Evaluating Financial Health

Apple Inc. (AAPL)

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Apple is one of the strong market participants of computer industry. It also involve in manufacturing of telecom devices, software and other peripherals. It enjoys full advantage of USA as home country, as it has a strong retail network of 273 physical stores whose majority is in USA, beside the E-retail outlet around the globe. The diversified product portfolio empowers the apple to strive in tough competition against Dell, HP & Compaq (Electronista, 2010).

Amongst its competitor Apple's outclass profitability is witnessed of its effective diversification efficient reach of product to customer and state of an art Research and Development.

Management's Strategy

It is clear from the financial and the strategic analysis of the Apple Inc. that the management of the company believes in continued research, innovation and product development. It may be the sole reason that why the firm avoids the cash dividend and rely over the stock options. Besides the hardware business of computer the apple is also focus on developing application software operating system, and all such software application which added the value of its product. The management is of the view that R&D, integrated marketing channels and its product diversification is the source of competitive edge against rivals of its industry. Management is aware of the need of the investment in the promotion and advertisement activities; it increases the brand equity, brand loyalty and awareness about the products. Management also considers focusing on the retail store as it is the source to remain in contact with customer and a way to market the product directly; it is also a way to cross sell the market to customer.

Financial returns in Comparison to Industry

An investor is always keen to know about the profitability. Hence we start with the assessment of profitability. Apple Inc. has shown a tremendous improvement in net sales and profitability since 2005 to 2009. In 2008 the net income increases 75.07% and in 2009 increases 34.58% shown that Apple cop. is continuously enhancing its profit. Company earning P\S is also at increasing trend. In 2009 basic EPS is 9.22 from 6.94 last year, and it was 4.04 in 2007. It should be noted that no cash dividend is announced since 2005, although stock base benefit and compensation is given. An increase in return on asset has been observed in 2009 i.e.26.96% against 19.33% last year while industries average is 19.8. Hence Apple is leading the Industry from this angle. Return on equity is 18.92% into 2009 lower than 33.40% of industry benchmark, meaning apple is at lower leverage with a roe increase of 4.03% this year (Hardware Marketplace, 2010).

Financial Risk and Industry

At this stage of our analysis we extend our findings to assessment of risk associated with the investment opportunities in APPLE Inc. Analyzing the liquidity we observed that Apple has a sound ability to meet its short term obligation. It is revealed by the healthy current ratio of 2.74 for the year 2009; it is improved from 2.46 of the last year 2008. If we had a glace on the industry it reflects a standard of 2.5. In the computer equipment industry a very low inventory has been observed. That is why the acid test ratio fall lightly below the current ratio i.e. acid test ratio is 2.70 for the year 209 in comparison to 2008, which were 2.43. If we compare the acid test of 2009 i.e. 2.70 with industry average, which is 2.5 (msn.com, 2010). On the liquidity