

Apple INC. Research Paper

Student Name

University Name

[www.CustomResearchPapers.us](http://www.CustomResearchPapers.us)

**Contents**

Introduction.....	3
Overview of Firm.....	3
Goods and services .....	5
Market Share .....	5
Geographic location .....	6
Major Competitors .....	7
Benefit of using Activity based costing (ABC) .....	7
Factors Influencing Decision .....	9
Ramification of implementing ABC in international business environment.....	9
Distribution of costs using ABC .....	10
Benefits of Standard Costs.....	11
Factors influencing decision .....	12
Ramification of Implementing Standard Costs in International Business Environment .....	13
Benefits of Analyzing Future Projects.....	13
Summary and Conclusion.....	14
References.....	16

### **Introduction**

The research paper will be encompassing the concepts related to accounting discipline. The research paper is presented in the form of case study. The research paper will discuss the firm operating in international business environment. The international business firm selected for the purpose of the project is Apple Inc. The study will be demonstrating the implementation of ABC (activity based costing) and standard costing in the Apple Inc. Benefits of both types of costing will be analyzed. Factors influencing the standard costs and ABC costs will be examined from the context of Apple Inc. The ramification of the implementation of both types of costing will be analyzed along with the distribution of costs. Therefore, the project is aimed at concentrating on accounting discipline.

The research design preferred in the project will be experimental design. Experimental design will be assisting in the project for implementation of ABC costing and standard costing. Experimental design is used for finding the impact of some kind of treatment in the study. The research methods used in the study will be qualitative data. Qualitative data will help in describing the factors influencing ABC costing and standard costing. It will also be used for analyzing the future plans of Apple Inc.

### **Overview of Firm**

Apple Inc. is a Multinational Company specialized in designing and manufacturing the media devices, consumer electronics, portable digital music players and digital software. It was founded on 1st April, 1976 by Steven Gary Wozniak, Steven Paul Jobs and Ronald Gerald Wayne. The company was incorporated in 1977. From the last three decades, Apple Computer was a predominant manufacture of the personal computers which includes the Apple II,

Macintosh. It sells its products globally through the retail stores, direct sales force and online stores as well as it sells through the third party network carriers. The company also sells the wide variety of compatible products including iPhone, iPad, Mac and iPod to the consumers, small and medium size business group, government customers and educational institutions (Apple, 2016).

### **Company Values**

The company believes in the simplicity and can make a significant contribution in manufacturing the great products. They need to control and own the products which are primarily technological in nature (Apple, 2016).

### **Company's Vision and Mission**

The Vision of the Company is to bring innovation in the hardware, software and the internet offerings and provide the best experience of the personal computers to the students, professionals, educators and the consumers through it around the world. The mission statement of the company concentrates solely on one aspect i.e. superiority. The company performs best and aims to outperform the competitors (Apple, 2016)

### **Company's Strategy and Goals**

According to the company's values, mission and vision it has a set of clear strategic goals and objectives to be achieved. Apple Inc. wants to maximize the profit by providing the best experience to its customers through the innovation in its services and peripherals. The company maximizes advantage through the ability of designing and developing its own operating systems, application software and hardware to provide the new solutions to its customers with the ease of seamless integration and innovative design. It believes in continuous investment in the process of

research and development and advertising of the innovative product and services (Johnson, Li, Phan, Singer, & Trinh, 2012)

### **Goods and services**

Apple Inc. offers a wide range of goods and services which are designed for individuals, institutions, businesses, resellers and service providers. The products and services served by the company are iPhone, iPad, Mac, iPod, Apple TV, a portfolio of consumer and professional software applications, iCloud, the iOS, and OS X operating systems (Apple , 2016). There is a huge range of mobile communication and media devices, portable digital music players and personal computing products, as well as a variety of related software, peripherals, services, and networking solutions. In addition, the company offers its own software goods which include iOS i.e. the company's mobile operating system, OS X-Mac operating system and server and application software. It also sells and delivers digital content and applications through the iTunes store, iBook store and Mac App Store. The products are sold worldwide through its retailer's stores, online stores, and direct sales force and third-party cellular network carriers (Forbes, 2015).

### **Market Share**

According to the International Data Corporation, the Apple Inc. has experienced the growth in the market share. It has recorded a great success in the sale of iPhone 6 Plus. It has sold the total of 47.5 million units in 2015. The overall market share of iPhone grew 35% over the year and the remarkable 51.4% in the market alone. The International Data Corporation is expecting the continuous sales growth in the coming years (Datamonitor, 2006).



Figure 1: Global Market Share of Apple Inc.

In the figure given above, market share of Apple Inc. at various places is shown. It covers the large market share around the world with the 37% in America, 23% in Europe, 13% in Greater China, 8% in Japan and 19% in the rest of the Asia Pacific region in 2013 (Datamonitor, 2006).

### Geographic location

The company handles its business primarily on a geographic basis. It serves business via five operating segments i.e. U.S., Europe, Japan, China and Asia Pacific regions. The U.S. represents the Company's largest geographic marketplace. In 2008, approximately 57% of the company's net sales came from the US consumers. Europe is accounted for 22% of Apple's net sales. China's market is the fastest growing market for Apple. The main focus of the company is China due to its emerging growth in the market of China. There are 116 retail stores in U.S. and 8 international stores in Canada, Japan, and the U.K. (Datamonitor, 2006).

## **Major Competitors**

Apple Inc. has fierce competitors in its several industries as its products range from entertainment media to personal computers to mobile systems. Major competitors of Apple's Macintosh computers are Hewlett Packard (HPQ), Lenovo, Dell and Acer. Apple has continuously maintained its loyalty by following user's satisfaction with its operating system. Apple revolutionized its business model through iPod and slowly spurred mobile industry. The iPhone has decimated its business model to restructure it several times and gained a high position among its competitors which are Samsung, Sony, HTC, etc. Entering the mobile payment industry, Apple owned a satisfied newcomer position in this area. Its key competitors are Paypal and Google. The two major players in the entertainment media and applications are Apple and Google, iPhones, and iPods are running on Apple iOS, and Google Android is running on most competitor's phones and tablets. In 2015, the company's competition posed little significance that the business dramatically expanded its revenue even while raising the average selling price of iPhone. Its competitors are liming into 2016 even as company rolls into the New Year on a hover board made out of money. Apple Inc. faced huge competition but also it sustains to be in number 1 position (Forbes, 2015).

## **Benefit of Using Activity Based Costing (ABC)**

Activity based costing is the methodology of costing the company's overheads in the logical manner rather than the traditional approach of simplifying the cost based on the machine hours. This costing method of accounting identifies the activity which is performed and assigned the indirect cost by the firm to the products. This system of costing recognizes relationship between the activities, costs and products which leads to assigning the indirect cost to the

products which is less arbitrarily than the methods used in the traditional way. This method helps in organizing and allocating the costs which are involved in the business in any way (Reyhanoglu, 2004).

**Advantages of using Activity Based Costing Method:**

- 1. Improves the overall process** - While implementing the activity based costing method, the overall process is used to analyze in depth. It helps analyzing the overall view of the accounting method (Reyhanoglu, 2004).
- 2. Organized Pricing** - With the ABC method of costing technique, the business firms are able to identify the costs which are associated with the production of the single unit of the good. Due to this method, the firms are able to develop the strategic pricing and marketing techniques more efficiently (Reyhanoglu, 2004).
- 3. Applicable to the entire business** - The activity based costing method technique is applicable to the entire business. The method can be effectively and efficiently used in reducing the firm's production and overhead cost (Reyhanoglu, 2004).
- 4. Identify the unproductive product** - The business includes some wasteful products which increase the cost of the product and the business suffers from the loss. All this wasteful cost can be easily identified by this activity based on costing method and can be removed all together and managed effectively and efficiently by the firm (Reyhanoglu, 2004).
- 5. Understanding the concept of overhead cost** - This method helps in assisting the concept of overhead cost of the firm in the better way (Reyhanoglu, 2004).



### **Factors Influencing Decision**

On the adoption of the Activity Based Costing method, there is a significant impact on the variables. The nature of the business adopting this costing technique differs from business to business and company to company. The ABC can be used as an effective decision making tool for the investment planning for the short and long term period of time (Reynolds, 2013). The methods of calculating the accounting applications differ widely around the world. The factors which influence the activity based costing method decision can be broadly classified as follows:

- The nature and characteristic of the organization
- Size and range of the diverse products in the organization
- The extent of the ABC usage in the organization
- The extent of supporting the ABC method within the organization (Reynolds, 2013).

### **Ramification of implementing ABC in international business environment**

The global competition around the companies changes rapidly and continuously. The present era of the international business includes the global competition, consumers demanding superior quality of products and services with the lower prices, evolving technologies. The competition in the market develops the diversity in the products and increases the costs. Therefore, these costs need to be evaluated and one should reorganize the new techniques and innovations to manage the complex task in order to bring improvements in the cost structure and profit growth of the firm. The ABC method of costing is globally accepted as the most accurate technique in the costing and pricing of the goods and services rather than the traditional method of cost accounting. This method helps the manager to understand the causes of the cost and how to manage them. It provides accurate and quality information of the allocated costs that helps in

monitoring the process performance and the continuous growth of the organization (Player, 1997).

But, this method is assigned according to the activities and resources consumed by the organization. The etiquette of international business environment considerably differs. The cultural norms of the country are also different and competitive. This approach of accounting method can minimize considerably the effect of any change in the management program on the basis of the local business (Player, 1997).

### **Distribution of Costs Using ABC**

Indirect expenses are displacing the direct expenses. The cause of displacement is computer, automation, equipment, technology etc. It can be understood in simple manner by taking example of the three friends going to the restaurant. One of the friends orders a salad, while other two order the most expensive item from the menu. At the time of paying bill, one of the friends says to split the bill evenly. In this case, one who ordered salad will feel that it is unfair and inequitable. This is equivalent to the effect of calculating cost of many products and services in the traditional cost accounting system wherein the accountant allocates the indirect expenses as costs without applying any logic. The practice results in creating minimal or no relationship between the expenses consumed. It distorts the cost of the products and services. The distribution of costs should be as per the product related costs (Major, 2014). An example of ABC costing is given below:

CUSTOMER: XYZ CORPORATION (CUSTOMER #1270)			
Sales	\$\$\$	Margin \$ (Sales - ∑Costs)	Margin % of Sales
<b>Product-Related</b>			
Supplier-Related costs (TCO)	\$xxx	\$xxx	98%
Direct Material	xxx	xxx	50%
Brand Sustaining	xxx	xxx	48%
Product Sustaining	xxx	xxx	46%
Unit, Batch*	xxx	xxx	30%
<b>Distribution-Related</b>			
Outbound Freight Type*	xxx	xxx	28%
Order Type*	xxx	xxx	26%
Channel Type*	xxx	xxx	24%
<b>Customer-Related</b>			
Customer-Sustaining	xxx	xxx	22%
Unit Batch*	xxx	xxx	10%
Business Sustaining	xxx	xxx	8%
Capital Charge**	xxx	xxx	2%
(inventories, receivables)			6% Economic Profit (for EVA)

\* Activity Cost Driver Assignments use measurable quantity volume of Activity Output (Other Activity Assignments traced based on informed (subjective) %s)      \*\*Capital charges can also be directly charged as imputed interest to products & cust.

Figure 2: example of distribution of costs in ABC costing (IM, 2006)

The exhibit 2 is showing valid profit and loss statement for each customer in a logical manner.

### Benefits of Standard Costs

Standard costing is practice of substituting the expected cost with the actual cost in the accounting records. Post which variances in the expected cost and actual costs are examined. Following can be the benefits of standard costing for Apple Inc. (Lima, 2010).

- 1. Yardstick for performance evaluation** – It is a rule of measurement established by the authority and consequently provides yardstick for the performance evaluation (Lima, 2010).
- 2. Minimizing wastages** – Standard costing system is helpful in reducing the wastage by detecting the variances. After detecting wastage it suggests for the corrective actions (Lima, 2010).

3. **Effective delegations of authority** – Under the system of standard costing, costs centers are established. The responsibility is assigned to the concerned personnel and head of the department. Thus, it increases delegation of authority (Lima, 2010).
4. **Cost effective attitude** – A positive cost effective attitude of the management is evidenced as properly developed standard costing system creates involvement and participation of all the personnel concerned with the management (Lima, 2010).
5. **Helpful in reducing unfavorable variances** – The standard costing system encourages reappraisals of the methods, techniques, helps to reduce the unfavorable variances (Lima, 2010).

These are the benefits of standard costing which can be availed by the Apple Inc. for reducing wastages, and unfavorable variances. Additionally, it will help in effective delegation of authority.

### **Factors influencing decision**

Factors considered while making decision related to the standard costs are ermined on the basis of types of the standard. Individuals might respond to the different standards in a different manner as per the difficulty of attaining the standard level of performance.

- **Ideal standard:** Higher level of standards is set for achieving the performance. It is rarely achievable and managers might not try to achieve it.
- **Current standard:** When standard of performance is not as challenging, managers and employees might be able to simply achieve it without improving the performance.

- **Attainable standard:** Attainable standard might be set to challenge the managers and employees to improve their performance. Some employees prefer to set the target lower to achieve it easily.
- **Basic standard:** This type of standard might motivate the employees giving them long term target to aim for. However, soon it becomes outdated (Duh, Lin, Wang, & Huang, 2009).

Thus, in Apple Inc. standard set might be determining the need of standard costing.

### **Ramification of Implementing Standard Costs in International Business Environment**

Many companies calculate the standard costs on the basis of underlying costs for preparation of budget annually. Standard costs provide good measure to manage the business. Recent volatility has resulted in wastage of management time in comprehending the variances against the standard costs. Standard costing is an important financial tool used for the purpose of determining dimensional profitability including profit by product, by customer and by channel. It can be considered in the wider framework of business intelligence in which companies are seeking to improve the competitiveness and performance. The importance of standard cost in international business environment cannot be negated. Apple Inc. can also get benefitted by deploying the standard costs in the organization (Duh, Lin, Wang, & Huang, 2009).

### **Benefits of Analyzing Future Projects**

The Apple Inc. can get benefitted by analyzing the future projects in terms of relevant costs. The firm can resort to expand further in future. The relevant cost can be determined by the Apple Inc. with the help of ABC costing. ABC costing will be useful in identify the overhead

costs. Moreover, it will be easy to identify the costs in logical manner using ABC costing. Relevant cost can be used for decision making in Apple Inc. by differing between the costs. Any cost which cannot differ between the alternatives available is irrelevant for the firm. All irrelevant costs should be eliminated while making decisions. The Apple Inc. can expand in future on the basis of considering relevant costs. It is relevant costs which will make the decision of an organization to expand in future successfully.

### **Summary and Conclusion**

The project is made for the purpose of emphasizing the importance of accounting discipline. The method used in the research is experimental study. The study was carried out as an experiment to find out the benefit of ABC costing and standard costing. The report has described the Apple Inc. The Apple Inc. is a leading company in making phones and personal computers. It is a growing company and enjoying large market share in Europe, Japan, Asia, and America etc. The mission of the company is to offer best personal selling computers, hardware and software. Major competitors of the Apple are Dell, Samsung, and HP etc. ABC costing is beneficial for the Apple Inc. to improve overall processes, identification of unproductive product and is useful for understanding the overhead costs. ABC costing should be applied to business keeping in mind the size and characteristics of the organization. The ABC costing method is accepted on the international level as the most accurate techniques of pricing goods and services. In ABC, costing prices are determined in a logical manner. Standard costing is substituting the expected cost with actual cost for accounting record. Its benefits for the Apple Inc. can be effective delegation of authority, cost effective attitude and minimizing waste. Standard costing is the best financial tool for determining the profitability of product. The decision of expanding

was taken on the basis of analysis. The role of relevant costs is very important in determining the decisions related to organization. The decision of eliminating irrelevant cost should be taken. Relevant cost is essential for recognizing the best alternative available.

The bottom line is that ABC costing and standard costing can be used effectively by the Apple Inc. which is dealing in the international business environment. The costing is a very important element for making decisions of the business leading to success or failure.

www.CustomResearchPapers.us

## References

- Apple . (2016). *Welcome to Apple Service Programs*. Retrieved May 02, 2016, from Apple.com:  
<https://www.apple.com/in/support/programs/>
- Apple. (2016). *Company Overview*. Apple .
- Datamonitor. (2006). *Apple Computer, Inc, Company Profile*. Datamonitor. Retrieved from  
[https://www.alacra.com/acm/2009\\_sample.pdf](https://www.alacra.com/acm/2009_sample.pdf)
- Duh, R.-R., Lin, T. W., Wang, W.-Y., & Huang, C.-H. (2009). The design and implementation of activity-based costing A case study of a Taiwanese textile company. *International Journal of Accounting and Information Management*, 17(1), 27-52.
- Forbes. (2015, May). *Forbes America's Best Employers*. Retrieved May 02, 2016, from  
<http://www.forbes.com/companies/apple/>
- IM. (2006). *Implementing Activity-Based Costing*. IMA.
- Johnson, K., Li, Y., Phan, H., Singer, J., & Trinh, H. (2012). *The Innovative Success that is Apple Inc*. Marshall University.
- Lima, C. M. (2010). The Applicability of the Principles of ActivityBased Costing System in a Higher Education Institution. *Economics and Management Research Projects: An International Journal*, 1(1), 57-65.
- Major, M. J. (2014). Implementing Activity-Based Costing in the Telecommunications Sector: A Case Study. *Journal of Telecommunications System & Management*, 3(1), 1-8.
- Player, S. (1997, October). *Going Global With Activity-Based Costing*. Retrieved May 03, 2016, from Businessfinancemag.com: <http://businessfinancemag.com/bpm/going-global-activity-based-costing>
- Reyhanoglu, M. (2004). *Activity-Based Costing System Advantages and Disadvantages*.



Reynolds, A. (2013). *Factors influencing the success of activity-based costing in the Nelson Mandela Bay metropole manufacturing industry.*

[www.CustomResearchPapers.us](http://www.CustomResearchPapers.us)