Non-gap case study

Business

The advantages and disadvantages of Non-GAP earnings relative to GAP earnings based on subscription accounting Advantage: 1 .

Management believes investors will benefit from greater transparency in referring to these non-GAP financial measures when assessing the Company’s operating results, as well as when forecasting and analyzing future periods. Non- APP financial measures can be a supplement to the Company’s GAP financial measures, which helps analyst know more aboutApple. 2. It is simple to use and understand the non-GAP financial measures. GAP is quite trivial compared with non-GAP.

Disadvantage: 1 . Non-GAP financial measures are not consistent with GAP because they do not reflect the deferral of revenue and product costs for recognition in later periods. Non-GAP financial measures do not adjust for the costs associated with the Company’s intention to provide unspecified new features and software to purchasers of phone and Apple TV products. These costs are expensed as incurred under Gaps subscription accounting model, and are not adjusted in these non-GAP financial measures. 2. GAP is a more conservative method cause it underestimate the profit ND overestimate the cost compares to Non-GAP method.

Moreover, Non-GAP is not so convenient relative to GAP method since GAP has to recognize the profit and cost every month. From this perspective, GAP is more similar to the accrual-basic accounting method but Non-GAP is more closed to cash-basic accounting method. Since modern account favors accrual-basic accounting, it is one disadvantage of Non- APP. 3. Non-GAP financial measures should not be considered in isolation from, Inch will cause many misunderstanding. There are no non-GAP financial measures for prior periods by far.

However, management intends to continue to track and present non-GAP financial measures for future periods. Until management presents comparable non-GAP financial measures for additional periods, these non-GAP financial measures do not provide any information regarding trends in the Company's performance and, as such, investors should not assume that the presentation of these non-GAP financial measures reflects any positive or negative trends in the Company's performance. 4. " The company had big plans to aggressively deliver a series of rapid software updates for the upcoming new phone.

However, rather than planning to make money on these updates, the company Anted to deliver them to users for free to help ensure that users would actually Install and use the latest updates rather than balk at upgrade fees. " The GAP can reflect the company's plan more.

5. These non-GAP financial measures may be unique to the Company, as they may be different from non-GAP financial measures used by other companies. As such, this presentation of non-GAP financial measures may not enhance the comparability of the Company's results to the results of other companies.