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Specimen Financial Statements: Apple Inc.

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Once each year, a corporation communicates to its stockholders and other interested parties by issuing a complete set of audited financial statements. The **annual report**, as this communication is called, summarizes the financial results of the company's operations for the year and its plans for the future. Many annual reports are attractive, multicolored, glossy public relations pieces, containing pictures of corporate officers and directors as well as photos and descriptions of new products and new buildings. Yet the basic function of every annual report is to report financial information, almost all of which is a product of the corporation's accounting system.

The content and organization of corporate annual reports have become fairly standardized. Excluding the public relations part of the report (pictures, products, etc.), the following are the traditional financial portions of the annual report:

- Financial Highlights
- Letter to the Stockholders
- Management's Discussion and Analysis
- Financial Statements
- Notes to the Financial Statements
- Management's Responsibility for Financial Reporting
- Management's Report on Internal Control over Financial Reporting
- Report of Independent Registered Public Accounting Firm
- Selected Financial Data

The official SEC filing of the annual report is called a **Form 10-K**, which often omits the public relations pieces found in most standard annual reports. On the following pages, we present **Apple Inc.**'s financial statements taken from the company's 2014 Form 10-K. To access Apple's Form 10-K, including notes to the financial statements, follow these steps:

1. Go to <http://investor.apple.com>.
2. Select the Financial Information tab.
3. Select the 10-K annual report dated September 29, 2014.
4. The Notes to Consolidated Financial Statements begin on page 50.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except number of shares which are reflected in thousands and per share amounts)

	Years ended		
	September 27, 2014	September 28, 2013	September 29, 2012
Net sales	\$ 182,795	\$ 170,910	\$ 156,508
Cost of sales	112,258	106,606	87,846
Gross margin	70,537	64,304	68,662
Operating expenses:			
Research and development	6,041	4,475	3,381
Selling, general and administrative	11,993	10,830	10,040
Total operating expenses	18,034	15,305	13,421
Operating income	52,503	48,999	55,241
Other income/(expense), net	980	1,156	522
Income before provision for income taxes	53,483	50,155	55,763
Provision for income taxes	13,973	13,118	14,030
Net income	\$ 39,510	\$ 37,037	\$ 41,733
Earnings per share:			
Basic	\$ 6.49	\$ 5.72	\$ 6.38
Diluted	\$ 6.45	\$ 5.68	\$ 6.31
Shares used in computing earnings per share:			
Basic	6,085,572	6,477,320	6,543,726
Diluted	6,122,663	6,521,634	6,617,483
Cash dividends declared per common share	\$ 1.82	\$ 1.64	\$ 0.38

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Years ended		
	September 27, 2014	September 28, 2013	September 29, 2012
Net income	\$ 39,510	\$ 37,037	\$ 41,733
Other comprehensive income/(loss):			
Change in foreign currency translation, net of tax effects of \$50, \$35 and \$13, respectively	(137)	(112)	(15)
Change in unrecognized gains/losses on derivative instruments:			
Change in fair value of derivatives, net of tax benefit/(expense) of \$(297), \$(351) and \$73, respectively	1,390	522	(131)
Adjustment for net losses/(gains) realized and included in net income, net of tax expense/(benefit) of \$(36), \$255 and \$220, respectively	149	(458)	(399)
Total change in unrecognized gains/losses on derivative instruments, net of tax	1,539	64	(530)
Change in unrealized gains/losses on marketable securities:			
Change in fair value of marketable securities, net of tax benefit/(expense) of \$(153), \$458 and \$(421), respectively	285	(791)	715
Adjustment for net losses/(gains) realized and included in net income, net of tax expense/(benefit) of \$71, \$82 and \$68, respectively	(134)	(131)	(114)
Total change in unrealized gains/losses on marketable securities, net of tax	151	(922)	601

Total other comprehensive income/(loss)	1,553	(970)	56
Total comprehensive income	\$ 41,063	\$ 36,067	\$ 41,789

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