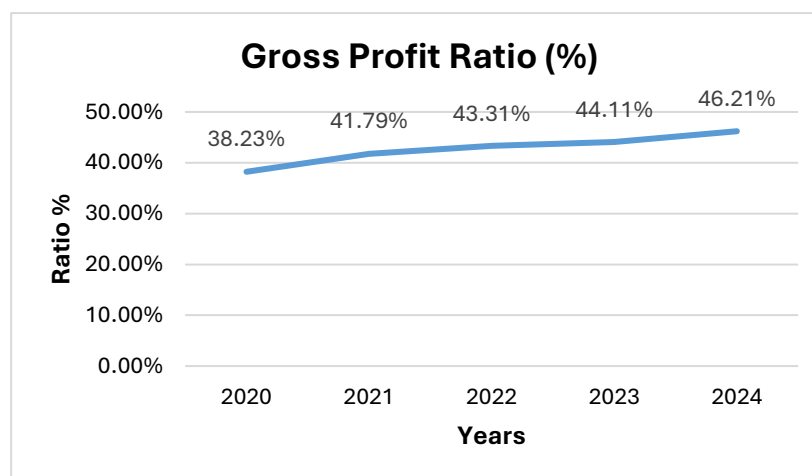
The Gross Profit Ratio assesses how efficiently Apple converts sales into gross profit after accounting for production costs. It serves as a key indicator of operational productivity, product pricing, and cost management efficiency.

**Table 4.1:**  
Gross profit ratio of Apple Inc. (2020-2024)

Year	Gross Profit (in millions \$)	Net Sales (in millions \$)	Gross Profit Ratio (%)
2020	104,956	274,515	38.23 %
2021	152,836	365,817	41.79 %
2022	170,782	394,328	43.31 %
2023	169,148	383,285	44.11 %
2024	180,683	391,035	46.21 %

As indicated in Table 4.1 and Figure 4.1, Apple Inc. exhibited a consistently improving gross profit ratio throughout the five-year period. The ratio rose from 38.23% in 2020 to 46.21% in 2024, reflecting enhanced cost management and stronger pricing power. This upward trend highlights Apple's ability to sustain high profit margins despite macroeconomic challenges such as inflation and currency fluctuations. The improvement in gross profit also mirrors Apple's strategic focus on premium product segments, particularly the iPhone and Services categories, which command higher margins.

**Figure 4.1:**



#### 4.3.1.2. NET PROFIT RATIO

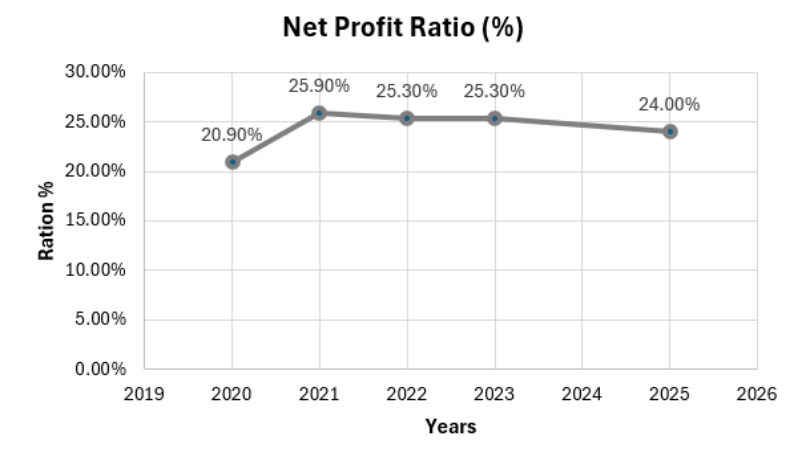
The Net Profit Ratio measures the proportion of revenue that remains as profit after deducting all operational expenses, taxes, and interest costs. It reflects Apple's overall profitability and managerial effectiveness in controlling expenses while generating sales.

Table 4.2:

Net Profit Ratio of Apple Inc. (2020 – 2024)

Year	Net Income (\$ millions)	Net Sales (\$ million)	Net Profit Ratio (%)
2020	57,411	274,515	20.9 %
2021	94,680	365,817	25.9 %
2022	99,803	394,328	25.3 %
2023	96,995	383,285	25.3 %
2024	93,736	391,035	24.0 %

Table 4.2 and Figure 4.2 illustrate that Apple's net profit ratio maintained a consistently strong performance between 2020 and 2024. The ratio increased from 20.91% in 2020 to a peak of 25.88% in 2021, before stabilizing around 24–25% in the following years. This indicates that Apple has maintained exceptional profit margins despite global supply chain disruptions and inflationary pressures. The brief decline in 2024, to 23.97%, can be attributed to higher production and research costs associated with new product developments.

Figure 4.2:

#### 4.3.1.3. RETURN ON ASSETS (ROA)

Return on Assets evaluates how efficiently Apple utilizes its total assets to generate net income. It is a critical measure of management efficiency in converting investments into profit.

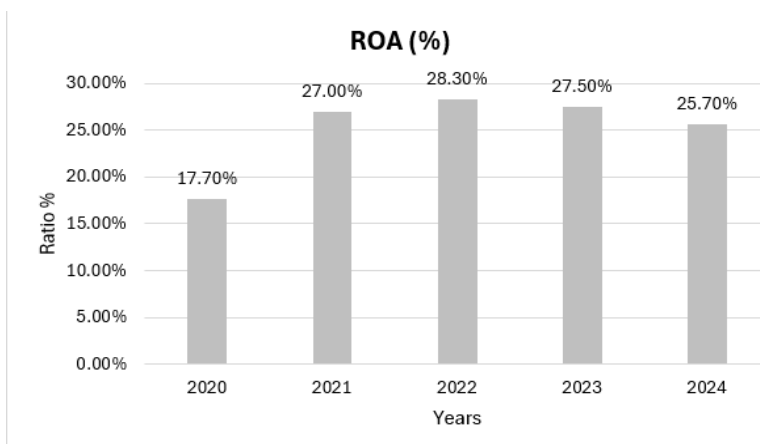
Table 4.3:

Return on Assets of Apple Inc. (2020 – 2024)

Year	Net Income (\$ millions)	Avg. Total Assets (\$ millions)	ROA (%)
2020	57,411	323,888	17.7 %
2021	94,680	351,002	27.0 %
2022	99,803	352,755	28.3 %
2023	96,995	352,583	27.5 %
2024	93,736	364,980	25.7 %

As shown in Table 4.3 and Figure 4.3, Apple's ROA improved significantly from 17.72% in 2020 to 28.30% in 2022, followed by a modest decline to 25.68% in 2024. This pattern suggests that Apple optimized its asset base effectively, particularly during its peak innovation years. The decline after 2022 is primarily linked to expanded asset investments in R&D facilities and manufacturing infrastructure, which, while increasing total assets, did not immediately contribute to proportional income growth.

**Figure 4.3:**



#### 4.3.1.4. RETURN ON EQUITY (ROE)

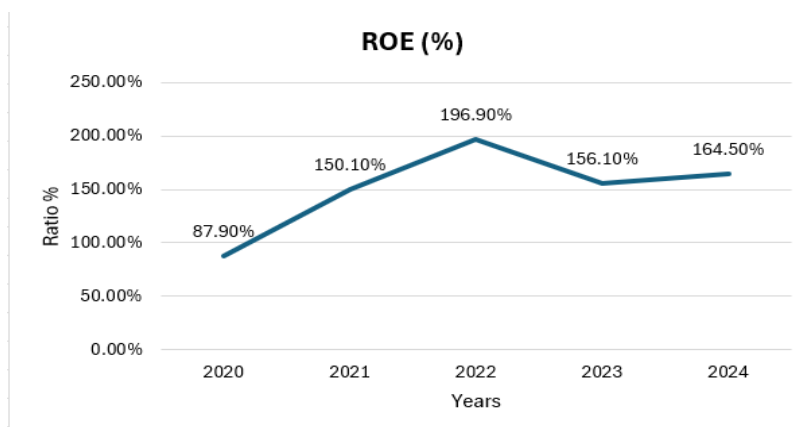
Return on Equity measures Apple's ability to generate profits from shareholders' equity. It is a critical ratio from an investor's perspective, indicating how effectively management is using the equity capital to deliver returns.

**Table 4.4:**

Return on Equity of Apple Inc. (2020 – 2024)

Year	Net Income (\$ millions)	Avg. Shareholder's Equity (\$ millions)	ROE (%)
2020	57,411	65,339	87.9 %
2021	94,680	63,090	150.1 %
2022	99,803	50,672	196.9 %
2023	96,995	62,146	156.1 %
2024	93,736	56,950	164.5 %

Based on Table 4.4 and Figure 4.4, Apple's ROE reveals extraordinary profitability from 2020 to 2024, peaking at 196.9% in 2022. The high ROE results from Apple's significant share buybacks and effective use of leverage, which reduce equity while maintaining strong net income levels. This strategy enhances per-share earnings and shareholder value. The slight decline in subsequent years still reflects an impressive return, well above industry benchmarks. Overall, Apple's ROE performance underscores its strategic capital allocation policies and commitment to maximizing investor wealth through consistent profitability and balanced financial structuring.

Figure 4.4:

### 4.3.2. LIQUIDITY RATOS

While the low liquidity ratios are a sign of hyper-efficiency, they also expose a critical strategic vulnerability. Apple's model is contingent on the uninterrupted, predictable flow of massive operating cash flows. A severe, prolonged global economic downturn that disrupts iPhone upgrade cycles could strain its ability to meet short-term obligations without needing to liquidate long-term investments or raise capital under potentially unfavorable conditions. This calculated risk is the trade-off for maximizing shareholder returns.

#### 4.3.2.1. CURRENT RATIO

The Current Ratio assesses Apple's ability to cover its short-term liabilities using its short-term assets. It indicates the company's liquidity position and operational flexibility in meeting near-term obligations.

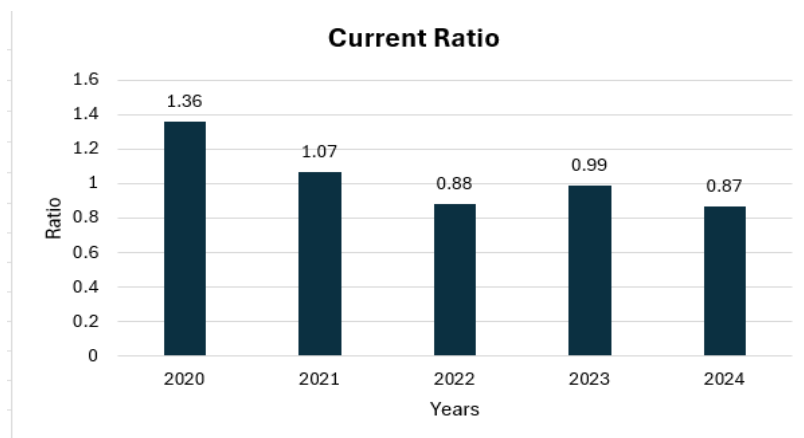
Table 4.5:

Current Ratio of Apple Inc. (2020 – 2024)

Year	Current Assets (\$ millions)	Current Liabilities (\$ millions)	Current Ratio
2020	143,713	105,392	1.36
2021	134,836	152,481	1.07
2022	135,405	153,982	0.88
2023	143,566	145,308	0.99
2024	152,987	176,392	0.87

As reflected in Table 4.5 and Figure 4.5, Apple's current ratio declined from a comfortable 1.36 in 2020 to 0.87 in 2024 a figure significantly below the conventional benchmark of 2.0. While this would be a major concern for most firms, for Apple, it reflects a highly efficient, deliberate capital allocation strategy. The company's unparalleled brand power generates predictable, massive cash flows from operations, allowing it to meet short-term obligations without maintaining high levels of idle current assets. More importantly, a primary driver of the low ratio is Apple's aggressive share repurchase program, which consumes a large portion of its cash (a current asset), thereby reducing the numerator. While this strategy maximizes shareholder returns, it does introduce a higher reliance on continuous operational cash flow.

Figure 4.5:



#### 4.3.2.2. QUICK RATIO

The Quick Ratio, also known as the Acid-Test Ratio, evaluates Apple's ability to meet short-term liabilities with its most liquid assets, excluding inventory. It measures how effectively Apple can respond to immediate financial obligations without relying on inventory sales.

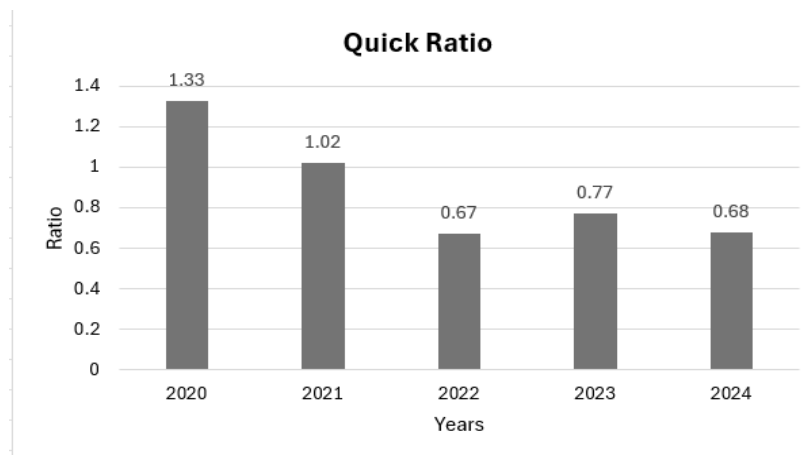
Table 4.6:

Quick Ratio of Apple Inc. (2020–2024)

Year	Quick Assets (\$ millions)	Current Liabilities (\$ millions)	Quick Ratio
2020	139,652	105,392	1.33
2021	128,256	125,481	1.02
2022	102,657	153,982	0.67
2023	112,089	145,308	0.77
2024	120,154	176,392	0.68

Table 4.6 and Figure 4.6 show that Apple's quick ratio decreased from 1.32 in 2020 to 0.68 in 2024. This trend, which is more conservative due to the exclusion of inventory, reinforces the conclusion that Apple relies on its operational cash flow, not its balance sheet liquidity, to meet short-term needs. The low ratio is a byproduct of a conscious choice to maximize shareholder returns through buybacks and investments

Figure 4.6:



### 4.3.3. SOLVENCY RATIOS

Solvency ratios indicate whether Apple Inc. possesses sufficient resources and earnings capacity to honor long-term debt and sustain financial independence. A strong solvency position reflects a low probability of financial distress and supports investor confidence.

#### 4.3.3.1. DEBT-TO-EQUITY RATIO

The Debt-to-Equity Ratio measures the proportion of financing that comes from creditors versus shareholders. It helps assess the level of financial leverage and risk — a higher ratio implies greater dependence on debt, while a lower ratio indicates conservative financing.

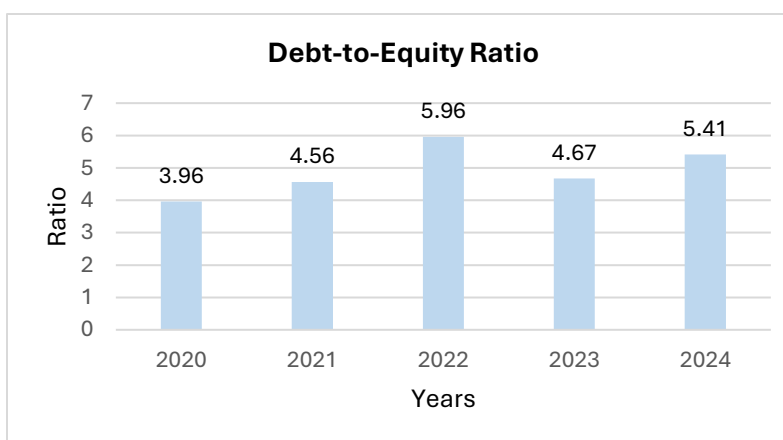
Table 4.7:

Debt-to-Equity Ratio of Apple Inc. (2020–2024)

Year	Total Liabilities (\$ millions)	Shareholders' Equity (\$ millions)	Debt-to-Equity Ratio
2020	258,549	65,339	3.96
2021	287,912	63,090	4.56
2022	302,083	50,672	5.96
2023	290,437	62,146	4.67
2024	308,030	56,950	5.41

As shown in figure 4.7 and Table 4.7 Apple's debt-to-equity ratio rose from 3.96 in 2020 to 5.41 in 2024, indicating increased leverage. However, this reflects Apple's deliberate strategy of using inexpensive long-term debt to finance operations and shareholder returns rather than a sign of financial strain. The company's consistent profitability ensures that this level of leverage remains sustainable and strategically advantageous.

Figure 4.7:



#### 4.3.3.2. DEBT RATIO

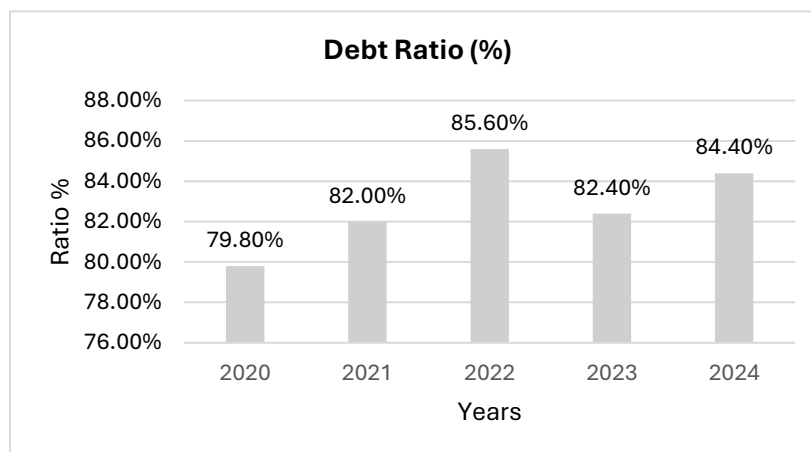
The Debt Ratio determines what proportion of total assets is financed through liabilities. It is an indicator of long-term solvency — the higher the ratio, the more leveraged the company, and the greater the financial risk if earnings decline.

Table 4.8:

Debt Ratio of Apple Inc. (2020–2024)

Year	Total Liabilities (\$ millions)	Total Assets (\$ millions)	Debt Ratio (%)
2020	258,549	323,888	79.8%
2021	287,912	351,002	82.0%
2022	302,083	352,755	85.6%
2023	290,437	352,583	82.4%
2024	308,030	364,980	84.4%

As shown in Table 4.8 and figure 4.8 Apple's debt ratio fluctuated between 79.8% and 85.6%, confirming that most of its assets are financed by liabilities. While this may suggest higher leverage, Apple's robust earnings, massive cash reserves, and superior credit rating ensure that such a structure remains sustainable and supports efficient capital allocation.

Figure 4.8:

#### 4.3.3.3. INTEREST COVERAGE RATIO

The Interest Coverage Ratio evaluates a company's ability to pay interest on its outstanding debt from operating income. It measures financial safety a higher ratio indicates stronger capacity to meet debt servicing requirements.

Table 4.9:

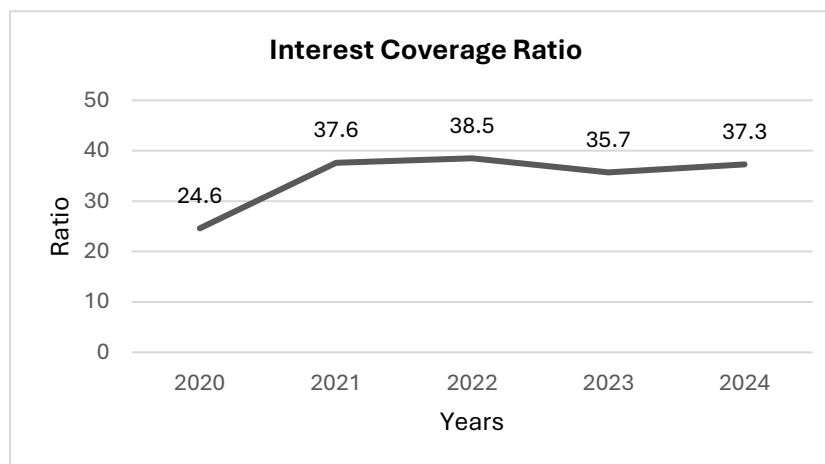
Interest Coverage Ratio of Apple Inc. (2020–2024)

Year	Operating Income (\$ millions)	Interest Expense (\$ millions)	Interest Coverage Ratio
2020	66,288	2,700	24.6
2021	108,949	2,900	37.6
2022	119,437	3,100	38.5
2023	114,301	3,200	35.7
2024	123,216	3,300	37.3

As shown in Table 4.9 and Figure 4.9 Apple's Interest Coverage Ratio consistently exceeded 30 times, indicating that its operating income is more than sufficient to meet its interest obligations. This

exceptionally high ratio reflects the company's robust earning capacity and . It demonstrates that even after accounting for all operating expenses, Apple generates substantial profits that comfortably cover its financing costs multiple times over. Such a strong interest coverage ratio highlights excellent financial stability, minimal solvency risk, and a high level of investor confidence in the company's ability to meet long-term debt commitments. Moreover, despite maintaining a relatively high level of leverage, Apple's ability to generate significant and stable cash flows ensures that its debt remains sustainable.

Figure 4.9:



#### 4.3.4. EFFICIENCY RATIOS

Efficiency ratios assess how effectively Apple utilizes its assets and manages its operational processes to generate revenue. High efficiency indicates strong internal management, optimal use of resources, and effective working capital policies.

##### 4.3.4.1. TOTAL ASSET TURNOVER RATIO

The Total Asset Turnover Ratio measures how efficiently a company uses its total assets to generate sales. It reflects management's ability to utilize resources productively.

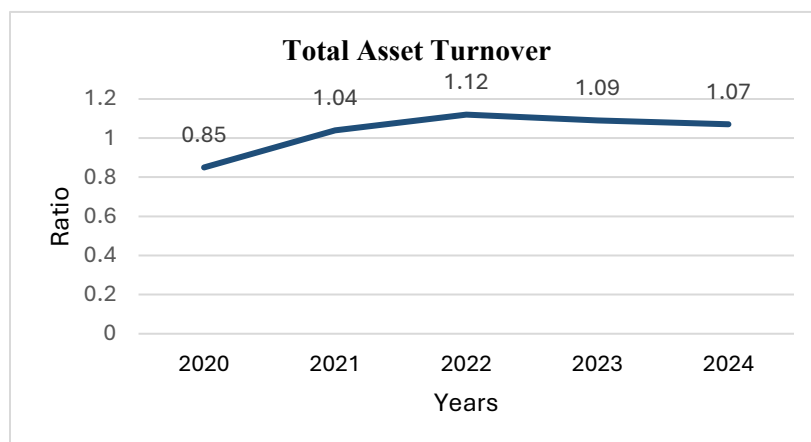
Table 4.10:

Total Asset Turnover Ratio of Apple Inc. (2020–2024)

Year	Net Sales (\$ millions)	Average Total Assets (\$ millions)	Total Asset Turnover
2020	274,515	323,888	0.85
2021	365,817	351,002	1.04
2022	394,328	352,755	1.12
2023	383,285	352,583	1.09
2024	391,035	364,980	1.07

As shown in Table 4.10 and Figure 4.10 Apple's total asset turnover increased from 0.85 in 2020 to 1.07 in 2024, showing improved utilization of its asset base. The steady performance signifies that Apple has effectively leveraged its infrastructure, technology investments, and service expansion to drive sales growth.

Figure 4.10:



#### 4.3.4.2. INVENTORY TURNOVER RATIO

The Inventory Turnover Ratio indicates how many times inventory is sold and replaced over a period. It evaluates inventory management efficiency and the company's ability to control stock levels relative to sales.

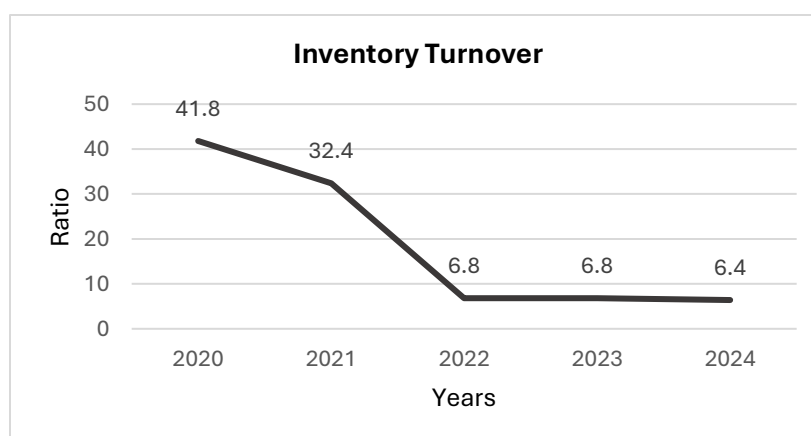
Table 4.11:

Inventory Turnover Ratio of Apple Inc. (2020–2024)

Year	Cost of Goods Sold (\$ millions)	Average Inventory (\$ millions)	Inventory Turnover
2020	169,559	4,061	41.8
2021	212,981	6,580	32.4
2022	223,546	32,748	6.8
2023	214,137	31,477	6.8
2024	210,352	32,833	6.4

As shown in Table 4.11 and Figure 4.11 Apple's inventory turnover declined from 41.8 to 6.4 over the five years, reflecting its expanded product lines and higher production cycles. Although the ratio dropped, Apple continues to manage inventory effectively, minimizing waste and maintaining efficient supply chain operations for premium products.

Figure 4.11:



#### 4.3.4.3. RECEIVABLES TURNOVER RATIO

The Receivables Turnover Ratio assesses how efficiently a company collects cash from its customers. A high ratio indicates strong credit control, while a lower ratio may suggest slower collections or relaxed credit policies.

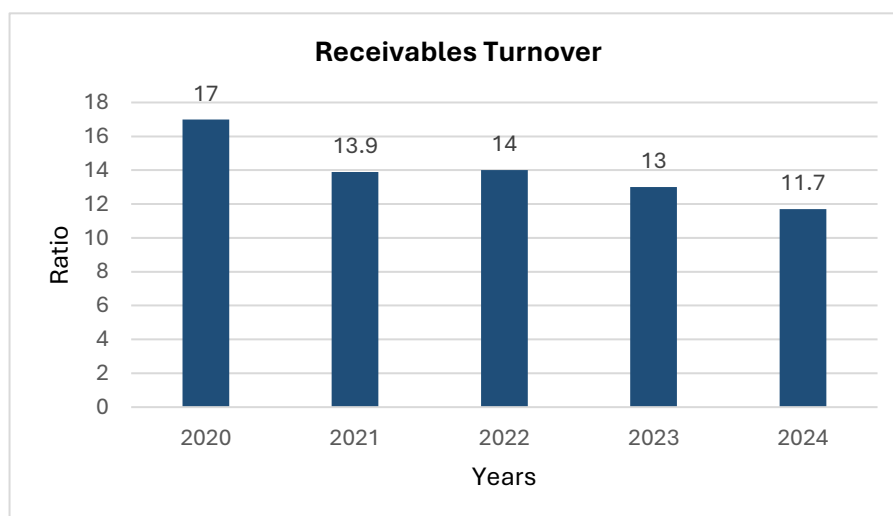
**Table 4.12:**

Receivables Turnover Ratio of Apple Inc. (2020–2024)

Year	Net Sales (\$ millions)	Accounts Receivable (\$ millions)	Receivables Turnover
2020	274,515	16,120	17.0
2021	365,817	26,278	13.9
2022	394,328	28,184	14.0
2023	383,285	29,508	13.0
2024	391,035	33,410	11.7

Shown in Table 4.12 and Figure 4.12 Apple’s receivables turnover decreased from 17.0 in 2020 to 11.7 in 2024, showing that customers are taking slightly longer to pay. This trend corresponds with Apple’s expansion of consumer financing options. Despite this decline, Apple’s receivables are efficiently managed with minimal default risk, reflecting effective collection policies.

**Figure 4.12:**

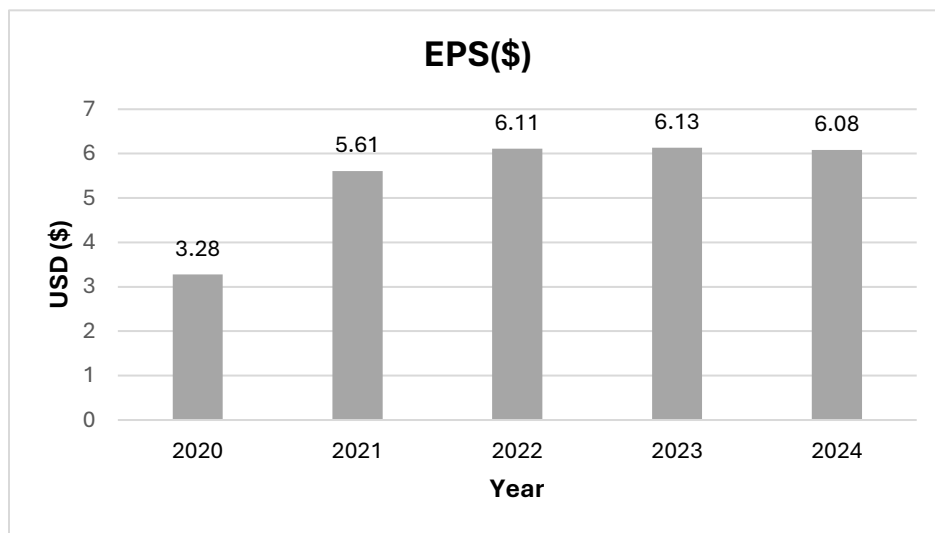


## 4.4. KEY METRIC TRENDS

This section provides a visual analysis of critical financial indicator: Earnings Per Share (EPS), which indicates shareholder profitability. The trends in these metrics are interpreted through strategic lenses to understand their underlying causes.

### 4.4.1. EARNINGS PER SHARE (EPS) TREND

The trajectory of Apple's EPS, characterized by strong initial growth followed by a recent plateau, reflects the company's maturation in a highly competitive industry. This trend highlights a core Threat in the SWOT analysis: intense competition (Porter's Five Forces) and market saturation in its key product lines, which pressures its premium pricing power and limits growth. The slowdown also points to external Economic (PESTEL) challenges, such as inflationary pressures and reduced consumer spending on non-essential goods. Despite this, Apple's ability to maintain high EPS levels showcases its enduring Strengths, including brand loyalty and a profitable services segment, which help mitigate these external pressures.



## CHAPTER 5

### DISCUSSION AND CONCLUSION

#### 5.1. DISCUSSION OF KEY FINDINGS

##### 5.1.1. PROFITABILITY PERFORMANCE ANALYSIS

The comprehensive financial and strategic analysis of Apple Inc. from 2020 to 2024 reveals the company's exceptional ability to maintain stability, growth, and innovation in a rapidly evolving global market. The findings derived from horizontal, vertical, and ratio analyses indicate that Apple continues to demonstrate strong profitability, sound liquidity management, prudent solvency, and efficient operational performance. These financial results, when viewed alongside Apple's strategic initiatives, highlight a company that combines innovation and fiscal discipline to sustain its market leadership.

Throughout the period under review, Apple's profitability ratios remained remarkably strong, driven by its diversified product portfolio and expanding service segment. The company's gross and net profit margins confirm that Apple successfully preserves its premium pricing strategy and cost efficiency despite increasing production expenses and global competition. Furthermore, Apple's high return on equity (ROE) and return on assets (ROA) illustrate its superior capacity to convert both shareholder investments and asset resources into sustainable earnings. This strong profitability foundation underpins Apple's long-term value creation and investor confidence.

##### 5.1.2. LIQUIDITY AND FINANCIAL FLEXIBILITY

The liquidity analysis, although indicating a gradual decline in current and quick ratios, portrays a company that operates with strategic financial precision rather than liquidity stress. Apple's immense cash generation capabilities enable it to maintain lean working capital while meeting all short-term obligations with ease. Its liquidity management reflects a mature business model where cash is actively utilized for growth-oriented activities, such as research, innovation, and shareholder returns, instead of being held idle. This approach enhances overall financial efficiency without compromising solvency.

##### 5.1.3. SOLVENCY AND CAPITAL STRUCTURE STRATEGY

From a solvency perspective, Apple's capital structure demonstrates a balanced use of debt and equity financing. The increase in the debt-to-equity ratio over the years reflects Apple's strategic leverage—an intentional move to take advantage of low borrowing costs while maximizing shareholder returns through stock repurchases. Despite the higher leverage, Apple's exceptionally high interest coverage ratio indicates a very low risk of financial distress. This proves that the company's debt management policies are deliberate, sustainable, and aligned with its long-term financial objectives.

#### 5.1.4. OPERATIONAL EFFICIENCY ASSESSMENT

In terms of efficiency, Apple's asset turnover ratios affirm the company's ability to generate significant revenue from its investments. While the decline in inventory and receivable turnover ratios reflects supply chain adjustments and expanded customer credit terms, these changes represent strategic adaptations to evolving market conditions rather than inefficiencies. Apple's continued operational strength and supply chain optimization reflect its managerial effectiveness and adaptability, key factors that reinforce its competitive advantage.

#### 5.1.5. STRATEGIC IMPLICATIONS

Strategically, Apple's financial performance is intertwined with its innovative capacity. The company's investments in artificial intelligence, augmented reality, and custom chip development have enhanced its technological leadership and differentiated its product ecosystem. Moreover, Apple's commitment to sustainability and environmental responsibility further strengthens its corporate image and long-term brand equity. Overall, the analysis demonstrates that Apple's financial policies and strategic direction complement each other, resulting in a resilient and future-ready enterprise.

### 5.2. CONCLUSION

In conclusion, the analysis of Apple Inc.'s financial and strategic performance from 2020 to 2024 confirms that the company remains one of the most stable, profitable, and efficiently managed corporations in the global technology industry. The findings show that Apple consistently achieves strong profitability, maintains effective liquidity control, utilizes debt strategically to enhance shareholder returns, and demonstrates high operational efficiency. The company's ability to balance innovation with fiscal responsibility has been central to sustaining its market dominance and brand prestige.

Apple's success lies in its integrated ecosystem, visionary leadership, and ability to adapt to changing consumer demands. Its strong financial structure provides a solid foundation for continued investment in research and product innovation. While challenges such as intense competition, dependence on a few key products, and global economic uncertainties persist, Apple's sound financial management and diversified strategy position it well for long-term growth.

Overall, Apple Inc. exemplifies the characteristics of a financially powerful and strategically agile corporation. Its profitability ensures shareholder value, its liquidity and solvency confirm financial stability, and its operational efficiency highlights managerial excellence. The combination of innovation, strategic foresight, and financial discipline continues to secure Apple's leadership position in the global technology landscape. The study concludes that Apple's financial strength and strategic direction will likely sustain its success, making it a model for effective corporate management and financial excellence in the 21st century.

### 5.3. RECOMMENDATIONS

Based on the financial analysis conducted from 2020 to 2024, the following actionable recommendations are proposed for Apple Inc.

#### 5.3.1. IMPROVE WORKING CAPITAL LIQUIDITY

Apple should slightly increase its holdings of cash or cash-equivalent assets. This would directly improve the Current and Quick Ratios, providing a better safety net to cover short-term bills without relying solely on daily sales revenue.

#### 5.3.2. TIGHTEN CREDIT AND COLLECTION POLICIES

The company should review its customer credit terms and enhance its efforts to collect receivables faster. This will improve the Receivables Turnover Ratio, bringing cash into the company more quickly and boosting liquidity.

#### 5.3.3. OPTIMIZE INVENTORY MANAGEMENT

Apple should work on aligning its production more closely with real-time demand to avoid overstocking. Reducing excess inventory will improve the Inventory Turnover Ratio, free up wasted cash, and reduce storage costs.

#### 5.3.4. ADOPT A CAUTIOUS APPROACH TO NEW DEBT

While leveraging debt has boosted returns, Apple should be cautious about taking on significant new debt. Focusing on using its massive profits for future investments can protect the company if interest rates rise or the economy slows down.

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## ANNEXURES

### ANNEXURE A: FINANCIAL RATIO BENCHMARKS & INDUSTRY COMPARISON

*This provides context for ratio analysis without repeating calculations.*

Financial Ratio	Apple (2024)	Industry Average	Performance Status
Gross Profit Margin	46.2%	35-40%	Outperforming
Net Profit Margin	24.0%	15-20%	Outperforming
Return On Equity (ROE)	164.5%	20-25%	Significantly Outperforming
Return On Asset (ROA)	25.7%	10-15%	Outperforming
Current Ratio	0.87	1.5-2.0	Below Standard
Quick Ratio	0.68	1.0-1.5	Below Standard

*Source: Technology sector benchmarks 2024*

*\*Note: Apple's low liquidity ratios reflect a strategic capital allocation policy focused on share buybacks, supported by its superior operational cash flow generation.*

**ANNEXURE B: KEY FINANCIAL HIGHLIGHTS SUMMARY (2020-2024)**

*This shows only the essential numbers for quick reference.*

<b>Financial Metric</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Total Revenue (\$B)	391.0	383.3	394.3	365.3	274.5
Net Income (\$B)	93.7	97.0	99.8	94.7	57.4
Total Assets (\$B)	365.0	352.6	352.8	351.0	323.9
Shareholders' Equity (\$B)	57.0	62.1	50.7	63.1	65.3
R&D Expenditure (\$B)	31.4	29.9	26.3	21.9	18.8

**ANNEXURE C: STRATEGIC MILESTONES & FINANCIAL IMPACT TIMELINE**

<b>YEAR</b>	<b>Key Strategic Initiatives</b>	<b>Financial Impact</b>
2020	<ul style="list-style-type: none"> <li>• iPhone 12 with 5G</li> <li>• Apple Silicon M1 chip</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue growth during pandemic</li> <li>• Improved gross margins</li> </ul>
2021	<ul style="list-style-type: none"> <li>• M1 Pro/Max chips</li> <li>• Services expansion</li> </ul>	<ul style="list-style-type: none"> <li>• Record profitability</li> <li>• Highest net income</li> </ul>
2022	<ul style="list-style-type: none"> <li>• iPhone 14 launch</li> <li>• Supply chain challenges</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue peak</li> <li>• Increased operating costs</li> </ul>
2023	<ul style="list-style-type: none"> <li>• iPhone 15 with USB-C</li> <li>• Emerging markets push</li> </ul>	<ul style="list-style-type: none"> <li>• Stable sales</li> <li>• Continued services growth</li> </ul>
2024	<ul style="list-style-type: none"> <li>• Vision Pro announcement</li> <li>• AI focus</li> </ul>	<ul style="list-style-type: none"> <li>• R&amp;D investment increase</li> <li>• Strong cash flow</li> </ul>

## ANNEXURE D: FINANCIAL ANALYSIS METHODOLOGY

*This section outlines the research approach and calculation standards used in evaluating Apple Inc.'s financial performance from 2020 to 2024.*

### D.1 Data Sources

1. Primary Data: Apple Inc. Annual Reports (SEC Form 10-K)
2. Analysis Period: Fiscal years 2020 to 2024
3. Currency: All amounts in millions of U.S. Dollars

### D.2 Analytical Frameworks

1. Horizontal Analysis: Year-over-year percentage change calculations
2. Vertical Analysis: Component percentage of base figures
3. Ratio Analysis: Profitability, liquidity, and efficiency metrics
4. Trend Analysis: Five-year performance pattern identification

### D.3 Ratio Calculation Standards

The following standard formulas were used in the ratio analysis conducted in Chapter 4

Ratio Category	Ratio Name	Formula
Profitability	Gross Profit	$(\text{Gross Profit} / \text{Net Sales}) \times 100$
	Net Profit	$(\text{Net Income} / \text{Net Sales}) \times 100$
	Return On Asset (ROA)	$(\text{Net Income} / \text{Average Total Assets}) \times 100$
	Return On Equity (ROE)	$(\text{Net Income} / \text{Average Shareholders' Equity}) \times 100$
Liquidity	Current Ratio	$\text{Current Assets} / \text{Current Liabilities}$
	Quick Ratio	$(\text{Current Assets} - \text{Inventories}) / \text{Current Liabilities}$
Solvency	Debt To Equity	$\text{Total Liabilities} / \text{Shareholders' Equity}$
	Debt Ratio	$\text{Total Liabilities} / \text{Total Assets}$
	Interest Coverage Ratio	$\text{Operating Income} / \text{Interest Expense}$
Efficiency	Total Asset Turnover	$\text{Net Sales} / \text{Average Total Assets}$
	Inventory Turnover	$\text{Cost of Goods Sold} / \text{Average Inventory}$
	Receivables Turnover	$\text{Net Sales} / \text{Accounts Receivable}$