

# [Stage 1](https://assignbuster.com/stage-1/)

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Finance & Accounting al Affiliation) Financial ments Analysis Financial analysis is the selection, examination, and interpretation of financial data, along with other relevant information to aid in financial and investment decision making. Financial analysis helps in making both internal as well as external decisions about the company. Internal issues financial analysis helps evaluate include employee performance, credit policies, and efficiency of operations. External parties may use financial analysis to evaluate the credit-worthiness of borrowers and potential investments in a company. The main source of financial analysis is the company’s annual reports and disclosures. Annual reports comprise the balance sheet, income statement, and statement of cash flows. This paper compares and contrasts the financial statements of Amazon, Apple, and eBay for the period of 2009-2013.
Income Statement
2009
2010
2011
2012
2013
Sales/Revenue
AMZN
24. 51b
34. 2b
48. 08b
61. 09b
74. 45b
AAPL
65. 07b
108. 6b
155. 97b
170. 87b
182. 35b
EBAY
8. 71b
9. 15b
11. 68b
14. 03b
16. 05b
Cost of goods sold
AMZN
19. 2b
26. 56b
37. 29b
46. 8b
54. 63b
AAPL
39. 5b
64. 08b
87. 92b
107. 24b
111. 96b
EBAY
2. 74b
2. 75b
3. 73b
4. 55b
5. 35b
Gross Income
AMZN
5. 31b
7. 64b
10. 79b
14. 29b
19. 82b
AAPL
25. 57b
44. 52b
68. 06b
63. 63b
70. 38b
EBAY
5. 97b
6. 39b
7. 95b
9. 48b
10. 7b
Net Income
AMZN
902m
1. 15b
631m
(39m)
274m
AAPL
14. 01b
25. 92b
41. 73b
37. 04b
39. 51b
EBAY
2. 39b
1. 8b
3. 23b
2. 61b
2. 86b
EPS (Basic)
AMZN
2. 08
2. 58
1. 39
(0. 09)
0. 60
AAPL
2. 2
4. 01
6. 38
5. 72
6. 49
EBAY
1. 85
1. 38
2. 50
2. 02
2. 20
EBITDA
AMZN
1. 61b
2. 06b
1. 95b
2. 99b
4. 11b
AAPL
19. 3b
36. 31b
57. 91b
55. 08b
60. 3b
EBAY
2. 66b
2. 83b
3. 43b
4. 06b
4. 78b
Balance Sheet
2009
2010
2011
2012
2013
Current Assets
AMZN
9. 8b
13. 75b
17. 49b
21. 3b
24. 63b
AAPL
41. 68b
44. 99b
57. 65b
73. 29b
68. 53b
EBAY
8. 46b
11. 07b
12. 66b
21. 4b
23. 28b
Total Assets
AMZN
13. 81b
18. 8b
25. 28b
32. 56b
41. 4b
AAPL
75. 18b
116. 37b
176. 06b
207b
231. 84b
EBAY
18. 41b
22b
27. 32b
37. 07b
41. 49b
Current Liabilities
AMZN
7. 36b
10. 37b
14. 9b
19b
22. 98b
AAPL
20. 72b
27. 97b
38. 54b
43. 66b
63. 45b
EBAY
3. 64b
4. 52b
6. 37b
10. 92b
12. 64b
Total Liabilities
AMZN
8. 56b
11. 93b
17. 52b
24. 36b
31. 65b
AAPL
27. 39b
39. 76b
57. 85b
83. 45b
120. 29b
EBAY
4. 62b
6. 7b
9. 39b
16. 21b
17. 84b
Total Shareholders’ Equity
AMZN
13. 81b
18. 8b
25. 28b
32. 56b
41. 4b
AAPL
47. 79b
76. 62b
118. 21b
123. 55b
111. 55b
EBAY
13. 79b
15. 3b
17. 93b
20. 87b
23. 65b
Cash flow Statement
2009
2010
2011
2012
2013
Net Operating Cash flow
AMZN
3. 29b
3. 5b
3. 9b
4. 18b
5. 48b
AAPL
18. 6b
37. 53b
50. 86b
53. 67b
59. 71b
EBAY
2. 91b
2. 75b
3. 27b
3. 84b
5b
Net Investing Cash flow
AMZN
(2. 34b)
(3. 36b)
(1. 93b)
(3. 6b)
(4. 28b)
AAPL
(13. 85b)
(40. 42b)
(48. 23b)
(33. 77b)
(25. 58b)
EBAY
21. 26b
1. 44b
(1. 77b)
(16. 38b)
(37. 55)
Net Financing Cash flow
AMZN
(280m)
181m
(482m)
2. 26b
(539m)
AAPL
(1. 15b)
(2. 28b)
(3. 31b)
(3. 76b)
(6. 01b)
EBAY
(945. 66b)
1. 23b
(838. 5m)
1. 95b
(1. 35b)
How liquid are the Companies?
Liquidity ratios are financial metrics used to determine a company’s ability to pay off its short-term debts obligations. A higher liquidity ratio indicates a company has a larger safety margin to cover short-term debts. The most widely used liquidity ratios are the quick ratio, current ratio, and the operating cash flow ratio.
Current Ratio
Current Assets/Current Liabilities
2009
2010
2011
2012
2013
AMZN
1. 33
1. 33
1. 18
1. 12
1. 07
AAPL
2. 02
1. 61
1. 50
1. 69
1. 08
EBAY
2. 32
2. 45
1. 99
1. 96
1. 84
Operating Cash flow Ratio
Cash flows from operations/Current Liabilities
2009
2010
2011
2012
2013
AMZN
0. 45
0. 34
0. 26
0. 22
0. 24
AAPL
0. 90
1. 34
1. 32
1. 23
0. 94
EBAY
0. 80
0. 61
0. 51
0. 35
0. 40
Are the managers generating adequate operating profits on the company’s assets?
To determine whether the managers are generating adequate profits on the assets, one must calculate the returns on assets ratio.
Returns on Assets
= Net profits/total assets
2009
2010
2011
2012
2013
AMZN
0. 07
0. 06
0. 02
(0. 001)
0. 006
AAPL
0. 19
0. 22
0. 24
0. 18
0. 17
EBAY
0. 13
0. 08
0. 12
0. 1
0. 07
Are the Company managers providing good returns on the capital provided by stockholders?
To determine whether the managers are providing good returns on stockholders’ capital, we must calculate the returns on capital ratio.
Return on Capital
Return on capital = net profit/capital stock
2009
2010
2011
2012
2013
AMZN
0. 07
0. 06
0. 02
(0. 01)
0. 006
AAPL
0. 29
0. 34
0. 35
0. 3
0. 35
EBAY
0. 17
0. 12
0. 18
0. 13
0. 12
Conclusion of the Financial Analysis
From the above analysis of the 2010-2013 financial statements of Amazon, Apple, and EBay, several comparisons on the performance of the firms can be deduced. Over the five-year period, all the three companies experience a dip in financial health. The current ratio of the three companies drops yearly from 1. 33, 2. 02, and 2. 32 in 2009 to 1. 07, 1. 08, and 1. 84 in 2013 for Amazon, Apple, and eBay respectively. EBay has the highest current ratio indicating that it is the financially strongest followed by Apple and then Amazon.
The managers at Amazon are not generating enough returns on assets. This is indicated by the low return on assets over the five-year period. Managers at Apple are generating stable returns on assets with an average of 20% ROA over the five-year period. On the other hand, managers at eBay are generating unstable returns on assets as indicated by the volatile figures over the five-year period.
Amazon’s average return on capital over the five-year period is 4% while Apple’s average return on capital is 33%. On the other hand, the average return on capital for eBay is 14%. From this figures, Apple managers at Apple are providing the highest return on capital followed by managers at eBay and finally managers at Amazon.
References
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