

# How apple raised its cash flows

[Finance](#)



1) How Apple Raised its cash flows during 2005 One of the prime sources of Apple's Cash flow has been its income during 2005. The profits of the company has more than doubled for the company during 2005 indicating strong performance of the company. Other than net income, an other very important item from the Operating activities is the tax benefits availed through stock options. Tax benefits through stock options are therefore the second biggest source of generating cash flows from operating activities after the increase in the other liabilities. Account payables also increased showing not only improved performance in terms of working capital but also points towards availability of spontaneous source of cash flows for Apple. Most of the cash flows seems to be generated through the investing activities as Apple heavily invested into short term securities providing it enough source of liquid asset available to maintain its liquidity throughout the year.

The major source of financing cash flows arise out of the issuance of common stock so the improved performance of Apple Computers in terms of its cash flow has largely being from increase in its short term liabilities, investment into short term investments and issuance of common stock.

## 2) Income and cash flows

Apple computers were being able to double their operating cash flows, they mainly achieved this objective through extensive use of external short term financing besides showing an improved net income figure. Apple has been able to increase its income mainly due to its extensive selling activities as the sales for the year has shown considerable increase whereas Apple has been able to reduce its costs and increase the margins.

## 3) Removal from Income Statement

<https://assignbuster.com/how-apple-raised-its-cash-flows/>

The items to be removed from the income statement in order to achieve the persistent income are gains on sell of non-current assets and restructuring costs. Net income figures are arrived after deducting and adding many sources of expenses and income however they do not necessarily directly relate to the company. For the purpose of analysis, only those items are considered which have a direct linkages in generating the income or cash flow for the firm.

#### 4) Diluted and Basic EPS

The basic difference between diluted and Basic EPS is the fact that diluted EPS are calculated after netting off the impact of preference shareholding or any other kind of payments which are made before the payment of dividends to the common shareholders. The difference between the basic and diluted EPS of Apple is also due to the number of shares taken under calculation. This difference is on two counts. First the net income has increased drastically during 2005 which is natural to the increase of EPS provided shares outstanding also either change in the same proportion or do not change at all. Thus the difference in the basic and diluted EPS is basically because of the number of shares.