

## **Apple and Microsoft Company Analysis**

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## **Executive Summary**

The objectives of this report are to research two companies in this case Microsoft and Apple and provide graduates with a recommendation on one or both organisations.

It was concluded that although financial information is important when considering a job other factors also have a bearing such as job satisfaction and interest in the area/department the graduate wants to work in. There is no correct decision to be made although both companies are financially secure. Microsoft offer better job security and a possible better financial package due to their larger turnover and greater market share. When choosing between the two companies it's all down to what the graduate requires. If job security and financial factors are important and the employee does not mind being a small cog in a big machine then they should choose Microsoft. If the graduate prefers to work solely for the IT industry and is interested in the design / multimedia then they should choose Apple.

## **1.0 Introduction**

The following report provides analysis on two high profile companies within the computing industry. The two organisations chosen for this assignment are Microsoft and Apple. This report aims to provide graduates considering working in the computing industry with a clearer view on what each company entail. This report also aims to provide information on each company such as turnover, Company Value, political analysis, environmental analysis, social analysis and technological analysis of the industry with reference to theoretical and analytical models. This should help the graduate chose which company suits them better.

## **1.1 Objectives**

The objectives of this report are to;

- Research Apple and Microsoft
- Analyse the data regarding the two organisations
- Recommend an organisation to a graduate

## **1.2 Methodology**

This report is based on the research of Apple and Microsoft, both of which apply trade in the computing industry. The information used for this report is mainly secondary information such as the Internet, books and journals. No primary research was carried out.

### **1.3 Structure**

The structure of this report is as follows:

1.0 Introduction

2.0 Apple Computers Inc

3.0 Microsoft

4.0 Share Price fluctuation

5.0 Company Value

6.0 Total Revenue

7.0 Apple Pest Analysis

8.0 Recommendation

## **2.0 Apple Computers Inc**

Apple Computers Inc is an Information technology company they apply their trade in the IT segment of the market. Apple is unique in the sense that they are the only company in the computing industry that design and manufacture the entire personal computer from the hardware inside the personal computer to the operating system. This provides a unique experience for the user as the operating system has been designed around the hardware and greater performance from the personal computer is achieved.

Apple provides a vast range of products such as the Power MacG4, PowerBook, iMac, eMac, iBook and the iPod which is apart of their latest venture into the portable audio market.

## **3.0 Microsoft**

Microsoft is also a computer company and applies most of their trade in the IT segment. Being in the IT industry Microsoft are motivated and inspired by how customers use their software to find solutions to business problems. Microsoft attempts to run its business in the same way.

Microsoft's core business is in the selling of computer peripherals and software products such as Home and Business operating systems and word processing packages. They also develop computer games and have recently acquired market share in the computer console market via its latest product the Microsoft Xbox.

#### **4.0 Share Price fluctuation**

Shares in Microsoft are very stable; they tend to take small dips and rises but generally are stable. Apple's shares on the other hand tend to fluctuate a lot more, for example in May 2003 they took a big rise almost 20% but then in July they dropped slightly.

If a graduate was to check the performance of the company via shares then he would notice that Microsoft are a more stable company whereas Apple tend to fluctuate but generally are rising which shows potential. This may also indicate that Apple is still a growing company whereas Microsoft is just maintaining its market share.

A job at Microsoft would give the graduate better job security as the company seem more stable on the other hand working for Apple may include better promotional prospects as the company are still growing and new job positions may become available also the employees have more chance of receiving a bonus due to the current spurts of growth which result in more turnover.

#### **5.0 Company Value**

The following section compares the company value of Apple and Microsoft using net asset figures used from appendix 2 and 3.

Microsoft's company value is far greater then that of Apple's. Microsoft's company value in September 03 was \$36,262,000

*(Net tangible assets – current liabilities)*

\$50,019,000 – \$13,757,000 = \$36,262,000

Where as Apple's company value in September 03 was 2,318,000:

*(Net tangible assets – current liabilities)*

$$\$3,976,000 - \$1,658,000 = \$2,318,000$$

That is a difference of \$33,944,000; this compares the difference in size and value of the companies. Microsoft is a larger company by far and makes a lot more money. This could be because Microsoft competes in more than one market for example they have branched off from the software market and created a new product named the Xbox for the computer console market. Apple are also trying to diversify their product range with the introduction of the iPod into the portable audio market but they are still along way of form achieving the scale Microsoft have done this on.



## **6.0 Total Revenue**

Microsoft's total revenue for the last three quarters is shown below:

<b>September 2002</b>	<b>December 2002</b>	<b>March 2003</b>
7,746,000	8,541,000	7,835,000

As shown above Microsoft's revenue is very consistent much like their shares. This shows a graduate that Microsoft have good job security, because they are continually making a profit on a regular basis, this leads to Microsoft being able to offer their employees peace of mind which may result in a better working environment.

Apple's total revenue for the last three quarters is shown below:

<b>September 2000</b>	<b>September 2001</b>	<b>September 2002</b>
786,000	(25,000)	65,000

Apples profit tends to fluctuate, as you can see in September 2000 profits are at a high but then in September 2001 they have made a loss of \$25,000. This would worry a potential graduate because the revenue fluctuates the employees may not feel that their jobs are secure, this in turn will effect the working environment and employees may fear redundancy.

## **7.0 Apple Pest Analysis**

The following model lists Apples Political, Economical, Social and Technological issues.

### **Political**

- Anti-American supporters due to the war (may boycott American products)
- Copy write laws could be changed.
- Tax laws could be changed.

### **Economical**

- Strength of the US Dollar.
- Import and export taxes.
- Pricing strategy compared to competitor e.g. Microsoft could undercut apples prices
- Interest rates may cause consumers to have less disposable income; therefore they will not be able to afford to buy luxuries.
- Cost of current technology (Research and development).
- Availability of hardware and software.

### **Social**

- Software piracy could damage sales
- War in Iraq, people may boycott American products.
- Technophobes, people who are afraid of technology
- Level of social acceptability.

## **Technological**

- Advances in computer hardware, what maybe good today could be obsolete tomorrow.
- Rise in the complexity of other software products forcing Apple to apply them to.
- Technological advances may prevent sales in other countries where the technology is not so up to date
- Faults (bugs) in past software.

## **8.0 Recommendation**

Both companies are giants in the computing industry but when a graduate is faced with a decision between the two then the following factors should be considered as stated in the report

### **Share Price fluctuation**

As stated in the report Microsoft shares are stable whereas Apples are fluctuating, this is due to the company growing whereas Microsoft are already maintaining their huge market share. This information provides the graduate with many options, they could take a job with Microsoft and ensure Job security or take a risk with Apple, with the opportunity to achieve more because as the company grows more jobs higher up will become available enabling the graduate to possibly achieve more.

### **Total Revenue And Company Value**

As stated in the report Microsoft is the larger of the two companies by far, this is shown in assets, there is a difference of \$33,944,000, this figure shows Microsoft operate on a much larger scale to that of Apple. A graduate would have to consider if they want to be a small cog in a big machine (Microsoft) or if they want to have more creative influence on a company (Apple).

Although financial information is important when considering a job other factors also have a bearing such as job satisfaction and interest in the area/department the graduate wants to work in. Apple mainly focus their business on multimedia and design whereas Microsoft are more corporate, this could also be a deciding factor between the two companies

There is no correct decision to be made although both companies are financially secure Microsoft offer better job security and a possible better financial package due to their larger turnover and greater market share. When choosing between the two companies its all down to what the graduate requires. If job security and financial factors are important

and the employee does not mind being a small cog in a big machine then they should choose Microsoft. If the graduate prefers to work solely for the IT industry and is interested in the design / multimedia then they should choose Apple.

## **Bibliography**

### **Internet sites used**

[www.yahoo.com/finance](http://www.yahoo.com/finance)

[www.microsoft.com](http://www.microsoft.com)

[www.apple.com](http://www.apple.com)

<http://www.apple-history.com>

<http://www.infoworld.com/>

[www.be.com](http://www.be.com)

### **Book Used**

#### **The Strategic Management Of Organisation**

A Haberberg & A rieple

ISBN: 0-130-21971-0

#### **Business Studies - Second Edition**

Dave Hall, Rob Jones and Carlo Raffo.

ISBN - 1-873929-90-0

## Appendix 1

**Figure 1**

*Microsoft's share fluctuations compared to Apple's*



**Figure 2**

*Apple's share fluctuations compared to Microsoft's*



## **Appendix 2**

### ***Microsoft's Balance sheet***

#### **Assets**

##### **Current Assets**

Cash And Cash Equivalents	6,438,000	4,300,000	5,552,000	5,338,000
Short Term Investments	42,610,000	41,878,000	37,872,000	35,137,000
Net Receivables	7,702,000	6,332,000	7,241,000	6,851,000
Inventory	640,000	604,000	650,000	959,000
Other Current Assets	1,583,000	1,558,000	1,616,000	1,758,000
<b>Total Current Assets</b>	<b>58,973,000</b>	<b>54,672,000</b>	<b>52,931,000</b>	<b>50,043,000</b>
Long Term Investments	13,692,000	13,052,000	12,647,000	13,580,000
Property Plant and Equipment	2,223,000	2,208,000	2,257,000	2,189,000
Goodwill	3,128,000	2,782,000	2,757,000	2,855,000
Intangible Assets	384,000	575,000	607,000	642,000
Accumulated Amortization	-	-	-	-
Other Assets	1,171,000	1,193,000	895,000	926,000
Deferred Long Term Asset Charges	-	-	265,000	-
<b>Total Assets</b>	<b>79,571,000</b>	<b>74,482,000</b>	<b>72,359,000</b>	<b>70,235,000</b>

#### **Liabilities**

Current Liabilities	13,974,000	13,161,000	13,617,000	13,757,000
Accounts Payable	5,033,000	4,985,000	5,356,000	5,347,000
Short/Current Long Term Debt	-	-	-	-
Other Current Liabilities	8,941,000	8,176,000	8,261,000	8,410,000
<b>Total Current Liabilities</b>	<b>13,974,000</b>	<b>13,161,000</b>	<b>13,617,000</b>	<b>13,757,000</b>
Long Term Debt	-	-	-	-
Other Liabilities	2,846,000	2,670,000	2,930,000	2,810,000
Deferred Long Term Liability Charges	1,731,000	369,000	-	152,000
Minority Interest	-	-	-	-
Negative Goodwill	-	-	-	-
Other Assets	1,171,000	1,193,000	895,000	926,000
Deferred Long Term Asset Charges	-	-	265,000	-
<b>Total Liabilities</b>	<b>18,551,000</b>	<b>16,200,000</b>	<b>16,547,000</b>	<b>16,719,000</b>

#### **Stockholders' Equity**

Misc Stocks Options Warrants	-	-	-	-
Redeemable Preferred Stock	-	-	-	-
Preferred Stock	-	-	-	-



Common Stock	35,344,000	34,332,000	33,605,000	33,013,000
Retained Earnings	25,676,000	23,950,000	22,207,000	19,920,000
Treasury Stock	-	-	-	-
Capital Surplus	-	-	-	-
Other Stockholder Equity	-	-	-	583,000
<b>Total Stockholder Equity</b>	<b>61,020,000</b>	<b>58,282,000</b>	<b>55,812,000</b>	<b>53,516,000</b>
<b>Net Tangible Assets</b>	<b>\$57,508,000</b>	<b>\$54,925,000</b>	<b>\$52,448,000</b>	<b>\$50,019,000</b>

### **Appendix 3**

#### ***Apple's Balance sheet***

##### **Assets**

###### **Current Assets**

Cash And Cash Equivalents	3,507,000	3,410,000	2,612,000	2,252,000
Short Term Investments	1,038,000	1,116,000	1,850,000	2,085,000
Net Receivables	744,000	660,000	674,000	731,000
Inventory	38,000	41,000	44,000	45,000
Other Current Assets	219,000	241,000	204,000	275,000
<b>Total Current Assets</b>	<b>5,546,000</b>	<b>5,468,000</b>	<b>5,384,000</b>	<b>5,388,000</b>
Long Term Investments	-	-	28,000	39,000
Property Plant and Equipment	639,000	619,000	605,000	621,000
Goodwill	85,000	85,000	85,000	85,000
Intangible Assets	27,000	29,000	31,000	34,000
Accumulated Amortization	-	-	-	-
Other Assets	144,000	160,000	136,000	131,000
Deferred Long Term Asset Charges	-	-	-	-
<b>Total Assets</b>	<b>6,441,000</b>	<b>6,361,000</b>	<b>6,269,000</b>	<b>6,298,000</b>

##### **Liabilities**

Current Liabilities	2,025,000	2,007,000	1,595,000	1,658,000
Accounts Payable	1,718,000	1,697,000	1,595,000	1,658,000
Short/Current Long Term Debt	307,000	310,000	-	-
Other Current Liabilities	-	-	-	-
<b>Total Current Liabilities</b>	<b>2,025,000</b>	<b>2,007,000</b>	<b>1,595,000</b>	<b>1,658,000</b>
Long Term Debt	-	-	320,000	316,000
Other Liabilities	-	-	-	-
Deferred Long Term Liability Charges	218,000	215,000	238,000	229,000
Minority Interest	-	-	-	-
Negative Goodwill	-	-	-	-
Other Assets	144,000	160,000	136,000	131,000
Deferred Long Term Asset Charges	-	-	-	-
<b>Total Liabilities</b>	<b>2,243,000</b>	<b>2,222,000</b>	<b>2,153,000</b>	<b>2,203,000</b>

##### **Stockholders' Equity**

Misc Stocks Options Warrants	-	-	-	-
Redeemable Preferred Stock	-	-	-	-
Preferred Stock	-	-	-	-

Common Stock	1,935,000	1,919,000	1,840,000	1,826,000
Retained Earnings	2,350,000	2,331,000	2,317,000	2,325,000
Treasury Stock	-	-	-	-
Capital Surplus	-	-	-	-
Other Stockholder Equity	(87,000)	(111,000)	(41,000)	(56,000)
<b>Total Stockholder Equity</b>	<b>4,198,000</b>	<b>4,139,000</b>	<b>4,116,000</b>	<b>4,095,000</b>
<b>Net Tangible Assets</b>	<b>\$4,086,000</b>	<b>\$4,025,000</b>	<b>\$4,000,000</b>	<b>\$3,976,000</b>