



National  
Qualifications  
2025

---

X810/77/11

**Business Management  
Case Study**

THURSDAY, 22 MAY

1:30 PM – 4:15 PM

---

It is recommended that you spend 15 minutes reading over the information provided in the Case Study before responding to the questions.

The questions can be found in the question paper X810/77/21.



\* X 8 1 0 7 7 1 1 \*

## **Apple Inc.**

Apple Inc. (Apple) is an American multinational organisation with its headquarters in California, United States (US). It designs, develops and sells consumer electronics, computer software, and online services.

As of 2024, Apple held approximately 27.95% of the global smartphone market share and was ranked the most popular mobile phone brand worldwide. It also had a market capitalisation value of \$3.4 trillion.

### *Product and service portfolio*

Some of Apple's products include:

- iPhone — smartphones
- Mac — personal computers
- iPad — multipurpose tablets
- wearables — wireless headphones and smartwatches.

Some of Apple's services include:

- Apple TV — media streaming service
- AppleCare — technical support
- iCloud — data storage services
- Apple Pay — cashless payment facilities.

### *Sales revenue data by product and service streams*

	<b>2023 \$m</b>	<b>2022 \$m</b>	<b>2021 \$m</b>
iPhone	200,583	205,489	191,973
Mac	29,357	40,177	35,190
iPad	28,300	29,292	31,862
Wearables	39,845	41,241	38,367
Services	85,200	78,129	68,425
<b>Net sales revenue</b>	<b>383,285</b>	<b>394,328</b>	<b>365,817</b>

## **Manufacturing relocation**

Apple products have been manufactured almost exclusively in China since 2001. However, over the last few years, Apple has invested nearly \$16 billion into moving some of its supply chain elsewhere with an aim to mitigate the risks associated with over-reliance on a single country as its manufacturing hub.

### *China's political landscape*

The trend to move manufacturing activities away from China began as early as 2014, when the Chinese Government failed to deliver on promises to liberalise its economy and instead began targeting foreign-owned organisations with stricter internal policies. More recently, the US-China trade war and the growing risk of a conflict between China and Taiwan have resulted in Apple, amongst many other multinational organisations, increasingly pushing its manufacturers to shift its supply chain out of the country.

### *Opportunities in India*

The worsening diplomatic situation between the US and China contrasts with the stable relationship the US has with India. In 2024, Apple's largest manufacturer in China, Foxconn, announced that it would open a new factory in India as part of Apple's aim to manufacture 25% of its global iPhone supply there in the next 3 years. This aligns with the Indian Government's 'Make in India' manufacturing initiative, with Foxconn already receiving significant subsidies from this.

With its booming population, India is quickly becoming a top consumer of the iPhone, making it a favourable destination for relocation of production facilities. Additionally, manufacturing wages are around half of those paid in China.

Although India already hosts some of Apple's contracted manufacturers, with current production output from the country equating to approximately 14% of global iPhone supply, there is still a long way to go. Despite Foxconn sending experienced engineers from China to India to train the local workers, it has struggled to replicate the scale, speed and quality of its operations in China.

More recently, the Indian Government has introduced the requirement for Apple's Chinese suppliers to secure local joint venture (JV) partners with domestic organisations in order to set up operations in India.

[Turn over]

## **Profit repatriation**

Apple earns a significant portion of its revenue from international markets, with each subsidiary operating in a foreign country paying corporation tax in that country.

Historically, US multinational organisations could defer US taxes on foreign profits until those profits were repatriated to the US. This led many organisations to retain profits overseas to avoid paying high US corporation tax.

However, following changes to US taxation legislation in 2017, US multinationals, such as Apple, are required to pay US corporation tax of 21% on their global profits, regardless of whether the profits are repatriated or not. To prevent US multinationals paying double taxation to both the US and their host countries, they are allowed to claim tax credits equivalent to the value of corporation taxes paid to foreign governments.

As a result, Apple started repatriating around \$252 billion of its overseas profits. Repatriating this amount will cost Apple approximately \$38 billion, making this one of the largest repatriation-related tax payments ever. Apple will pay this tax in instalments over 8 years. As of 2023, the balance of Apple's repatriation tax payable was \$22 billion.

### *Utilisation of repatriated funds*

Some ways in which Apple has used its repatriated profits include:

- Share repurchasing: Apple significantly increased its share buyback program by repurchasing shares at generous rates, thereby reducing its overall number of shareholders and increasing dividends for the remaining shareholders. In 2023, Apple allocated \$90 billion to spend on repurchasing shares. As of 2024, Apple had approximately 15.7 billion shares outstanding and plans to repurchase more in future.
- Capital expenditure: Apple invested in its US operations by constructing a new campus in 2019 in Austin, Texas, and continues to expand its existing data centres.
- Research and development: Apple has heavily increased its investment in research and development year-on-year since 2017 to drive innovation and maintain its competitive edge in the technology industry.

## **Autonomous vehicles**

Apple has been funding its plan to build self-driving electric vehicles for over 10 years, a project which involves around 2,000 of its employees. Pioneering artificial intelligence (AI), the vehicles are to be fully autonomous without the need for a steering wheel and pedals.

### *Market conditions*

Since Apple's autonomous vehicle project began, the number of organisations developing self-driving vehicles has grown, with testing being done in countries such as China, Germany, and the US.

Despite the driverless private passenger vehicle market expected to be worth a possible \$400 billion by 2035, so far, the industry's revenues and profit margins are relatively low. In 2024, American motor vehicle manufacturer General Motors (GM) reported sales revenue from driverless vehicles of just \$102 million amid a \$3.4 billion loss and subsequently cut back its investment on research in this area. Additionally, after a GM driverless car hit a woman at a San Francisco intersection, it recalled its vehicles. This incident further fuelled public concerns about driverless cars.

### *Project discontinuation proposal*

Apple's autonomous vehicles project saw high upfront costs, with over \$155 billion in cash at the plan's inception. Since then, it has required extensive funding from Apple's research and development budget.

Despite diversification being a priority for Apple as its net sales growth slows, it is contemplating ending its decade-long self-driving car project, believing it could better utilise its resources elsewhere. While the demand for self-driving vehicles is lacking, the demand for AI technologies is on the rise. Preliminary data suggests orders of generative AI smartphones will exceed more than 500 million units by 2027.

[Turn over

## **European digital technology industry**

The European Union's (EU) Digital Markets Act (DMA) came into force in 2022. It aims to fight against market domination by attempting to break down the stronghold the largest digital technology multinational organisations have on the European market and its citizens.

In 2024, the EU announced investigations into Alphabet (which owns Google), Apple, and Meta (which owns Facebook) citing potential breaches of the DMA. If they are found to have broken the rules, the organisations can face huge fines of up to 20% of their worldwide annual sales revenue. Structural changes could also be imposed, including the potential divestment of parts of their businesses.

The possible cases of non-compliance with the DMA that the EU is investigating include:

- If Apple and Alphabet are not allowing apps to freely communicate with users and make alternative payment methods with them. The EU believes these organisations are making it difficult for apps to tell users about different ways to pay for their services outside of using Apple's and Alphabet's own payment methods.
- If Apple is not giving users enough choice. The EU claims that Apple is obliged to allow users to easily uninstall apps on their devices, change default settings and be given 'choice screens' to let them use different browsers or search engines.
- If Meta is unfairly asking people to pay to avoid their data being used for targeted adverts.
- If Google displays search results which favour the organisation's own goods and services.

The investigation is expected to take around 12 months to complete.

**(Exhibit 1 gives further information on the EU's Digital Markets Act.)**

## **Diversity progress**

With approximately 161,000 full-time employees globally, Apple is committed to its vision to build and sustain a more inclusive workforce that is representative of the communities it serves. It continues to work to increase diverse representation at every level, fostering an inclusive culture that supports access to opportunities within the organisation for all employees.

**(Exhibit 2 shows an extract of Apple's diversity progress.)**

**(Exhibit 3 shows an extract of Apple's financial data.)**

## **Exhibit 1**

### **Further information on the EU's Digital Markets Act (DMA)**

#### *Designated gatekeepers*

In the DMA, the European Commission (EC) designated 6 ‘gatekeeper’ organisations: Alphabet, Amazon, Apple, Bytedance (which developed the TikTok app), Meta and Microsoft. A gatekeeper organisation refers to a large digital platform that holds a significant market position. The designation of a gatekeeper is based on the platform’s size, user base, and influence over the European digital economy.

The gatekeepers provide the following 22 identified core platform services (CPS) that are required to comply with the DMA due to their enormous reach and data generated:

- 3 operating systems (Google Android, iOS and Windows)
- 2 web browsers (Chrome and Safari)
- 1 search engine (Google)
- 4 social networks (Facebook, Instagram, LinkedIn and TikTok)
- 1 video sharing platform (YouTube)
- 3 advertising services (Amazon, Google and Meta)
- 2 communication services (Facebook Messenger and WhatsApp)
- 6 intermediation platforms (Amazon Marketplace, Google Maps, Google Play, Google Shopping, iOS App Store and Meta Marketplace).

Ultimately, these gatekeepers must comply with the DMA by offering more choice and more freedom of services. In 2024, the EC requested that each of the gatekeepers submit compliance reports detailing how they comply with the obligations of the DMA.

[Turn over

## Exhibit 2

### Extract of Apple's diversity progress

*Data on gender representation within Apple's global strategic leadership positions*

	2021	2020
Women in leadership roles	47%	37%
Women in research and development leadership roles	34%	26%
Women in retail leadership roles	58%	49%

*Data on gender representation across Apple's global workforce*

	2022	2014
Overall global workforce	Female	35%
	Male	65%
Technical roles	Female	25%
	Male	75%
Management roles	Female	32%
	Male	68%
Retail roles	Female	39%
	Male	61%
Retail management roles	Female	42%
	Male	58%

*Data on race and ethnicity representation across Apple's US workforce*

	2022	2014
Asian	30%	15%
Black	9%	7%
Hispanic	15%	11%
Indigenous	1%	1%
Multiracial	3%	2%
White	42%	55%
Undeclared	—	9%

*Diversity training data across Apple's global workforce*

	2021	2020
Inclusion and diversity training (hours)	185,000	129,000

### Additional information

- In 2024, Apple became the only large technology company to have equal representation of both male and female genders on its board of directors.
- Apple's CEO, Tim Cook, is one of the most prominent openly gay business leaders in the world.

### Exhibit 3

#### Extract of Apple's financial data

##### *Consolidated income statement*

	2023 \$m	2022 \$m	2021 \$m
Cost of sales	214,137	223,546	212,981
Operating expenses:			
Research and development	29,915	26,251	21,914
Selling, general and administrative	24,932	25,094	21,973
Total operating expenses	54,847	51,345	43,887
Profit for the year (after taxation)	96,652	88,531	95,249

##### *Earnings per share*

	2023	2022	2021
Earnings per share	\$6.16	\$6.15	\$5.67

##### *Gross profit margin*

	2023	2022	2021
Gross profit margins:			
Products	36.5%	36.3%	35.3%
Services	70.8%	71.7%	69.7%
Total gross profit margin	44.1%	43.3%	41.8%

##### *Consolidated statement of financial position*

	2023 \$m	2022 \$m	2021 \$m
Non-current assets	209,017	217,350	216,166
Current assets	143,566	135,405	138,836
Current liabilities	145,308	153,982	125,481
Net debt	95,281	98,959	109,106

##### *Current (working equity) ratio*

	2023	2022	2021
Current ratio	0.99:1	0.88:1	1.11:1

[END OF CASE STUDY]

[BLANK PAGE]

**DO NOT WRITE ON THIS PAGE**

**[BLANK PAGE]**

**DO NOT WRITE ON THIS PAGE**

[BLANK PAGE]

DO NOT WRITE ON THIS PAGE

*Acknowledgement of copyright*

Case Study – Information is adapted from the Apple website.

SQA has made every effort to trace the owners of copyright of this item and seek permissions. We are happy to discuss permission requirements and incorporate any missing acknowledgement. Please contact question.papers@sqa.org.uk.