	• The DPT applies to large companies with global revenue exceeding $1billion

Case study	• Apple is significantly influenced by company taxation, being required to pay 30% tax on its profits, and thus seeks to use tax minimisation strategies in order to maintain a strong financial position
	• Largest taxpayer in the world - $35bn past 3 years
	• Since 2002, it has paid 50c on every $100 in tax
	• Apple's total tax paid in Australia:
	  ○ 2018 $164m
	  ○ 2019 $121m
	• Apple reduces its taxation liability in Australia by establishing their main financial operations in low-taxing countries, predominantly Ireland
	• It is estimated that Apple shifts around $8.9 billion from the Australian economy into the Irish economy for taxation purposes
	• In the 2015/16 federal budget, the Australian government established an 'ATO Multinational Task Force' specifically limiting the ability of multinational corporations to avoid tax
	• In 2016, the ATO cleared Apple from these claims and they didn't receive any fines
	• This has increased government scrutiny regarding its 'profit shifting strategies
	• Apple is subject to the MAAL & DPT in Australia
	• In 2018, the Trump administration passed legislation allowing US companies to repatriate their foreign earnings with a tax rate of 21% instead of 35%.

Current outlook	• Uncertainty surrounding the economic policies of the US administration and their global ramifications (i.e. US-China trade disputes) • Uncertainty resulting from the Brexit referendums resulting in the UK withdrawing from the EU • Slowing in the growth of the Chinese economy • Increase in commodity and oil prices • COVID-19 – unemployment etc
Case study	• IMF projects (4.2)% growth 2020 and 3% growth 2021 • There are a number of emerging economies experiencing high levels of growth: India, China, Russia & Brazil • India and China make up 40% of the global smartphone market ○ As a result, Apple is engaging in strong investment into both these markets
	Availability of funds
Definition	Availability of funds refers to the ease with which a business can access funds on international financial markets
Characteristics and features	• Availability of funds will be based on the risk, the supply of funds and the economic conditions in the respective country • Businesses require funds in order to engage in business activities and growth/expansion plans
Effects and implications	• Access to and availability of funds will impact on business growth and expansion plans • If there is high availability of funds, businesses can obtain funds at lower interest rates (due to supply and competition between financial institutions) • If there is a low availability of duns in a respective country, domestic businesses within that country may look to borrow funds in o/s markets • If funds are difficult to access, businesses may need to rely on internal sources of funds (i.e. retained profits and equity) to enable them to funds business activities
Case study	• Significant global standing assists in accessing funds from a wide variety of global sources ○ Able to access funds during times of high/low availability • During GFC, when global capital availability was low, Apple heavily relied on its cash reserves/retained profits • It used $60bn in cash reserves to invest in emerging economies of China, Brazil, etc

	which can then be used to cover expenses and generate net profit
	• Express as a %
	
	• Strategies to improve the gross profit ratio
	  ○ Sourcing cheaper suppliers (in order to minimise COGS)
	  ○ Economies of scale in production to reduce costs of inputs
	  ○ Increasing revenue

Case study	Gross profit ratio • 2019 – 38% • 2020 – 38%
	Net profit ratio
Definition	Net profit represents the profit or return to the owners Formula: Net profit/sales
Characteristics and features	• The net profit ratio measures the operating costs, or expenses, of a business and indicates the average net profit generates by each dollar of sales • The higher, the better • Express as a % • 15% is generally acceptable Strategies to improve net profit ratio • Minimising expenses (will learn how in ‘strategies’) • Increasing revenue (will learn how in ‘strategies’)
Case study	Net profit ratio • 2019 – 21% • 2020 – 21%
	Return on equity ratio
Definition	The return on equity ratio shows how effective the funds contributed by the owners have been in generating profit, and hence a return on their investments Formula: Net profit/total equity
Characteristics and features	• The ratio should be higher than any return that could be obtained from alternative investments, such as bank investments • Express as a %

Case study	• 2020 - $258bn in debt • 2020 - $100bn in LT debt, specific loan term is unstated
	Timing issues
Definition	Businesses may use inappropriate cut off periods when preparing their financial statements which will distort the true financial position of the business

Characteristics and features	• Business's may try to shift expenses or revenue to different time periods, for example
	  ○ Business's may move future expenses into the current financial year in order to overstate their expenses, thus understating their profit and consequently minimising their tax liability
	  ○ Business's may move current expenses into the next financial year in order to maximise their profits for the current financial year to attract investors
	
	• In order to ensure a true presentation of the business's financial performance, the matching principle should be applied, that is, revenue and costs should match/be recorded in the time period (financial year) that they occur

Case study	• Apple acknowledges that they experience most significant amount of sales in Q1
	Valuing assets
Definition	Valuing assets refers to estimating the value of assets when recording them on the balance sheet

Characteristics and features	There are three limitations in relation to valuing assets
	• Historical cost accounting
	  ○ Sometimes assets are recorded on the balance sheet using the historical cost principle (i.e. the amount the asset was originally purchased for i.e. car)
	  ○ Limitation: this is a limitation as it may not reflect the true/current market value of the asset
	• Rate of depreciation
	  ○ Managers can choose a rate of depreciation for non-current assets
	  ○ Limitation: this is a limitation as it is an estimate and may give a false impression of the value of the business
	• Intangibles

	Ethical issues related to financial reports – reporting practices, audited accounts, record keeping RAR
Case study	• In 2006, Apple restated its accounts backdated from 2002 as it had inaccurate information regarding share options for its executives. Shares went down 3.5%
	You can double dip into limitations of financial reports To be ethical, a business should • Normalise earnings • Avoid capitalising expenses • Value assets correctly • Indicate information regarding debt payments • Include accurate notes to the financial statements • Avoid conflict of interests • Follow best practice and accounting conventions in the preparation of accounts • Provide full disclosure of relevant information i.e. payment to directors, to stakeholders • It's unethical to portray a more favourable but less accurate financial position • It is unethical to state inaccurate forecasts of figures in budgets
	Reporting practices
Characteristics and features	• Accurate financial information is needed for taxation purposes as well as for reporting to shareholder, potential investors and financial institutions • Public companies must provide financial information to the public • For private companies only shareholders are legally entitled to financial information • Avoid limitations CNNDTV
	Audited accounts
Definition	An audit is an independent check of the accuracy of financial records and account procedures
Characteristics and features	• Audits help with monitoring and controlling • There are two types of audits; • Internal audit ○ Conducted internally by internal auditors/management, involves checking practices/procedures/methodologies to ensure accuracy of data

Effects and implications	Positive • Both of these strategies incentivise debtors to pay before the due date, thus improving cash flow • This strategy will improve a business's accounts receivable turnover ratio Negatives • Late payment fees may deteriorate the relationship between the business and its customers and debtors • Business does not receive full value of accounts receivable (offering discounts to induce/incentivise early payments to ensure the business avoids cash flow problems)
Case study	• Used with 748 suppliers to efficiently collect debts • Assisted with ensuring sufficient cash for acquisition of companies i.e. Beat $3.6bn, Intel $1bn, Shazam $400m • 2020 – accounts receivable $16bn
	Distribution of payments
Definition	Refers to how a business organises the timing of its payments (accounts payable) to its creditors
Characteristics and features	• Business's will attempt to time these payments to coincide with period of cash inflows so as to avoid cash flow shortages • Business's will also attempt to disperse it payments, so they don't all fall due at once, resulting in potential cash flow shortages
Effects and implications	Positive • If businesses are in a financial/cash flow position to do so, they may wish to hold off making payments until the due date, this will allow them to maximise interest earned on funds held with the business's account • Saves burden of clumped payments Negative • If businesses are unable to effectively match and time cash outflow with cash inflows, it will result in the business experiencing cash shortages
Case study	• Effectively distribute periodic repayments throughout month/year • Retail employees paid fortnightly; lease payments monthly • Insurance payments usually paid at start of year, budgeted using increase in cash receipts received during Christmas period (46 million iPhones sold around Christmas)

Effects and implications	• Expense minimisation is critical for a business to ensure reduced costs, increased profitability, improved business competitiveness and achieving a LT sustainable competitive advantage
Case study	• Apple use of a central distribution point in California is an effective use of volume aggregation for Apple, eliminating costs that would be associated with several distribution centres • Apple's outsourcing of manufacturing to the low cost country of China through Foxconn and Pegatron has given apples access to cheaper Chinese manufacturing labour at the equivalent of $2.92/hour opposed to the US minimum wage of $7.25/hour. Ultimately this has resulted in Apple saving $300/unit through outsourcing to China, where labour costs account for only 5% of production costs • Apple engaged Taiwanese manufacturing firm Pegatron after having already engaged Foxconn, through this, Apple was able to leverage lower costs from both firms thus resulting in Apple's ability to earn 7% more gross profit margin that single supplier engager Samsung • Apple is reliant on some suppliers in Asia, America and Europe as a single source for component parts and often seeks to engage these suppliers in exclusive contracts to provide a competitive cost advantage over competitors such as Samsung. A potential risk of this strategy however is that should the supplier encounter a shortage or quality issue, Apple will significantly and negatively implicated
	Revenue controls – sales objectives, sales mix, pricing policy SSP – Sam Sells Popcorn
	Marketing objectives
Definition	The key marketing objective of a business is to maximise profit, this will be achieved through effective; sales objectives, sales mix and pricing policy
Characteristics and features	Sales objectives • A business can use cost-volume-profit analysis to determine the revenue (number of units that need to be sold) needed to break even • Appropriate sales targets/objective can then be established Sales mix • Refers to controlling the variety of products for sale • Increase production and selling of product lines that are in high demand and selling well