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**Executive Summary**

Apple, Inc. is an organization that creates, assemblies, and promotes cell phone communication and media technology, individual computers, and wireless technology music players. Apple, Inc. also sells various of correlated software, services, computer peripheral, networking resolutions, third-party technology content and applications. The organization sells items and services which consists of iPhone, iPad, Mac, iPod, Apple TV, a portfolio of customer and professional software applications, the iOS and Mac OS X running systems, iCloud, and various accessories, service and support suggestions. Additionally, the organization also sells and gives out technology content and applications through online stores the iTunes Store, App Store, iBookstore, and Mac App Store. The organization sells its items worldwide through its merchandizing store, website stores, direct sales force, through third-party mobile network carriers, wholesale, stores, and value-added resellers. Not just that, the organization also sells various third-party iPhone, iPad, Mac, and iPod compatible items. The organization’s target market consists of customers, small and medium businesses, education, organizations and federal customers (Background Of Apple Inc Commerce Essay, 2020). Apple, Inc. is definitely an innovator and a well-known leader within the technology industry. However, it does require to review its overpriced products and services. If they manage their costs for their products and services, then they will be able to get more into mass and mid-ranged markets (G, R.).

Samsung is a South Korean worldwide organization which started its business as a minor trading organization and currently and continuously becoming the globe’s biggest organization. The organization transactions with its business in various sections such as high-level technology, finance, petrochemical, semiconductors, plant construction, skyscrapers, medicine, fashion, hotels, chemicals, and etc. The organization was initially started in 1969 in Suwon, South Korea and is well-known worldwide for its electronic items. The organization is assembling various newest technologies, electronic appliances such as mobile phones, tablets, laptops, TVs, refrigerators, air conditioners, washers, and other items. The organization runs its processes and sales its items in sixty-one countries with an estimate of 160,000 employees all throughout the globe. Furthermore, the organization has gotten the position of the globe’s largest IT creator in 2009 by surpassing the Hewlett-Packard previous leader. Its sales revenue in the section of LCD and LED is the largest in the globe. In addition, Samsung also becomes the globe leader in the section of tablets, digital devices, and gadgets (Introduction Of Samsung Company, 2020). Samsung is a driving force of an organization, with various masses all around the globe utilizing their items, specifically the electronics such as the mobile phones and MP3 players. It is not surprising that the organization continuously thrives in the ways it does (History of Samsung, 2020).

**Ratio Calculations and Ratio Analysis**

1. **Working Capital**

**APPLE**

**2019 2018**

Total Current Asset: $162,819.00 $131,339.00

-Total Current Liabilities: $105,718.00 $115,929.00

**Working Capital** $57,101.00 $15,410.00

**SAMSUNG**

**2019 2018**

Total Curent Assets : $155,634.05 $149,895.68

-Total Current Liabilities : $54,727.54 $59,274.03

**Working Capital** $100,906.51 $90,621.66

Working capital management is important to the success of an organization and how the business is seen by others. The ability to appropriately control the working capital directly relates to the development of the business, not to mention its total operational feasibility. Managing the working capital is about more than having cash on hand and having a financially solvent organization. It is about how the organization uses the money and if the business acumen essential to capitalize on the assets. A good working capital management means making sure that the business sustains a good cash flow on hand. This cash requires to be able to complete any and all running costs for the short term in addition to any bills or other commitments. That is on top of utilizing the capital to increase the profits and to constantly develop as an organization (Working Capital Management: What It Is & Why It’s Important, 2020). The Apple organization working capital for the year 2018 is $15,410.00. The Apple organization working capital for the year 2019 is $57,101.00. The Samsung organization working capital for the year 2018 is $105,615,914.00. The Samsung organization working capital for the year 2019 is $117,602,496.00. When individually looking at the Apple organization working capital, it can be seen that from the year 2018 to year 2019 the working capital has positively increased for the organization by $41,691 million. This means that the organization is doing better with their cash flow on hand in the year 2019 than they were doing with cash flow on hand in the year 2018. This also means that the organization has money for the short-term bills or commitments that they want to fulfill. When individually looking at the Samsung organization working capital, it can be seen that from the year 2018 to year 2019 the working capital has positively increased for the organization by $10,284.85 million. This means that the organization is doing better with their cash flow on hand in the year 2019 than they were doing with cash flow on hand in the year 2018. This also means that the organization has money for the short-term bills or commitments that they want to fulfill. When looking at the working capital for both the Apple and Samsung organizations in comparison, it can be seen that the Samsung organization has an overall higher working capital than the Apple organization working capital by $119,017.17. This means that the Samsung organization has a greater cash flow on hand and more money for short-term bills or other commitments.

1. **Current Ratio**

**APPLE**

**2019 2018**

Total Current Asset: $162,819.00 $131,339.00

/Total Current Liabilities: $105,718.00 $115,929.00

**Current Ratio**  1.540 1.133

**SAMSUNG**

**2019 2018**

Total Curent Assets: $155,634.05 $149,895.68

/Total Current Liabilities: $54,727.54 $59,274.03

**Current Ratio**  2.844 2.529

The current ratio is important because it is a financial ratio that calculates whether or not an organization has enough sources to pay its debts over the future 12 months. It gives a comparison of an organization’s current assets to its current liabilities. Besides with other financial ratios, the current ratio is utilized to try to review the total financial condition of an organization or other organizations. The current ratio is also important because it shows an organization’s market liquidity and capability to meet the creditor’s demands. Good current ratios can range from industry to industry and are normally between 1.5% to 3% for good businesses. If an organization’s current ratio is in this range, then it usually shows that the organization has good short-term financial strength. If the current liabilities are more than the current assets, then the organization might have issues meeting its short-term commitments (Reporting and Analyzing Current Liabilities). The current ratio for the Apple organization for the year 2018 is 1.133. The current ratio for the Apple organization for the year 2019 is 1.540. The current ratio for the Samsung organization for the year 2018 is 2.529. The current ratio for the Samsung organization for the year 2019 is 2.844. When looking at the individual current ratio of the Apple organization, it can be seen that both of the current ratios of the years 2018 and 2019 are moving in a positive inclined direction and are within the general range of current ratios. This general range of current ratios for the Apple organization means that the organization is stable and has the ability to meet the creditors needs whenever needed so. This also means that the organization has enough money to pay their debts in the next 12 months. When looking at the individual current ratio of the Samsung organization, it can be seen that both of the current ratios of the years 2018 and 2019 are moving in a positive inclined direction and within the general range of the current ratios. This means that the organization has enough money for the next 12 months to pay off to the creditors. This also means that the organization has good financial standing. In this scenario, Apple has increased their current ratio from the years 2018 to 2019 by 0.407. While Samsung has increased their current ratio from the years 2018 to 2019 by 0.315. Hence, Apple’s current ratio from the years 2018 to 2019 has increased more than the increase of the current ratio for the Samsung organization.

1. **Total Debt to Equity Ratio**

**APPLE**

**2019 2018**

Total Liabilities: $248,028.00 $258,578.00

/Total Shareholder’s Equity: $90,488.00 $107,147.00

**Total Debt to Equity Ratio** 2.741 2.413

**SAMSUNG**

**2019 2018**

Total Liabilities: $76,951.66 $78,599.07

/Total Shareholder’s Equity: $218,725.20 $205,986.47

**Total Debt to Equity Ratio** 0.352 0.382

The total debt to equity ratio is important because during the process of financial analysis of an organization, it is essential for an investor to analyze the debt structure of an organization which tells the investors how much the organization relies on borrowers and its capability to pay off the debt if the business is facing a challenging time. The capital structure of the organization is explained by the debt to equity ratio, it particularly tells how much section of the capital in the business is financed from borrowed funds and how section is financed from owned funds. It aids investors analyze the ability of an organization to pay out the organization’s debt and decides the risk of the amount invested in an organization. Debt to Equity ratio is also known as risk ratio and gearing ratio which means how much bankruptcy risk an organization is taking in the marketplace. An increased debt to equity ratio means an increased risk of bankruptcy just in case the business is not capable of performing as expected, while an increased debt payment commitment is still there. The debt to equity ratio also explains how much shareholders earn as sections of the profit. Increased debt to equity ratio is defined as profits will be decreased, which means less dividend payment to shareholders because a huge section of the profit will be paid as interest and fixed payment on borrowed funds. When a business applies for loan lenders check the ability of a business to pay off its debt, this credit trust can be tested through debt to equity ratio by looking at previous records and normal installment payments created by the organization to its lenders. The debt to equity ratio tells the administration where the business stands in contrast with the competition. The supreme debt to equity ratio will aid the administration to create extended decisions for future development of business and raised its share in the marketplace by adding additional units or operations (Interpretation of Debt to Equity Ratio, 2020). The debt to equity ratio for the Apple organization for the year 2018 is 2.413. The debt to equity ratio for the Apple organization for the year 2019 is 2.741. The debt to equity ratio for the Samsung organization for the year 2018 is 0.382. The debt to equity ratio for the Samsung organization for the year 2019 is 0.352. When looking at the individual Apple organization debt to equity ratio, it can be seen that both of the debt to equity ratios for the years 2018 and 2019 are too high. This means that there is a high risk for bankruptcy for the Apple organization. This also means that the assets are funded more by the debt (Study: Solvency Ratios: Debt Ratio, Debt-Equity Ratio). When looking at the individual Samsung organization debt to equity ratio, it can be seen that both of the debt to equity ratios for the years 2018 and 2019 are lower than the average ratios for the debt to equity ratios. This means that the assets were funded by equity (Study: Solvency Ratios: Debt Ratio, Debt-Equity Ratio). In this scenario, Apple has increased their debt to equity ratio from the years 2018 to 2019 by 0.328. While Samsung has decreased their debt to equity ratio from the years 2018 to 2019 by 0.03. Hence, Samsung’s debt to equity ratio from the years 2018 to 2019 has decreased which is good because the lower to average debt to equity ratio the better. The Apple organization must also lower their debt to equity ratio.

1. **Times Interest Earned Ratio**

**APPLE**

**2019 2018**

EBIT: $63,930.00 $70,898.00

/Interest Expense $3,576 $3,240

Times Interest Earned Ratio: 17.878 21.882

**SAMSUNG**

**2019 2018**

EBIT: $23,826.22 $50,526.55

/Interest Expense $584.28 $633.10

Times Interest Earned Ratio: 40.779 79.808

The times interest earned ratio is important to present and future creditors of an organization along with the investors and financial analysts because it looks at how many times the organization’s pre-tax income will be enough to cover their interest prices that come up from different types of debts, such as bank loans, bonds outstanding, and others. The times interest earned ratio not only shows the capability of an organization’s ability to have enough to cover its debt commitments, however it also looks at the organization’s total financial strength and/or standing. An organization that is almost capable to service its debt may be more feasible to an economic decrease than an organization that is capable to cover its debt commitments various times again. A times interest earned ratio of lower than one time would show that the organization does not create enough in running earnings to service the interest payments on the organization’s debt. While an increased times interest earned, ratio is normally is known to be a good thing, it may also show that the organization is underused debt as a section of its capital structure. While this will decrease its interest costs, the decrease of financial leverage on its balance sheet could save the organization’s profits through time (Wohlner, 2020). The times interest earned ratio for the Apple organization for the year 2018 is 21.882. The times interest earned ratio for the Apple organization for the year 2019 is 17.878. The times interest earned ratio for the Samsung organization for the year 2018 is 79.808. The times interest earned ratio for the Samsung organization for the year 2019 is 40.779. When looking at the individual Apple organization times interest earned ratio, it can be seen that the ratio has increased from the year 2018 to 2019. This means that the ratio is underusing their debts and is in addition reducing interest costs which can eventually save future profits. When looking at the individual Samsung organization times interest earned ratio, it can be seen that the ratio has also increased from the year 2018 to 2019. This means that the ratio is underusing their debts and is in addition reducing interest costs which can eventually save future profits. In this scenario, Apple has decreased their times interest earned ratio from the years 2018 to 2019 by 4.004. While Samsung has decreased their times, interest earned ratio from the years 2018 to 2019 by 39.029. Hence, both organization’s times interest earned ratio from the years 2018 to 2019 has decreased which is good not great because the lower to average debt to equity ratio the better to a certain extent.

1. **RETURN ON NET OPERATING ASSETS (RNOA)**

**APPLE**

**2019 2018**

Operating Assets: $237,959.00 $299,424.00

-Operating Liabilities: $139,981.00 $144,095.00

Net Operating Assets (NOA)$97,978.00 $155,329.00

EBIT: $63,930.00 $70,898.00

\*(1-ETR) (1-15.94%) (1-18.34%)

NOPAT$53,737.11 $57,893.76

RNOA=NOPAT/NOA 42.43% 34.99%

**SAMSUNG**

**2019 2018**

Operating Assets: $209,179.74 $204,569.27

-Operating Liabilities: $63,764.79 $66,115.90

Net Operating Assets (NOA)$145,414.95 $138,453.37

EBIT : $23,826.22 $50,526.55

\*(1-ETR) (1-28.57%) (1-27.49%)

NOPAT$17,019.97 $36,634.96

RNOA=NOPAT/NOA 11.99% 27.43%

The return on net assets is important because it aids the investors to decide the percent net income the organization is creating from the assets. This ratio talks about how efficient and effectively the organization is utilizing its assets to create earnings. This is an essential ratio because in various organizations the fixed assets are a solo biggest section of the investment. Even though there are no fixed foundation or basis for the ratio, however the more increased this ratio is, the better it is. The more increased ratio means that the organization is utilizing its assets and working capital effectively and efficiently. An increasing ratio is a factor of making the profits and financial performance better for an organization (Return on Net Assets (RONA), 2020). The RNOA for the Apple organization for the year 2018 is 34.99%. The RNOA for the Apple organization for the year 2019 is 42.43%. The RNOA for the Samsung organization for the year 2018 is 27.43%. The RNOA for the Samsung organization for the year 2019 is 11.99%. Looking at the individual Apple organization RNOA, it can be seen that the ratio has increased from the years 2018 to 2019. This means that the organization is using their assets and working capital to the best possible extent. This also means that the organization is developing their financial performance and profits in a positive direction. Looking at the individual Samsung organization RNOA, it can be seen that the ratio has decreased from the years 2018 to 2019. This also means that the organization is not using their assets and working capital to the best possible extent. In addition, this also means that the organization is not developing their financial performance and profits in a positive direction. In this scenario, Apple has increased their RNOA from the years 2018 to 2019 by 7.44. While Samsung has decreased their RNOA from the years 2018 to 2019 by 15.44. Hence, the Apple organization’s RNOA is doing better than the Samsung organization RNOA. The Samsung organization has to increase their RNOA.

1. **RETURN ON COMMON SHAREHOLDER’S EQUITY (ROCE)**

**APPLE**

**2019 2018**

Net Income: $55,256.00 $59,531.00

/Common Shareholder’s Equity: $90,488.00 $107,147.00

**ROCE:** 55.75% 51.06%

**SAMSUNG**

**2019 2018**

Net Income: $18,451.99 $37,659.70

/Common Shareholder’s Equity: $218,725.20 $205,986.47

**ROCE:** 8.69% 19.65%

The return on capital employed is important because it gives the investors the ability to have a comparison various organization. ROCE is very helpful for comparison for capital intensive businesses. Due to the businesses have great expenditure, effective utilization of capital is a main strength that can create an organization a preferred chance for investors (Return on Capital Employed (ROCE), 2019). The ROCE for the Apple organization for the year 2018 is 51.06%. The ROCE for the Apple organization for the year 2019 is 55.75%. The ROCE for the Samsung organization for the year 2018 is 19.65%. The ROCE for the Samsung organization for the year 2019 is 8.69%. When looking at the individual Apple organization ROCE, it can be seen that the ROCE has increased from the years 2018 to 2019. This means that the organization is doing well and can be considered as an investment because this looks at how the capital can be converted into running profits. When looking at the individual Samsung organization ROCE, it can be seen that the ROCE has decreased from the years 2018 to 2019. This means that this is not a good sign for the Samsung organization because it cannot be considered as an investment and that their capital cannot be converted into profits. In this scenario, Apple has increased their ROCE from the years 2018 to 2019 by 4.69. While Samsung has decreased their ROCE from the years 2018 to 2019 by 10.96. Hence, the Apple organization’s ROCE is doing better than the Samsung organization ROCE. The Samsung organization has to increase their ROCE.

**Forecasted Financial Statements**

**Opinion on Financial Health**

Every organization has their own advantages and disadvantages. Both the Apple and Samsung organization have their own share of internal financial analysis that they have to improve. However, after analyzing the ratios, it would be best to say that even though Samsung has the high-five type of hype surrounded by their products and services, Apple is more of the organization that is overall healthier in financial terms. On the international level, Samsung ships a lot more smartphones than other organizations. Samsung also delivers CE items such as TVs, Blu-ray players, and home theater items that Apple does not (Voyer, 2020). However, on a financial comparison, Apple has better amounts than the Samsung organization. The Apple organization has done well with their current ratio, times interest earned ratio, RNOA, and ROCE than the Samsung organization. This shows that a financially sound organization is better in the long-term scenario than an organization that is running based on more popularity than having a sound financial internal process.

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