

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

<u>Current assets:</u>	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
<u>Non-current assets:</u>		
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

<u>Current liabilities:</u>	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 And 4,754,986 shares issued and outstanding respectively	43,371	40,201
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.

1. 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

$$\text{\$ } 131,339 - 115,929 = 15,410$$

In Apple example working capital at 29, June 2019 is

$$\text{\$ } 134,973 - 89,704 = 45,269$$

2. 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

$$\text{\$ } 131,339 / 115,929 = 1.13$$

In Apple example Current Ratio at 29, June 2019 is

$$\text{\$ } 134,973 / 89,704 = 1.50$$

Under Billing and Over Billing

1. Under Billing

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

2. 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.