**Current Assets and Liquidity**

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ACT301: Financial Accounting

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To: Management Team  
Subject: Liquidity Analysis of Apple’s Asset Makeup in 2019

Dear Management Team,

I have conducted an analysis of Apple’s liquidity by examining the ratio of current assets as a percent of total assets for the year 2019. This ratio is a key indicator of a company’s short-term financial health, reflecting its ability to cover short-term obligations with assets that can be quickly converted into cash.

The ratio of current assets to total assets is used to assess the liquidity of a company’s asset makeup. A higher percentage suggests a greater ability to meet short-term liabilities, indicating a more liquid asset base. The ratio is calculated by dividing current assets by total assets and expressing the result as a percentage.

**Apple’s Liquidity in 2019:**

* **2018 Ratio:** In 2018, Apple’s current assets were $131,339 million, and total assets were $365,725 million, resulting in a liquidity ratio of approximately 35.9%.
* **2019 Ratio:** In 2019, Apple’s current assets increased to $162,819 million, while total assets decreased to $338,516 million, yielding a liquidity ratio of roughly 48.1%.

**Additional Insights:**

To provide a comprehensive understanding of Apple's liquidity and efficiency in 2019, it's essential to look beyond the current assets to total assets ratio and consider other key financial metrics:

* **Working Capital:** The difference between current assets and current liabilities. In 2019, Apple’s working capital was $57,101 million, up from $15,410 million in 2018. This increase signifies a stronger short-term financial position.
* **Current Ratio:** This ratio improved from 1.13 in 2018 to 1.54 in 2019. Although lower than Google’s (3.37) and Samsung’s (2.84) ratios, Apple’s current ratio indicates a sufficient capacity to meet its short-term obligations.
* **Acid-Test Ratio:** Also known as the quick ratio, this metric improved from 0.77 in 2018 to 1.17 in 2019, showing that Apple’s most liquid assets are more than enough to cover its current liabilities.
* **Accounts Receivable Turnover:** Apple’s accounts receivable turnover was 11.3 in 2019, higher than Google’s 7.0 and Samsung’s 6.7, indicating efficient collection processes.
* **Inventory Turnover:** Apple’s inventory turnover of 40.1 was significantly higher than Samsung’s 5.3, suggesting effective inventory management.
* **Days’ Sales Uncollected:** Apple’s days’ sales uncollected stood at 32.2 days, lower than both Google’s 57.1 days and Samsung’s 62.3 days, demonstrating prompt collection of receivables.

**Conclusion:**

Based on the data, Apple’s asset makeup became more liquid in 2019. The increase in the liquidity ratio from 35.9% to 48.1%, coupled with improvements in working capital, current ratio, and acid-test ratio, indicates that a larger proportion of the company’s assets were in a form that could be quickly converted to cash. This enhances Apple’s ability to meet its short-term obligations and reflects positively on its financial health and operational efficiency.

Best regards,  
Kelsey Thompson

References

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