# **Iqra National University**

# Department of Civil Engineering

Mid - Assignment

Discipline: MS Civil Engineering

Course Title: Construction Financial Management

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**Q**. Financial statements are important for reflecting the financial health of a company. You are tasked to choose Balance sheet of two consecutive years of any company from the internet (NOKIA, SAMSUNG etc.). In your report identify their Assets (Fixed Current and, Total), Liabilities (Current, long term, and Total) and Equity. Further you are directed to analyse their working capital and current ratios. Check whether the company is going through under billing or over billing within the two consecutive years. Once analysed provide a detailed assessment on how the company financial health is considered in your opinion.

# Answer.

# Financial Statement;

Financial statements are important for reflecting the financial health of a company. Financial statements are reports prepared by a company's management to present the financial performance and position at a point in time. A general-purpose of financial statements usually includes a balance sheet, income statements, statement of owner's equity, and statement of cash flows.

# Components

The balance sheet of a company breaks down into;

1. Assets (or what it owns).
2. Liabilities (or what it owes obligation to some third party).
3. Equity (or capital invested by an owners of a company).

The total of its assets is equal to the sum of its shareholders’ equity plus its liabilities.

# Balance sheet of Apple for the year September 29, 2018-June 29, 2019

# Assets of Apple

# Current assets: June 29, 2019 September 29,

# 2018

# 

Cash and cash equivalents $ 50,530 $ 25,913

Marketable securities 44,084 40,388

Accounts receivable, net 14,148 23,186

Inventories 3,355 3,956

Vendor non-trade receivables 12,326 25,809

Other current assets 10,530 12,087

**Total current assets $ 134,973 $ 131,339**

# Non-current assets:

Marketable securities 115,996 170,799

Property, plant and equipment, net 37,636 41,304

Other non-current assets 33,634 22,283

Total non-current assets  **187,266 234,386**

**Total assets $ 322,239 $ 365,725**

# LIABILITIES

# Current liabilities: June 29, 2019 September 29,

# 2018

Accounts payable $ 29,115 $ 55,888

Other current liabilities 31,673 33,327

Deferred revenue 5,434 5,966

Commercial paper 9,953 11,964

Term debt 13,529 8,784

**Total current liabilities 89,704 115,929**

# Non-current liabilities:

Term debt 84,936 93,735

Other non-current liabilities 51,143 48,914

Total non-current liabilities  **136,079 142,649**

**Total liabilities 225,783 258,578**

# Equity (Net worth):

# June 29, 2019 September 29, 2018

Common stock and additional paid-in capital, $0.00001

Par value: 12,600,000 shares authorized; 4,531,395 43,371 40,201 And 4,754,986 shares issued and outstanding respectively

Retained earnings 53,724 70,400

Accumulated other comprehensive income/ (loss) (639) (3,454)

Total shareholders’ equity  **96,456 107,147**

**Total liabilities and shareholders’ equity $ 322,239 $ 365,725**

# Analyzing Apple working capital and current ratios.

# Working capital.

The difference of current asset and current liabilities is called is called working capital, Represented as,

Working capital = Current Asset – Current liabilities

In Apple example working capital at 29, September 2018 is

**$ 131,339 - 115,929 = 15,410**

In Apple example working capital at 29, June 2019 is

**$ 134,973 - 89,704 = 45,269**

# Current Ratio.

Besides working Capital it is necessary to identifying company liquidity, the ratio is called current ratio.

Current Ratio = Current Asset / Current Liabilities

In Apple example Current Ratio at 29, September 2018 is

**$ 131,339 / 115,929 = 1.13**

In Apple example Current Ratio at 29, June 2019 is

**$ 134,973 / 89,704 = 1.50**

# Under Billing and Over Billing

# Under Billing

Expressed as Cost and Estimated earnings in excess of billings on work in progress.

# Over Billing

Expressed as Billings in excess of cost and estimated earnings on work in progress.

# Detail Assessment of Financial health of a Apple.

1. One major ratio for this purpose is the liquidity ratio, which provides a measure of how easily the company can pay off its creditors if it had to. This is obtained by taking stock of Apple’s current assets versus its current liabilities. In Apple’s case, this is a healthy 1.13 at 29, September 2018 and 1.50 at 29, June 2019, indicating the company has enough current assets on hand to cover its current liabilities.
2. Apple’s debt-to-equity ratio of about .32 is certainly conservative and gives it lots of breathing room.