

Although that the company enters into master

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Although AAPL has not realized any significant losses on its cash, cash equivalents and marketable securities till date, future fluctuations in their value could result in significant losses. From the company's 10K we see that the company's credit ratings and pricing of its investments can be negatively affected by: Liquidity, Credit deterioration, financial results, Economic risk, Political risk and Sovereign risk. The company's 10K shows that AAPL's exposure to credit risk on its trade receivables is higher in certain international markets and AAPL's ability to mitigate the risks is confined. The company is also exposed to credit risk on its trade accounts receivable and vendor non-trade receivables related to its long-term supply agreements. The company's 10K shows that trade receivables as of September 2017, in which AAPL had two customers that individually represented 10% or more of total trade receivables, each of which accounted for 10%. On the vendor non-trade receivables side on September 2017, AAPL had three vendors, which accounted for 42%, 19% and 10% showing that the vendors individually represented 10% or more of total vendor non-trade receivables. In terms of managing the counterparty risk the company's 10K confirms that AAPL has procedures to monitor and limit the company's exposure to credit risk on its trade and vendor non-trade receivables, as well as long-term prepayments. AAPL requires collateral in certain instances from its vendors to limit the credit risk. The 10K also shows that the company enters into master netting arrangements, which are designed to reduce credit risk by permitting net settlement of transactions with the same counterparty.

Now let's understand what a master netting arrangement is. A master netting arrangement is a master contract between two counterparties that have

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multiple derivative contracts opened with each other. In an event of default or on termination of any one contract, the master agreement provides for the net settlement of all contracts which are opened between the two counterparties, as well as cash collateral, through a single payment, in a single currency. We also see that the net cash collateral received by AAPL pertaining to derivative instruments under its collateral security arrangements as of September, 2017 and September, 2016 was \$35 million and \$163 million, respectively. Further the 10K also provides information that AAPL limits the company's credit risk on trade receivables with credit insurance for certain customers, requiring third-party financing, loans or leases to support credit exposure.