Cash Flow and Liquidity Analysis

Daniel Predovich

Karen Barrett

Kerry Bolander

Kyle Code

Mark Roemer

Paula Hogue

ACC545

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Mark Tischler, MBA, CPA

Comprehensive Income and Retained Earnings Analysis

Apple Inc, “In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): “Restricted Cash (“ASU 2016-18”), which enhances and clarifies the guidance on the classification and presentation of restricted cash in the statement of cash flows. Apple Inc. will adopt ASU 2016-18 in its first quarter of 2019 utilizing the retrospective transition method. Currently, the Company’s restricted cash balance is not significant.” Apple Inc. 2017 10k (2017)

The company uses the indirect method for cash flows. The difference between indirect and direct method is the cash generated by operating activities in the operating activities section of cash flows. In a specific category, the direct method of cash flows is all checks and deposits whereas in the indirect method of cash flow adjustment is being made to attain at net cash flow for operating activities. The net cash balance both corresponds with the statement of cash flow and the balance sheet.

Apple Inc. Consolidated Statement of cash flow (in Millions) cash operated by activities for

2017 - $63598,

2016 - $65824

2015 –$81266

There are multiple items that effect the net cash provided by operating activities, depending on the account it will increase or decrease the cash generated. The accounts that significantly increased cash generated are: depreciation and amortization - $10,157 million and accounts payable - $9,618 million. With regards to the decreasing amounts, other current and non-current assets – ($5,318) million and vendor non-trade receivables – ($4,254) million created significant changes to cash generated by operating activities.

Investing activities include purchases of marketable securities, proceeds from sales of marketable securities, and payments for acquisition of property, plant and equipment. Apple’s investing in property and equipment show that they are continuing to grow and purchase and sell marketable securities.

Within the liquidity section of the 10-K, Apple notes the amount of cash, cash equivalents and marketable securities held by foreign subsidiaries. The amounts for each subsidiary was $252.3 billion and $216.0 billion allowing the company to have a stock pile of liquid assets. Furthermore, the company has increased their dividend over the years while simultaneously re-purchasing stock, enabling them to decrease their dividend and dump stock in the event they need the capital.

Cash flow statement normally shows the changes in cash and cash equivalents in an

organization. Items in cash flow statements normally indicate the differences the company

performance and also shows some element of uniqueness in an organization. Companies

normally have different sources of income and different expenditure plan that is the reason why

these cash flow statement items are normally unique from one company to another. The first

unique item in this cash flow statement of the company was the increase of income due to the

change in the shareholders’ contribution, the shareholders’ contribution was payment in the

income statement.

The changes and the uniqueness come as a result of the financial activities, most of the

business organization have some different and specific financial activities that are only unique to

them like in the case of Walmart Company the activities include grocery, entertainment, sporting

goods and craft, this is actually why the statement of cash flow in this case was quite specific and

was giving the real definition and identity of the company. This is why the company had some

income from primary stores in three primary stores where we find that the customers tailored to

his or her neighbor. In the operations the business had some significant amount of receipts called

the retained earnings for the business (Pearlson, Saunders & Galletta, 2016).

There was also some payment that were made that were actually directed towards the

Walmart Foundation and the commitment to fight hunger in America. Now this was very unique

to the company alone because not every firm engages in such activities. There were also some

items on the cash flow that indicated some income from abroad like Brazil and Canada because

the company has branches in foreign countries.

The cash flow statement normally shows the position where the company stands in as far

as the liquidity information is concerned. When we look at the case of Walmart Company, it was

definitely standing right in as far as the liquidity is concerned. Liquidity generally has to do with

the cash retained by the business and the company was quite good in this line because of various

reasons. Firstly, is the accounting system the company employs in its operations. This company

has quite a number of stores all over the world, they were actually 7,900 by 2009 in 15 countries

all over the world and apparently Walmart was in right standing because of the IFRS system that

is actually embraced in the accounting procedures the finances were well reconciled.

There were quite a number of items in the cash flow statement mainly because of the large

number of financial activities that the company engages in like grocery and the likes. This had a

lot to point at in the financial activities operation of the business. The company is trying to open

its limits so that it can capture as many consumers as possible in the market, it is making its

stores to be some kind of one stop shop so as to become quite attractive to the consumers at large

(Hasan, Zhang, Wu & Langrish, 2016).

The other financing activities items that actually appeared in this company’s cash flow was

actually, the primary stores in the United states. This means the company is centered and geared

towards creating some operation base that is inclined towards its consumers demands and

preferences. This company has its head offices in the United States so by adopting these types of

financing activities it shows that the company in some way has centralized decision making that

begins from the head office and then is spread to other branches all over.

References

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