Trapped Cash

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**Introduction**

Trapped cash is the cash kept in oversea account by corporations. Most corporations such as Microsoft and Apple have been billion of dollars in oversea accounts. The issues have raised a lot of questions among the stakeholders and shareholders and the government. It is prudent to have trapped cash and corporations that have utilized the strategy have improved the growth of the company. The cash trapped is used to help corporation to help corporation on tax cuts. It has raised a lot of concerns among government officials and even shareholders of some of the companies (Engel, 2016). The use of trapped cash is an important strategy for Apple Corporations. Apple Corporations operates worldwide and therefore, it does transaction worldwide a day. The use of trapped cash is important for growth and expansion of Apple in the international market. The cash is used for expansion of business and other strategic operations. The trapped cash is utilized by corporation to lower the rate of tax paid. It ensures that the profit is lower and therefore, taxes paid by a corporation would be lower as well. The strategy is applied for the benefit of shareholders of the corporations (MnKnom, 2014). This ensured that the corporations’ shareholders earn higher dividends. It is a practice, which has been adopted almost all corporations as a method to avoid paying excess taxes to the government. The corporate tax in the United States is high and with trapped cash corporations are able to save a lot of cash and turn it to profit to benefit the shareholders of those corporations.

The analysis of the trapped cash for both Microsoft and Apple Corporation indicates that Apple Corporation utilizes the trapped cash strategy more than Microsoft. Apple Corporation has more cash outside the United States. The table shows that Apple Corporation has $137.10 outside the United States and Microsoft Corporation has $92.90, kept outside. In this case, it means that Apple Corporation has a lot of reserved outside compared to Microsoft and any other companies form the United States. This could be as a result of the model of operations of Apple Corporations, which has the largest market outside the United States (Engel, Lyons, & Pannese, 2016). The statement of the cash flow indicates that Apple utilizes its local income for mostly daily operations. The trapped cash remained unused in the foreign nation and not in most of the operations.

The signing of tax cut by President Trump has been viewed as the best strategy to lure American Multinationals to bring back trapped cash to the country. The tax cut bill means that Americans companies operating in the United States will enjoy 21% corporate tax from 35% tax which has been the tax paid by the United States companies and other companies operating in the united States. However, it is likely that Microsoft and Apple Corporations would change their model of operations and bring their cash trapped to the United States. And in the last few years these companies have worked to return the cash to the United States. It is important for corporations to change their strategies and do away with tapped cash. The value of a company is measured based on the declared cash and trapped cash is not considered and this affect companies applying trapped cash (Engel, Lyons, & Pannese, 2016). It could be the reason Microsoft is valued higher than Apple Corporation in the stock market.

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