

Stage 1

Business



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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

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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

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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

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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

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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

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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

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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

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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

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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 these 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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