**Financial analysis**

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**ANALYSIS OF P & G**

The Procter and Gamble Company is one of the leading companies in the consumer product sector. This supremacy is maintained by maintaining a constant level of performance. If we see the industry in which the company is working, the consumer has many strong points as compared to the companies. The availability of a large number of firms imposes a strong force on all the companies taking part. The customer has to pay a minimal amount to switch between the available companies thus imposing another strong force from the customer. The company has many competitive advantages over the competitors in the competitive rivalry aspect. The company has a very strong understanding of the consumer. This comes from two aspects namely an in depth analysis of for whom aspect of the economic problem. This refers to the fact that the company has a very clear understanding of their consumers and the company clearly knows for whom they are making the products. The second aspect includes what aspect. This shows that the company is very much aware of the product it is making. In this regard, the company should be particularly aware if the needs or wants that are specifically satisfied by the products made by the company. The bargaining power of the customers is weak when we consider the market for consumer goods. The reason behind this is that the demand of these products is ever rising. The lesser availability of quality substitutes also works as a weak force on the part of the customers. The suppliers to the company have a weak force or they do not have much influence when we consider the p & g company. The reason behind this is that the company buys in huge bulks from the suppliers and there are a large number of suppliers available to the company to choose from. The company has very less threat from the substitutes as there are very less in number and their existence is also very low. The company has to keep a close look on the stronger forces in the model.

**ANALYSIS OF APPLE:**

This company has emerged as one of the most highly valued companies in the world. The company faces a strong force imposed by the customers. The reason behind it is that the companies participating in the competition are very aggressive in their approach. The products or services offered by the companies have very low differentiation regarding features and other aspects. The customer has low or no costs of going from one company to other. All these factors increase the bargaining power on the part of the customers and competitors. The companies competing innovate at a very fast pace which does not allow the companies to relax. The customer of the products offered by the company have very strong knowledge of the products and the related developments, this makes the bargaining power on the part of the customer very strong. The buyer in itself is a small unit as compared to the overall size of the market which again increases the bargaining power of the customer. If we talk about the suppliers to the company, they have a weak force in the model. The reason behind this is that there are lesser firms as compared to the number of suppliers. A larger number of suppliers mean that the company will have a greater choice to switch between them. The company under consideration does not rely on the local suppliers only. The global presence of the company in many parts of the company allows it to choose from the best resources. The company has no or minor threat from the competitors. The reason behind this is the high computing and technological excellence shown on the part of the company. The in availability of matched substitutes in terms of quality is another aspect that is positive for the company. There is an average or medium chance of new entrants entering the industry. The reason being that the entrance requires a huge capital investment.

**Current issues affecting p & g**

The p & g company faces the problem that the shares have only gone up by 9 % in the year 2017. The things are going in a downward direction because the company has gained only 32 % in the past 5 years in the share price. The analysts are not painting any rosy pictures for the company. There is only a 1% growth predicted in the first quarter of 2018. The competitors are performing much better in the same span of time. The major problem faced by the company is the wrong choice of markets. The company gets almost 60% of the revenue from the developed markets. The strong competitor Unilever generates almost the same percentage of revenues from the developing mark (Adamkasi, n.d.)

**Current issues affecting Apple**

The stock price of the company has shown a continuous increase in the past 5 years. The percentage increase has varied between years. The sales revenue has also shown an increase except for the year 2016. Despite these and other positive aspects, the company has to face the variety of issues. The major problem is that the percentage of proportion of the improvement has been declining relative to the overall product. This would mean that any of the improvements brought will have lesser impact on the consumer as compared to the previous updates. The companies now find it harder to come up with some new big thing. The last problem faced by the company is that its services business is not paying high dividends.

**Financial Ratios**

The first set of ratios that is usually used by the companies is the liquidity ratios. The term liquidity means the ability to pay off the short term loans. Thus a strong liquidity position shows a better ability for the firm to pay of short term loans. In this category we will use the current ratio and quick ratio. The second important group of ratios is the solvency ratios also known as the leverage ratios. These measure the length of the time that the company will be able to continue operations. In this category we will use the debt to equity ratio. Efficiency ratios show the efficiency of the company in certain aspects. This includes how efficiently the company is managing its receivables both with respect to the number of days and number of times. Similar analysis is performed on inventory as well.

The balance sheet side includes the equity ratios or the ratios affecting the shareholders. These include the earning per share and payout ratio. The last group includes the profitability ratios. They show the various aspects of profitability to be considered by the company. The ratios include gross and net profit margins, return on assets, return on equity.

**Vertical Analysis**

**Current Assets**

The current assets are crucial for the company as they show the ability of funds for the company to run the short term. The news like the increase in inflation can affect the current assets of the company. The methods used to ascertain the value of the inventories will also affect the current assets. The alteration of demand for funds also affects the value of current assets.

**Current Liabilities**

The current liabilities are the short term loans of the companies. The factors affecting the current liabilities are the general economic conditions of the country. Interest rate is one factor that can affect the current liabilities of a company

**Current ratio**

This shows amount of asset available with respect to each dollar of current liabilities. This shows that after paying off the current liabilities, whether the company will be left with any amount or not. In other words it shows the ability of the company to pay off its short term debts immediately. P & G has not been able to maintain a good current ratio.

**Quick ratio**

This shows the amount of quick assets available against each dollar of current liabilities. This serves the same purpose as the current ratio but the scenario considered is a bit narrowed. The quick assets are calculated by subtracting the inventory and prepaid expenses from the current assets.

**Business objectives of Apple**

The foremost objective of the company is to expand the chain of stores to a global level. This can be considered as growth. This objective relates to the profitability ratios. The company has to keep certain amount of resources with it to finance expansion. These resources come form profitable operations.

Another objective is to make the products available in all kinds of distribution channels. This objective is related to the availability of cash flow. This can be related to the current assets in excess of the current liabilities. The current ratio will tell us how much free short term assets are available after paying off short term debts.

**Business objectives of P & G**

The objectives of the company are as follows:

**Sustainability**

The sustainability has many aspects. The company has to show sustained growth over a period of time. The second aspect is the environmental sustainability which requires responsible behavior so that the environment is affected to the least. In order to achieve this objective, the company has to look into the profitability ratios. The question here can be raised that an unusual increase in the profit may be a result of ignoring the environmental aspects in the production process.

# References

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