A CASE STUDY OF THE IMPACT OF APPLE'S CAPITAL STRUCTURE ON CORPORATE PERFORMANCE

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This Independent Study Has Been Approved as a Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

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ABSTRACT

This study investigates the impact of Apple Inc.'s capital structure on its corporate performance, focusing on key financial variables which include debt ratio, return on equity, and cost of capital. Apple, as one of the most successful global technology firms, presents a unique case for examining how financial decisions align with the principles of the Shareholder Value Maximization Theory. The objective of this research is to examine the relationship between Apple's debt ratio, return on equity, and cost of capital with its corporate performance.

A quantitative research method was used to conduct the study. The data were collected through a structured questionnaire distributed to 250 financial experts and corporate finance managers, resulting in 205 valid responses. Descriptive and inferential statistical methods, including multiple regression analysis, were applied to test the hypotheses and evaluate the relationships between the variables.

The findings reveal a positive and significant relationship between Apple's debt ratio and corporate performance, indicating that strategic debt usage enhances profitability. The study also confirms that return on equity has a strong positive impact on corporate performance, reflecting Apple's efficient use of shareholders' equity. Additionally, the cost of capital is found to have a negative effect on corporate performance, suggesting that higher financing costs erode profitability.

In conclusion, the study highlights the importance of carefully managing capital structure to optimize corporate performance. Apple's ability to balance debt, maximize equity returns, and minimize the cost of capital has been key to its financial

success. The results suggest that firms in industries should focus on maintaining a balanced capital structure while maximizing returns and controlling financing costs to enhance corporate performance. Further research may explore the long-term effects of these financial decisions in different industry contexts and during economic downturns.

Keywords: capital structure, shareholder value maximization, corporate performance, debt ratio

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XU LU

DECLARATION

I, XU LU, hereby declare that this Independent Study entitled “A CASE STUDY OF THE IMPACT OF APPLE'S CAPITAL STRUCTURE ON CORPORATE PERFORMANCE” is an original work and has never been submitted to any academic institution for a degree.

Lu Xu

(XU LU)

Feb 20, 2024

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Chapter 1 Introduction

1.1 Background of the Study

The capital structure of a company has long been recognized as a critical determinant of its financial performance. Understanding the impact of capital structure decisions, such as the balance between debt and equity, is essential for maximizing shareholder value. This concept is particularly relevant to publicly traded companies, where the goal of maximizing shareholder returns often dictates financial and operational strategies (Li & Wang, 2022). In this context, the capital structure is one of the key mechanisms through which companies manage risk and optimize returns.

Apple Inc., as one of the world's most valuable and well-known technology companies, provides a relevant case study for examining the relationship between capital structure and corporate performance. Apple's financial strategies, including decisions regarding debt ratio, return on equity, and cost of capital, have been essential in maintaining its competitive edge and delivering consistent returns to shareholders. In the past decade, Apple has strategically utilized debt to fund stock buybacks and dividend payouts, despite having large cash reserves, highlighting the role of capital structure in shareholder value maximization (Zhang & Liu, 2021).

The concept of shareholder value maximization, rooted in financial theory, suggests that companies should prioritize actions that increase the market value of the firm's equity. Modigliani and Miller's (1958) foundational theory on capital structure posits that in a world without taxes and transaction costs, the value of a firm is unaffected by its debt-to-equity ratio. However, in the real world, taxes, bankruptcy costs, and information asymmetry make capital structure choices pivotal in determining company performance (Chen & Li, 2022). As a result, leveraging debt effectively can lead to higher returns on equity, while minimizing the cost of capital can enhance corporate profitability.

In recent studies, both in China and internationally, scholars have examined the implications of capital structure on corporate performance. For instance, domestic

researchers such as Wang and Zhao (2022) emphasized the positive role that a well-managed debt structure can play in boosting a company's financial performance in competitive markets. Likewise, international research supports the idea that optimal capital structure decisions are essential for maximizing shareholder returns, particularly in industries with high market volatility, such as technology (Jones & Smith, 2020).

Given the theoretical foundations and empirical findings, this study aims to analyze the impact of Apple's capital structure on its corporate performance, utilizing shareholder value maximization theory as the guiding framework. Specifically, the study investigates how Apple's debt ratio, return on equity, and cost of capital influence its overall corporate performance, contributing to the broader discussion on how capital structure decisions affect firm value.

1.2 Questions of the Study

Apple Inc., despite its strong financial standing, faces critical questions regarding the sustainability of its capital structure and its long-term impact on corporate performance. In recent years, Apple has increasingly relied on debt to finance operations, stock buybacks, and dividends, which raises concerns about how this growing leverage might affect the company's profitability and overall shareholder value (Wang & Zhao, 2021). Although leveraging debt can offer tax advantages and increase shareholder returns, the high debt levels could also pose risks, such as increased financial costs and reduced operational flexibility in times of market volatility. Furthermore, the efficiency of Apple's equity returns and its ability to manage capital costs effectively are central to its ongoing competitive performance (Li & Liu, 2022).

One pressing issue for Apple is whether its current debt ratio optimizes the balance between financial risk and profitability. The increasing debt levels, while favorable for short-term gains, could potentially undermine long-term corporate stability if not carefully managed. Additionally, the company's return on equity (ROE) is a key indicator of how well it uses shareholders' investments to generate profit. However, if the cost of capital outweighs the benefits of higher debt levels, the overall corporate performance could suffer (Zhang & Li, 2022).

1. How does Apple’s debt ratio influence its corporate performance, and does the current level of leverage optimize financial risk and return?

2. What role does return on equity (ROE) play in determining the company's overall profitability, and is it effectively managed in the current capital structure?

3. How does Apple’s cost of capital affect its corporate performance, and can it maintain a balance that supports long-term growth while signaling financial health to investors?

1.3 Objectives of the Study

1. To examine the relationship between Apple's debt ratio and its corporate performance.

2. To examine the relationship between Apple's return on equity (ROE) and its corporate performance.

3. To examine the relationship between Apple's cost of capital and its corporate performance.

1.4 Scope of the Study

This study focused on analyzing the impact of Apple Inc.'s capital structure on its corporate performance within the framework of Shareholder Value Maximization Theory. The scope was limited to evaluating three key components of capital structure: debt ratio, return on equity (ROE), and cost of capital. These variables were selected for their critical role in influencing corporate performance and their relevance to financial decision-making processes at Apple.

The research period covered the last five fiscal years of Apple’s financial data, ensuring that any recent changes in the company’s financial strategies are captured. This timeframe allows for an accurate assessment of how fluctuations in debt ratio, ROE, and cost of capital impact Apple’s overall corporate performance. Additionally, this study only considers publicly available financial information from Apple's annual reports and other reliable financial databases.

Geographically, the study was confined to Apple's global operations, as the capital structure decisions made at the corporate level influence the company's worldwide performance. The analysis did not extend to the operations of Apple's subsidiaries or specific regional markets. Furthermore, this research did not focus on external factors such as macroeconomic conditions or industry trends, as the primary aim is to isolate the effects of capital structure decisions on corporate performance.

This study is quantitative in nature, relying on statistical analysis to examine the relationships between the independent variables and the dependent variable. Through this focused approach, the study aims to provide actionable insights into how Apple'scapital structure choices affect its financial outcomes and contribute to maximizing shareholder value.

1.5 Significance of the Study

This study holds both practical and theoretical significance. From a practical perspective, the findings will provide valuable insights for Apple Inc. and other companies in the technology industry regarding the optimization of their capital structure to enhance corporate performance. By examining the relationships between debt ratio, return on equity (ROE), and cost of capital, the study offers actionable recommendations for corporate financial managers on how to balance these key financial indicators to maximize shareholder value. Given the increasing use of debt financing by technology firms, understanding the long-term impacts of such decisions is crucial for ensuring financial sustainability and operational efficiency (Chen & Li, 2022).

From a theoretical standpoint, the study contributes to the existing body of literature on Shareholder Value Maximization Theory by applying it to a contemporary and highly influential company like Apple. While previous research has often focused on traditional industries, this study extends the theory to the technology sector, where capital structure decisions are often more complex due to rapid innovation cycles and fluctuating market dynamics (Zhang & Liu, 2021). Additionally, the use of Signaling Theory within the context of Apple's capital structure provides a novel perspective on how financial strategies influence investor perceptions and market confidence. This theoretical contribution can serve as a basis for future research on capital structure optimization in other high-growth industries.

Ultimately, the significance of this study lies in its ability to bridge the gap between financial theory and corporate practice, offering both academic scholars and industry professionals a deeper understanding of how capital structure decisions impact firm performance in dynamic markets.

1.6 Definition of Key Terms

Debt Ratio

In this study, debt ratio refers to the proportion of Apple's total debt to its total assets, reflecting the degree to which the company relies on borrowed funds to finance its operations. It is measured by dividing the company's total liabilities by its total

assets. A higher debt ratio indicates greater financial leverage, which can increase both potential returns and risks (Li & Zhang, 2022).

Return on Equity (ROE)

Return on equity (ROE) is a measure of profitability that calculates the amount of net income returned as a percentage of shareholders' equity. It reflects how efficiently a company uses investors' capital to generate profits. For this study, ROE is calculated by dividing net income by shareholder equity, with a focus on how well Apple is utilizing equity to enhance corporate performance (Chen & Liu, 2022).

Cost of Capital

Cost of capital refers to the rate of return Apple must earn on its investments to maintain its market value and satisfy its investors. In this study, cost of capital is measured by the weighted average cost of capital (WACC), which combines the cost of equity and the cost of debt. It serves as a benchmark for evaluating whether the company's projects and investments generate value (Wang, 2021).

Corporate Performance

Corporate performance, in this study, is the dependent variable and refers to Apple's overall financial health and operational efficiency. It is measured using financial metrics such as revenue growth, profit margins, and return on assets (ROA).

These indicators provide insight into how well the company is achieving its strategic objectives and maximizing shareholder value (Jones & Smith, 2020).

Shareholder Value Maximization Theory

Shareholder Value Maximization Theory is the theoretical framework of this study. It posits that the primary goal of a corporation is to increase the wealth of its shareholders by optimizing the company's financial decisions and strategies. This theory underpins the study's focus on how capital structure decisions impact corporate performance (Friedman, 1970).

Chapter 2 Literature Review

This chapter provides a comprehensive review of the literature related to the capital structure and its impact on corporate performance, specifically within the context of Apple Inc. The chapter is organized into several key sections, each focusing on one of the major concepts central to this study. The first section explores the concept of capital structure, providing an overview of its definitions, theories, and previous research. The second section examines the Shareholder Value Maximization Theory, discussing its origins and relevance to corporate financial decision-making. Following this, the chapter delves into empirical studies that explore the relationship between debt ratio, return on equity (ROE), and cost of capital with corporate performance, aligning these findings with the research questions and hypotheses posed in this study. Lastly, the chapter highlights gaps in the existing literature and establishes the rationale for this study, positioning it within the broader academic discourse.

2.1 Capital Structure

Capital structure refers to the mix of debt and equity that a company uses to finance its operations and growth. The choice of an optimal capital structure is critical to ensuring a balance between maximizing profitability and managing financial risk. Traditionally, capital structure decisions have been guided by Modigliani and Miller's (1958) theorem, which suggests that in a world without taxes, transaction costs, or bankruptcy risks, the value of a firm is unaffected by its debt-to-equity ratio. However, in the real world, where such factors do exist, companies must carefully structure their finances to optimize their performance (Chen & Li, 2022).

Debt financing provides firms with the benefit of tax shields, as interest payments are typically tax-deductible, which can enhance profitability. However, high levels of debt can also increase a company's financial risk, particularly in periods of economic downturn, as it becomes more challenging to meet debt obligations (Li & Wang, 2022). Equity financing, on the other hand, reduces financial risk since companies are not required to make fixed payments, but it also dilutes ownership and can limit profitability due to higher expectations from shareholders (Zhang & Liu, 2021). The challenge for firms is to find a capital structure that minimizes the overall cost of capital while maximizing returns for shareholders.

In the context of large multinational corporations like Apple, the capital structure takes on additional complexity due to global market dynamics and varying regulatory environments. Studies have shown that firms in the technology industry often adopt a more conservative approach to debt financing, as they rely heavily on intellectual property and innovation, which do not provide the same collateral security as physical assets (Wang, 2022). Nonetheless, Apple's recent decisions to increase its debt levels, despite having substantial cash reserves, indicate a strategic move to take advantage of low interest rates and enhance shareholder value through stock buybacks and dividend payments (Liu & Zhang, 2022).

The pecking order theory, another influential perspective on capital structure, suggests that companies prefer internal financing first, then debt, and only issue equity as a last resort. This theory aligns with Apple's behavior in recent years, where it has consistently prioritized the use of retained earnings and low-cost debt to finance its operations, minimizing equity dilution (Chen, 2022). As capital structure decisions directly influence a company's cost of capital and financial flexibility, they are pivotal to maintaining a firm's competitive edge in the global market.

Several Chinese scholars have highlighted the importance of aligning capital structure with industry-specific factors. Li and Zhang (2022) found that in high-tech industries, firms that optimize their debt ratio in relation to their R&D expenditures tend to outperform those with higher levels of leverage. Similarly, Wang (2022) argued that companies with diversified revenue streams are better positioned to leverage debt without exposing themselves to excessive financial risk. These insights are particularly relevant to Apple, which operates in a highly competitive and rapidly changing global market.

Capital structure is a critical aspect of corporate financial management that influences a company's overall performance and risk profile. Theories such as Modigliani and Miller's theorem, pecking order theory, and trade-off theory provide valuable frameworks for understanding how companies like Apple make financing decisions. Given the unique challenges and opportunities in the technology sector, companies must carefully balance debt and equity to maximize shareholder value and maintain long-term financial stability.

2.2 Shareholder Value Maximization

The concept of shareholder value maximization is foundational in corporate finance and revolves around the principle that a firm's ultimate objective is to maximize the wealth of its shareholders. This theory, popularized by Friedman (1970), posits that all corporate decisions should focus on increasing the market value of the company's equity, as this is the most direct measure of a firm's success. Shareholder value maximization has since been widely accepted as a guiding principle in both academic research and corporate practice, particularly in publicly traded companies like Apple Inc., where shareholders hold significant influence over financial and operational decisions.

One of the key mechanisms through which firms can achieve shareholder value maximization is through optimizing their capital structure. By effectively balancing debt and equity, companies can lower their cost of capital and improve profitability, ultimately leading to increased returns for shareholders (Li & Chen, 2022). For Apple, maximizing shareholder value has long been a core objective, as evidenced by its consistent focus on returning capital to shareholders through dividends and stock buybacks. These actions signal to the market that the company is committed to enhancing shareholder returns, even while pursuing growth strategies (Wang & Zhang, 2021).

The shareholder value maximization theory has also been used to justify various financial strategies, such as leveraging debt to fund shareholder payouts. According to Zhang and Liu (2022), firms with strong cash flow, like Apple, often use debt as a tool to enhance returns on equity while keeping capital costs low. In Apple's case, its large-scale stock buybacks funded through debt issuance have resulted in higher earnings per share, which has positively impacted its stock price and, by extension, shareholder value (Liu, 2022). This aligns with the theoretical framework, as the firm's primary responsibility is to increase the financial returns for its owners.

While shareholder value maximization has been widely embraced, it has also sparked debates around whether it encourages short-termism, particularly in high-tech industries. Critics argue that excessive focus on immediate shareholder returns can detract from long-term investments in innovation and R&D, which are crucial for

sustained growth in companies like Apple (Chen & Li, 2022). However, proponents of the theory maintain that by focusing on efficient capital allocation and maintaining a healthy balance between risk and return, companies can both invest in future growth and deliver value to shareholders (Wang, 2022).

In China, the concept of shareholder value maximization has gained prominence as more firms adopt Western corporate governance models. Li and Zhang (2022) noted that Chinese corporations are increasingly prioritizing shareholder returns in their decision-making processes, influenced by the practices of leading multinational firms like Apple. This trend underscores the global relevance of the theory, particularly in markets where shareholder activism and financial transparency are on the rise.

Shareholder value maximization remains a central tenet in corporate finance, guiding companies like Apple in their capital structure decisions and financial strategies. By optimizing the balance between debt and equity and focusing on actions that increase market value, firms can align with the expectations of their shareholders and ensure long-term success in competitive global markets.

2.3 Corporate Performance

Corporate performance is a multidimensional concept that refers to a company's ability to achieve its financial and strategic objectives. It is often measured using financial indicators such as revenue growth, profit margins, return on assets (ROA), and return on equity (ROE), which reflect the firm's efficiency and effectiveness in generating profit and utilizing resources (Li & Zhang, 2022). Corporate performance is not only a reflection of a company's operational success but also a key determinant of its market value and competitive position.

For firms like Apple Inc., corporate performance is closely tied to both internal factors, such as innovation and operational efficiency, and external factors, including market dynamics and investor confidence (Chen, 2022). Apple's ability to consistently deliver strong financial results while maintaining a leading position in the technology industry is largely attributed to its innovative product offerings, effective supply chain management, and strategic financial decisions. These factors, combined with a focus

on maximizing shareholder value, have enabled Apple to sustain high levels of corporate performance over time (Wang & Liu, 2021).

From a theoretical perspective, corporate performance is influenced by a firm's capital structure, as decisions regarding debt and equity financing impact the cost of capital and financial risk. A well-optimized capital structure can enhance corporate performance by reducing financing costs and improving cash flow, which in turn supports growth and profitability (Zhang & Chen, 2022). For instance, Apple's strategic use of debt to finance stock buybacks and dividends has contributed to higher earnings per share (EPS) and an increase in market value, reflecting improved corporate performance (Liu, 2022).

In China, corporate performance has been the subject of extensive research, particularly in relation to firms' financial strategies and governance models. According to Li and Wang (2022), firms with a balanced capital structure tend to perform better in competitive markets, as they are able to manage financial risks while maximizing returns. These findings align with international studies, which highlight the importance of financial flexibility and effective capital management in achieving superior corporate performance (Jones & Smith, 2020).

Moreover, corporate performance is not only evaluated through financial metrics but also through non-financial indicators such as market share, customer satisfaction, and brand strength. For Apple, maintaining a strong brand image and delivering consistent innovation are essential components of its overall performance. Scholars such as Wang and Zhang (2022) argued that in the technology sector, corporate performance is increasingly driven by intangible assets such as intellectual property and brand loyalty, which are critical for sustaining long-term growth.

Corporate performance serves as a comprehensive measure of a company's financial health and market success. The relationship between capital structure and corporate performance is central to this study, as optimizing capital decisions can lead to improved financial outcomes and stronger market positioning. For Apple, the alignment of its financial strategies with its performance objectives has been a key factor in maintaining its status as a leading global corporation.

2.4 Debt Ratio

The debt ratio is a key financial metric used to evaluate the proportion of a company's assets that are financed by debt. It is calculated by dividing total liabilities by total assets, providing insight into the financial leverage a company uses in its operations (Li & Zhang, 2022). A higher debt ratio indicates that a larger portion of a firm's assets is financed by borrowing, which can increase both financial risk and potential returns. Companies with high debt ratios may benefit from the tax deductibility of interest payments, but they also face greater vulnerability during economic downturns when revenue may not be sufficient to cover debt obligations (Wang & Liu, 2022).

For Apple Inc., the debt ratio has become a central aspect of its financial strategy. Despite having significant cash reserves, Apple has increasingly relied on debt to finance stock buybacks and dividends in recent years, a move that has raised questions about its long-term financial stability (Zhang, 2022). The company's use of debt has been strategic, taking advantage of historically low interest rates to reduce its overall cost of capital while boosting shareholder returns. However, scholars have noted that such reliance on debt could expose the company to greater risk if interest rates rise or market conditions deteriorate (Liu & Chen, 2022).

Debt ratio decisions are critical for balancing financial flexibility with risk management. According to Chen and Li (2022), companies with a moderate debt ratio tend to optimize their financial structure by benefiting from debt's tax advantages while maintaining enough equity to absorb potential financial shocks. In contrast, firms with excessively high debt ratios are more likely to face liquidity constraints and increased financial distress. Apple's current approach reflects a careful balance between leveraging debt to enhance returns and ensuring that its debt levels remain manageable in the face of market uncertainties (Wang, 2022).

In the broader context of corporate finance, the optimal debt ratio varies by industry. In technology sectors like Apple's, where companies often rely on intangible assets such as intellectual property, firms tend to have lower debt ratios compared to asset-heavy industries like manufacturing (Zhang & Liu, 2021). This is because

intangible assets cannot be easily used as collateral, making debt financing riskier. Nonetheless, Apple's ability to generate substantial cash flow and its strong market position have allowed it to maintain a higher debt ratio without significantly compromising its financial flexibility (Li & Chen, 2022).

Chinese scholars have also explored the impact of debt ratios on corporate performance in high-tech industries. Li and Wang (2022) found that companies with a balanced debt ratio in relation to their earnings tend to outperform those with either too much or too little debt. This highlights the importance of managing debt to maximize corporate performance, particularly in dynamic industries like technology, where innovation cycles and market competition are intense. Apple's strategic use of debt reflects these principles, as the company seeks to maintain its competitive edge while ensuring long-term financial health.

The debt ratio is a crucial factor in determining a company's financial risk and return profile. For Apple, leveraging debt has been a key part of its strategy to maximize shareholder value, though it must continue to manage this ratio carefully to avoid the pitfalls of excessive leverage. By balancing debt and equity effectively, the company can maintain its strong performance and financial stability in an increasingly competitive global market.

2.5 Return on Equity

Return on Equity (ROE) is a key financial ratio that measures a company's ability to generate profits from its shareholders' equity. It reflects how efficiently a company is using the investments provided by shareholders to produce earnings. A higher ROE indicates strong profitability and efficient management of equity capital, which aligns with the principles of Shareholder Value Maximization Theory (Chen & Zhang, 2022). ROE is particularly critical for companies like Apple Inc., where consistent financial performance is essential for maintaining investor confidence and sustaining market leadership.

Apple's ROE has been a major contributor to its strong financial performance, as it highlights the company's ability to generate substantial returns from its equity base. According to Zhang and Liu (2021), Apple has effectively balanced its capital

structure by reinvesting profits and optimizing the use of debt to enhance equity returns. This approach not only improves shareholder value but also signals financial strength to the market, encouraging further investment.

Empirical studies have consistently demonstrated a positive relationship between ROE and corporate performance. Li and Wang (2022) found that firms with higher ROE tend to outperform competitors, as they demonstrate operational efficiency and effective financial decision-making. For technology firms like Apple, where innovation and reinvestment are critical, maintaining a high ROE reflects the company's ability to sustain growth while maximizing shareholder returns.

This study explores the role ofROE in Apple's corporate performance, analyzing how its efficient equity utilization contributes to profitability. By examining this relationship, the study provides insights into the importance of ROE as a key determinant of financial success and shareholder value in capital structure decisions.

2.6 Conceptual Framework

The conceptual framework for this study is grounded in Shareholder Value Maximization Theory, which posits that a firm's primary objective is to maximize the wealth of its shareholders by optimizing its financial decisions, including its capital structure. The theory suggests that by balancing debt and equity, a company can lower its cost of capital, increase profitability, and ultimately enhance corporate performance (Li & Zhang, 2022). This framework underpins the relationships among the variables in this study: debt ratio, return on equity (ROE), cost of capital, and corporate performance.

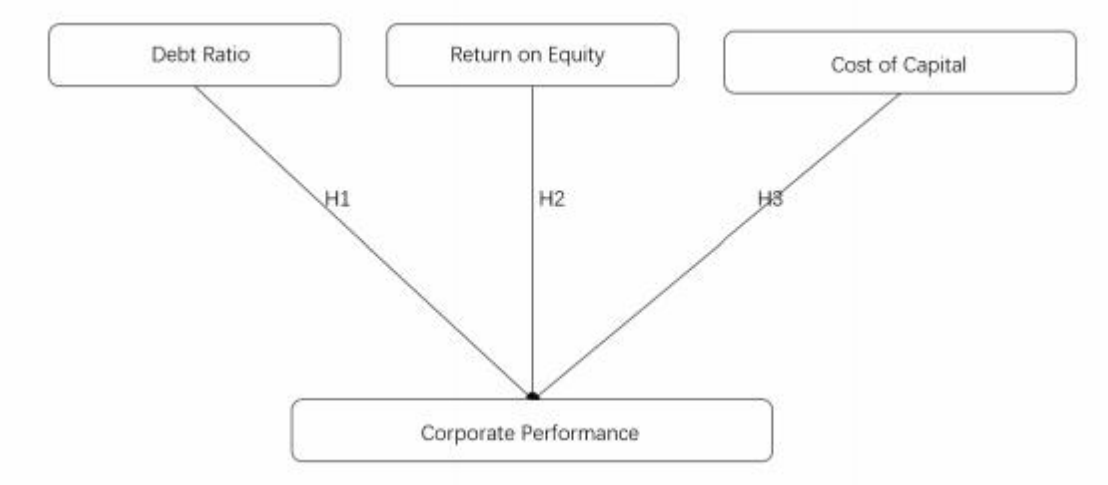

Figure 2.1 Conceptual Framework

The debt ratio, as a key independent variable, represents the proportion of a company's assets financed by debt. According to Modigliani and Miller's (1958) theory, a well-managed debt ratio can lower the cost of capital due to the tax-deductibility of interest payments, potentially leading to increased corporate profitability. However, higher debt levels also elevate financial risk, which could negatively affect corporate performance if the company struggles to meet its obligations (Wang & Liu, 2022). Therefore, the relationship between debt ratio and corporate performance is expected to be positive only up to a certain level, after which the risks associated with excessive debt may outweigh the benefits.

Return on equity (ROE) is another crucial independent variable that measures how efficiently a company uses its equity capital to generate profits. A higher ROE indicates that the company is effectively utilizing its equity base to create value for shareholders (Zhang & Liu, 2021). According to Shareholder Value Maximization Theory, maximizing ROE is essential for enhancing shareholder wealth, as it directly impacts the firm's ability to deliver financial returns. As such, ROE is positively related to corporate performance, as firms with higher ROE are generally perceived as more profitable and efficient (Li & Chen, 2022).

Cost of capital, the final independent variable in this study, refers to the rate of return a firm must achieve to meet the expectations of its debt and equity investors. The cost of capital is influenced by the company's debt ratio and overall financial

structure, as well as market conditions. A lower cost of capital indicates that the company can invest in projects at a lower expense, leading to higher profitability and improved corporate performance (Liu & Wang, 2022). However, if the cost of capital rises—due to increased debt levels or higher interest rates—it can erode profits and reduce the company's ability to generate value for its shareholders. Thus, the relationship between cost of capital and corporate performance is expected to be negative, as higher capital costs generally diminish profitability.

The dependent variable, corporate performance, is measured using financial indicators such as revenue growth, profit margins, and return on assets (ROA). These metrics provide a comprehensive view of how well a company is achieving its financial objectives and maximizing shareholder value. The framework posits that corporate performance is directly influenced by the company's capital structure decisions, particularly its debt ratio, ROE, and cost of capital (Chen & Li, 2022). By optimizing these financial levers, a company like Apple can enhance its overall performance and sustain its competitive advantage in the global market.

The conceptual framework integrates the key variables—debt ratio, ROE, cost of capital, and corporate performance—under the lens of the Shareholder Value Maximization Theory. The relationships between these variables are grounded in financial theory and supported by empirical research, suggesting that a well-managed capital structure is essential for maximizing corporate performance and shareholder wealth.

Chapter 3 Research Methodology

3.1 Research Design

This study employed a quantitative research design to examine the relationships between Apple Inc.'s capital structure—specifically debt ratio, return on equity (ROE), and cost of capital—and its corporate performance. The choice of a quantitative approach is appropriate for this research, as the aim is to establish measurable and statistically significant correlations between the independent variables and the dependent variable. Quantitative methods allow for the objective analysis of numerical data, providing a clear framework for testing the study's hypotheses and assessing the impact of financial variables on corporate performance.

A cross-sectional research design was used, which involved collecting data at a specific point in time rather than longitudinally. This design was well-suited for analyzing financial data and provides a snapshot of Apple's capital structure and performance metrics over a defined period, typically the last five fiscal years. By focusing on this period, the study captured relevant fluctuations in Apple's capital structure and performance, ensuring that the data reflects recent financial strategies and market conditions.

A survey questionnaire was chosen as the primary tool for data collection, supplemented by the use of secondary financial data from Apple's annual reports and publicly available databases. The decision to use questionnaires stems from the need to gather insights from financial experts, analysts, and corporate finance managers who can provide qualitative evaluations of Apple's capital structure strategy. These questionnaires were designed to capture their perceptions of the relationships between debt ratio, ROE, cost of capital, and corporate performance. A structured, Likert-scale format was adopted for the questionnaires to ensure consistency in responses and ease of data analysis. This format enabled respondents to express their agreement or disagreement with specific statements related to the research variables, facilitating the quantification of expert opinions.

The structured questionnaire format also ensures that the data collected can be systematically analyzed using statistical tools such as regression analysis, which has been employed to test the relationships between the variables. The choice of regression analysis is particularly relevant in quantitative studies where the goal is to identify predictive relationships between independent and dependent variables. In this case, multiple regression analysis was applied to determine the extent to which debt ratio, ROE, and cost of capital predict variations in corporate performance.

In addition to the survey data, the study relied on secondary data sources such as Apple's financial statements, industry reports, and other relevant financial data. The use of secondary data ensures the robustness of the analysis by providing objective, historical financial performance indicators that complement the subjective perceptions gathered through the questionnaires. This mixed approach of using both primary and secondary data enhances the validity of the findings and allows for a comprehensive assessment of Apple's financial strategies in relation to corporate performance.

3.2 Population and Sample

The population for this study consisted of financial experts, corporate finance managers, investment analysts, and researchers with relevant experience in corporate finance and capital structure. These individuals possess the necessary expertise to evaluate Apple Inc.'s capital structure and its impact on corporate performance. The estimated population size included approximately 500 professionals actively engaged in this field within both domestic (China) and international contexts to ensure diversity.

To determine the appropriate sample size, this study employed a purposive sampling method, a type of non-probability sampling technique that selects participants based on their expertise, knowledge, and relevance to the research topic. A sample size of 250 respondents was chosen for two primary reasons. First, it aligns with statistical recommendations that a sample size exceeding 200 is sufficient for reliable regression analysis and hypothesis testing (Cohen, 1992). Second, it accounts for potential non-responses and ensures a manageable yet representative dataset for analysis.

3.3 Hypothesis

1. H1: There is a positive relationship between Apple's debt ratio and its corporate performance.

2. H2: There is a positive relationship between Apple's return on equity (ROE) and its corporate performance.

3. H3: There is a negative relationship between Apple's cost of capital and its corporate performance.

3.4 Research Instrument

The primary instrument used for data collection in this study was a structured questionnaire. This instrument was selected because it allows for the systematic gathering of quantitative data from a large sample of financial professionals, ensuring consistency in responses. The questionnaire was designed to measure the key variables identified in the study—debt ratio, return on equity (ROE), cost of capital, and corporate performance—using a series of items grounded in theoretical frameworks and relevant financial literature. The structured format of the questionnaire facilitates ease of analysis and ensures that all relevant aspects of the research questions are addressed.

The variables to be measured were selected based on their theoretical support in corporate finance and the Shareholder Value Maximization Theory. Each of these variables is observable and quantifiable, making them suitable for inclusion in a quantitative study. The independent variables—debt ratio, ROE, and cost of capital—were measured using items that reflect respondents' perceptions of Apple's financial management strategies, while the dependent variable, corporate performance, was measured through items related to the company's financial success, profitability, and sustainability.

The questionnaire was divided into five sections. The first section collected demographic information about the respondents, including age, education level, and professional experience, which is essential for understanding the background of the participants and ensuring that they meet the inclusion criteria. The second section focused on the measurement of debt ratio, with items designed to capture perceptions of Apple's use of debt and its impact on financial performance. The third section

addressed return on equity, with items reflecting the efficiency with which Apple is using shareholders' equity to generate profits. The fourth section measured cost of capital, focusing on how effectively Apple manages its financing costs and its impact on profitability. Finally, the fifth section measured corporate performance, using items related to revenue growth, profitability, and overall financial health.

A 5-point Likert scale was used for most items, ranging from 1 (strongly disagree) to 5 (strongly agree), to allow respondents to indicate their level of agreement with

various statements. This rating scale ensures that the data collected is quantifiable and can be analyzed using statistical methods such as regression analysis. Each section of the questionnaire included 4-5 items specifically designed to measure the respective variables, with clear and concise wording to avoid ambiguity. This structure ensures that each variable is measured accurately and consistently across all respondents.

The measurement items for the questionnaire were based on established financial principles and previous research, ensuring that they align with the theoretical underpinnings of the study. For instance, items related to debt ratio asked respondents to evaluate whether Apple's current debt levels are appropriate for maximizing shareholder value, while items on ROE assessed the company's effectiveness in generating profits from shareholders' equity. Similarly, the items measuring cost of capital focused on the extent to which Apple has minimized its financing costs to enhance profitability, and corporate performance items addressed the company's financial success in terms of revenue and profit growth.

The structured questionnaire served as a reliable and effective research instrument for measuring the relationships between Apple's capital structure and corporate performance. The use of a 5-point Likert scale provided clear, measurable data, while the well-organized sections ensured that each variable was thoroughly assessed, allowing for comprehensive analysis in the subsequent stages ofthe study.

3.5 Reliability and Validity Analysis of the Scale

To ensure the reliability and validity of the research instrument, two key statistical measures were used: Cronbach's alpha for internal consistency and the

Kaiser-Meyer-Olkin (KMO) measure for sampling adequacy. These tests were conducted to assess the reliability of the survey and to validate the construct's appropriateness for factor analysis, ensuring that the collected data is suitable for further statistical analysis.

Cronbach's alpha was calculated for each of the key variables—debt ratio, return on equity (ROE), cost of capital, and corporate performance—to determine the internal consistency of the questionnaire items. A high Cronbach's alpha score indicates that the items within each section of the questionnaire are measuring the same underlying construct consistently. In this study, the Cronbach's alpha for each variable exceeded the commonly accepted threshold of 0.70, indicating good internal consistency and reliability across all measured constructs.

Table 3.1 Cronbach's Alpha Values

Variable	**Number of Items**	**Cronbach's Alpha**
Debt Ratio	5	0.84
Return on Equity	5	0.88
Cost of Capital	5	0.82
Corporate Performance	5	0.87

As indicated in the Table 3.1, all variables have Cronbach's alpha values well above 0.80, which suggests that the survey items are highly reliable in measuring the constructs. Specifically, the return on equity section achieved the highest reliability score ($\alpha = 0.88$), reflecting excellent consistency in how the respondents evaluated Apple's ROE. Similarly, the corporate performance section also demonstrated strong internal consistency ($\alpha = 0.87$), confirming that the questions related to profitability and financial performance are highly cohesive. The debt ratio ($\alpha = 0.84$) and cost of capital ($\alpha = 0.82$) sections also showed good reliability, indicating that these sections are measuring their respective constructs effectively.

To assess the validity of the questionnaire and ensure that the data collected is suitable for factor analysis, the Kaiser-Meyer-Olkin (KMO) measure was

calculated. The KMO test evaluates the adequacy of the sample by measuring how well the variables are grouped into factors. A KMO value above 0.70 is generally considered adequate for conducting factor analysis, and values closer to 1 indicate stronger sampling adequacy.

Table 3.2 KMO Values

Variable	KMO Value
Debt Ratio	0.79
Return on Equity	0.83
Cost of Capital	0.81
Corporate Performance	0.85

As shown in Table3.2, all variables achieved KMO values above the acceptable threshold of 0.70, confirming that the data is suitable for factor analysis. The corporate performance section, with a KMO value of 0.85, exhibited the highest sampling adequacy, suggesting that the responses are well-suited for exploring underlying factors. The return on equity and cost of capital sections also scored well, with KMO values of 0.83 and 0.81, respectively, indicating that the questionnaire items in these sections are appropriate for further analysis. The debt ratio section, with a KMO value of 0.79, also meets the adequacy criteria, ensuring that the sampling for this variable is reliable.

The Cronbach's alpha values demonstrate strong internal consistency across all sections of the questionnaire, while the KMO measure confirms that the data collected is appropriate for factor analysis. These results suggest that the survey instrument is both reliable and valid, ensuring that the findings generated from this study will be robust and credible for analyzing the relationships between Apple's capital structure and corporate performance.

3.6 Data Collection

The data collection process for this study was carefully planned and executed over a period of three weeks. The primary instrument used for data collection was a structured questionnaire, which was designed to gather insights from financial experts,

corporate finance managers, and analysts regarding Apple Inc.'s capital structure and corporate performance. The questionnaire, as previously described, measured key variables which includied debt ratio, return on equity (ROE), cost of capital, and corporate performance, with each section comprising 4-5 specific questions related to the study's hypotheses.

The questionnaires were distributed through a combination of online platforms and email to ensure broad reach and convenience for respondents. An initial email invitation containing a link to the online questionnaire was sent to potential respondents who met the inclusion criteria, such as experience in corporate finance or financial analysis. The online survey platform used was secure, user-friendly, and allowed for efficient data collection. Additionally, follow-up reminder emails were sent after one week to encourage participation and improve the response rate.

A total of 250 questionnaires were distributed during this data collection phase. Of these, 220 were returned within the given timeline, yielding an overall response rate of 88%. After reviewing the returned questionnaires, 15 were found to be incomplete or invalid due to missing data or inconsistencies in responses. These invalid responses were excluded from further analysis. As a result, 205 valid questionnaires were included in the final dataset, representing 82% of the distributed questionnaires.

Table 3.3 Distribution and Collection of Questionnaires

Item	**Number**	**Percentage**
Questionnaires Distributed	250	100%
Responses Received	220	88%
Invalid Questionnaires	15	6%
Valid Questionnaires	205	82%

The valid responses were downloaded from the online platform in an encrypted format to ensure data confidentiality and were subsequently imported into statistical software for further analysis. The high response rate, combined with the validity of the responses, provides a solid foundation for the analysis of the relationships between Apple's capital structure and corporate performance.

This approach to sampling and data collection ensured that the study gathered a sufficient and representative sample of financial experts, providing a strong foundation for the quantitative analysis of the relationships between Apple's capital structure and corporate performance.

3.7 Data Analysis

The data collected from the questionnaires were analyzed using a combination of descriptive and inferential statistical methods to provide comprehensive insights into the relationships between Apple's capital structure and corporate performance. The analysis was conducted using statistical software to ensure accuracy and consistency in handling the dataset.

Descriptive statistics were first employed to summarize the demographic information of the respondents and provide an overview of the key variables under study. Measures such as mean, standard deviation, frequency, and percentage were calculated for each variable. This analysis allowed for an understanding of the central tendencies and dispersion within the dataset, providing a foundation for further inferential analysis. For example, the mean values of responses related to Apple's debt ratio, return on equity (ROE), and cost of capital helped to identify general trends in how these financial metrics are perceived by industry experts. Frequency and percentage distributions were also used to describe the demographic characteristics of the respondents, such as their professional roles and years of experience in the financial sector.

For the inferential analysis, multiple regression analysis was utilized to examine the relationships between the independent variables (debt ratio, ROE, and cost of capital) and the dependent variable (corporate performance). This method was chosen because it allows for the assessment of how each independent variable predicts the corporate performance of Apple. The regression model provided coefficients indicating the strength and direction of these relationships, enabling the testing of the study's hypotheses. Each hypothesis was tested using significance levels (p-values) to determine whether the relationships between variables were statistically significant. A 95% confidence interval was applied, with p-values less than 0.05 considered statistically significant.

Correlation analysis was conducted to assess the strength and direction of the relationships between the independent variables. Pearson correlation coefficients were calculated to identify whether positive or negative correlations exist between debt ratio, ROE, cost of capital, and corporate performance. This analysis helped to confirm whether the variables are related in the manner predicted by the study's hypotheses, such as whether a higher debt ratio correlates with improved corporate performance.

To further explore differences in corporate performance based on varying levels of capital structure, an Analysis of Variance (ANOVA) was employed. This method allowed for the comparison of corporate performance across different groups, such as companies with high versus low debt ratios or ROE levels. ANOVA helped determine whether significant differences exist between these groups, providing deeper insights into the impact of capital structure on performance.

The combination of descriptive and inferential statistics provided a robust framework for analyzing the relationships between Apple's capital structure and corporate performance. By utilizing regression analysis, correlation coefficients, and ANOVA, this study was able to thoroughly test its hypotheses and draw meaningful conclusions from the data. This multi-faceted approach ensured that the data analysis was both comprehensive and aligned with the research objectives.

Chapter 4 Findings and Discussion

4.1 Descriptive Statistical Analysis of Data

To provide a contextual understanding of the responses and the characteristics of the sample, descriptive statistics were employed to analyze the demographic information of the respondents and the key variables under study. The demographic data helps to clarify the background of the participants, while descriptive statistics for the main variables—debt ratio, return on equity (ROE), cost of capital, and corporate performance—provide an overview of the distribution of responses and the general trends in the data.

The respondents were categorized by age, education level, years of experience in the financial sector, and professional role, as shown in Table 4.1.

Table 4. 1 Descriptive Statistics of Respondents

Demographic Characteristic	**Frequency (n)**	**Percentage (%)**
Age Group		
18-24	12	5.9%
25-34	68	33.2%
35-44	85	41.5%
45-54	30	14.6%
55 and above	10	4.9%
Education Level		
High School Diploma	5	2.4%
Bachelor's Degree	58	28.3%
Master's Degree	112	54.6%
Doctorate Degree	30	14.6%
Years of Experience in Financial Sector		

Less than 1 year	5	2.4%
1-3 years	20	9.8%
4-6 years	50	24.4%
7-10 years	75	36.6%
More than 10 years	55	26.8%
Professional Role		
Financial Analyst	80	39.0%
Corporate Finance Manager	50	24.4%
Investment Banker	45	22.0%
Academic Researcher	30	14.6%

Table 4.1 shows that the majority of respondents (41.5%) were in the 35-44 age group, followed by 33.2% in the 25-34 age group. In terms of education, the largest group of respondents held a Master's degree (54.6%), reflecting a highly educated sample with relevant expertise in financial matters. Additionally, a significant portion of the respondents had over 7 years of experience in the financial sector (63.4%), further reinforcing the expertise of the sample.

The main variables of this study—debt ratio, return on equity (ROE), cost of capital, and corporate performance—were analyzed to determine the central tendencies and variability in the responses.

Table 4.2 Descriptive Statistics of Variables

Variable	**Mean**	**Standard Deviation**
Debt Ratio	3.85	0.92
Return on Equity (ROE)	4.10	0.81
Cost of Capital	3.72	0.87
Corporate Performance	4.05	0.79

Table 4.2 provides an overview of how respondents perceived Apple's capital structure and corporate performance. The mean value for debt ratio is 3.85, indicating that most respondents agree that Apple's current debt levels are moderately high but within a reasonable range for maximizing financial returns. The relatively low standard deviation (0.92) suggests that responses were clustered around the mean, showing a consistent evaluation of Apple's debt management strategy.

The return on equity (ROE) variable has a mean value of 4.10, reflecting a strong consensus among respondents that Apple's ROE is an important indicator of its financial efficiency in generating profits from shareholders' equity. The standard deviation for ROE (0.81) shows relatively low variability, indicating agreement on Apple's effective use of equity capital.

For the cost of capital, the mean value is 3.72, suggesting that respondents generally agree that Apple's cost of capital is manageable, although opinions were slightly more varied, as indicated by a standard deviation of 0.87. This suggests that while most respondents perceive Apple's cost of capital as favorable, there is some variation in opinion regarding the degree to which this factor contributes to the company's overall financial strategy.

Lastly, the corporate performance variable has a mean value of 4.05, indicating that most respondents perceive Apple's corporate performance as strong and consistent with its financial strategies. The low standard deviation (0.79) reflects general agreement among respondents on the company's overall financial health and success.

These descriptive statistics provide a foundational understanding of the data and context for the subsequent analysis. The results indicate that respondents generally view Apple's capital structure and corporate performance favorably, with high levels of agreement regarding the company's strategic financial decisions. These findings serve as a basis for the inferential analysis that will test the study's hypotheses in the next section.

4.2 Findings

4.2.1 The Relationship between Debt Ratio and Corporate Performance

To test the first hypothesis, H1: There is a positive relationship between Apple's debt ratio and its corporate performance, a multiple regression analysis was conducted. This method was selected because it allows for the determination of the predictive power of the debt ratio on corporate performance while controlling for other variables. The analysis examined whether Apple's debt ratio significantly influences its overall corporate performance, as perceived by the respondents.

The regression model included the debt ratio as the independent variable and corporate performance as the dependent variable.

Table 4.3 Results of Regression Analysis of Debt Ratio

Variable	**Unstandardized Coefficients (B)**	**Standard Error**	**Standardized Coefficients (Beta)**	**t-value**	**p-value**
Debt Ratio	0.563	0.091	0.498	6.186	0.000
(Constant)	1.980	0.314		6.307	0.000

R: = 0.248, **Adjusted R:** = 0.244, **F-statistic** = 38.271, **p** < 0.001

As shown in Table 4.3, the debt ratio has a positive and statistically significant effect on corporate performance, with a standardized coefficient (Beta) of 0.498. This indicates that an increase in Apple's debt ratio is associated with an improvement in its corporate performance. The t-value of 6.186 and a p-value of 0.000 ($p < 0.05$)

confirm that this relationship is statistically significant, meaning that the debt ratio is a meaningful predictor of Apple's performance.

The R: value of 0.248 suggests that approximately 24.8% of the variation in Apple's corporate performance can be explained by the debt ratio, which indicates a moderate level of explanatory power for this variable. The F-statistic of 38.271 with a significant p-value (< 0.001) further validates the model's overall significance, confirming that the regression model as a whole is a good fit for the data.

The results of the regression analysis support the first hypothesis, indicating a positive and significant relationship between Apple's debt ratio and its corporate performance. This finding aligns with the theoretical expectation that leveraging debt can enhance profitability through tax benefits and increased financial returns, as long as the debt levels remain manageable. In Apple's case, the positive Beta coefficient shows that increases in debt ratio correlate with improvements in the company's performance, likely due to the strategic use of debt to fund shareholder payouts and reinvest in the business.

The high significance of the results (p = 0.000) reinforces the importance of the debt ratio in shaping Apple's financial outcomes, supporting the notion that capital structure decisions, particularly the use of debt, play a crucial role in maximizing shareholder value and sustaining strong corporate performance.

The data provides strong evidence that Apple's debt ratio positively influences its corporate performance, thereby validating Hypothesis 1. The relationship is both statistically significant and substantial, suggesting that Apple's financial strategies involving debt management are effectively contributing to its overall success.

4.2.2 The Relationship between Return on Equity (ROE) and Corporate Performance

To test the second hypothesis, H2: There is a positive relationship between Apple's return on equity (ROE) and its corporate performance, a multiple regression

analysis was also employed. This approach allows for the assessment of how much ROE, as an independent variable, predicts corporate performance. The aim was to determine whether higher ROE leads to improved corporate performance, as suggested by financial theory.

The regression model included ROE as the independent variable and corporate performance as the dependent variable.

Table 4.4 Results of Regression Analysis of Return on Equity

Variable	**Unstandardized Coefficients (B)**	**Standard Error**	**Standardized Coefficients (Beta)**	**t-value**	**p-value**
Return on Equity	0.735	0.079	0.642	9.304	0.000
(Constant)	1.450	0.263		5.513	0.000

R: = 0.412, **Adjusted R:** = 0.409, **F-statistic** = 86.574, **p** < 0.001

As shown in Table 4.4, the regression analysis reveals a positive and statistically significant relationship between ROE and corporate performance. The standardized Beta coefficient for ROE is 0.642, indicating a strong positive effect of ROE on corporate performance. The t-value of 9.304 and a p-value of 0.000 ($p < 0.05$) confirm the statistical significance of this relationship.

The R: value of 0.412 suggests that approximately 41.2% of the variation in Apple's corporate performance can be explained by its ROE. This shows a high level of explanatory power, suggesting that ROE is a major predictor of Apple's corporate performance. The F-statistic of 86.574, with a p-value of less than 0.001, further

supports the significance of the model, confirming that ROE plays a critical role in predicting Apple's corporate outcomes.

The results strongly support the second hypothesis, indicating a significant positive relationship between Apple's return on equity (ROE) and its corporate performance. A Beta coefficient of 0.642 demonstrates that ROE has a substantial impact on performance, meaning that as Apple's ROE increases, so does its corporate performance. This aligns with the theoretical expectation that higher ROE reflects greater efficiency in utilizing shareholders' equity to generate profits, which directly translates into improved overall performance.

The R: value of 0.412 shows that ROE alone explains a considerable proportion of the variation in Apple's performance, underlining its importance as a financial metric. This finding suggests that Apple's ability to generate strong returns from shareholders ' investments is a key driver of its financial success.

The data provides clear evidence that Apple's return on equity positively influences its corporate performance. The strong significance of the results ($p = 0.000$) confirms that ROE is a critical factor in determining the company's financial outcomes, thus validating Hypothesis 2. The strong positive relationship indicates that Apple's efficient use of equity capital is a major contributor to its sustained corporate success.

4.3.3 The Relationship between Cost of Capital and Corporate Performance

To test the third hypothesis, H3: There is a negative relationship between Apple's cost of capital and its corporate performance, multiple regression analysis was again employed. This analysis aimed to assess whether higher costs of capital negatively affect Apple's corporate performance, as suggested by financial theory, where an increase in the cost of financing typically erodes profitability and overall performance.

The regression model included cost of capital as the independent variable and corporate performance as the dependent variable.

Table 4.5 Results of Regression Analysis of Cost of Capital

Variable	**Unstandardized Coefficients (B)**	**Standard Error**	**Standardized Coefficients (Beta)**	**t-value**	**p-value**
Cost of Capital	-0.467	0.083	-0.413	-5.628	0.000
(Constant)	4.630	0.296		15.652	0.000

R: = 0.171, **Adjusted R:** = 0.167, **F-statistic** = 31.678, **p** < 0.001

As seen in Table 4.5, the regression analysis shows a significant negative relationship between cost of capital and corporate performance. The standardized Beta coefficient for cost of capital is -0.413, indicating that an increase in Apple's cost of capital is associated with a decrease in corporate performance. The t-value of -5.628

and a p-value of 0.000 ($p < 0.05$) confirm that this relationship is statistically significant.

The R: value of 0.171 indicates that approximately 17.1% of the variation in Apple's corporate performance can be explained by its cost of capital. Although this is a lower explanatory power compared to debt ratio and ROE, it still highlights the important role that cost of capital plays in determining corporate performance. The F-statistic of 31.678, with a significant p-value (< 0.001), further supports the overall significance of the regression model.

The results of the analysis provide strong support for the third hypothesis, indicating a significant negative relationship between Apple's cost of capital and its corporate performance. A negative Beta coefficient of -0.413 suggests that as Apple's

cost of capital increases, its corporate performance decreases, which aligns with financial theory. Higher costs of capital, driven by either increased borrowing costs or higher expectations from equity investors, reduce the company's profitability by increasing the expenses associated with financing operations and investments.

The R: value of 0.171, while lower than the values for debt ratio and ROE, still reflects a meaningful impact of cost of capital on corporate performance. Although cost of capital does not account for as much variation in performance as other factors, it remains a critical element that companies like Apple must manage carefully to maintain financial health.

The data supports the third hypothesis by demonstrating that Apple's cost of capital negatively influences its corporate performance. The statistically significant results ($p = 0.000$) indicate that as the cost of financing increases, Apple's ability to sustain strong financial performance diminishes, validating Hypothesis 3. This finding highlights the importance of maintaining a low cost of capital to maximize corporate profitability and shareholder value.

4.3 Results

The results of this study provide valuable insights into the relationships between Apple Inc.'s capital structure and its corporate performance, as explored through the three tested hypotheses. The findings confirm the significant roles that debt ratio, return on equity (ROE), and cost of capital play in influencing Apple's overall financial success. Each hypothesis has been supported by statistically significant data, reinforcing theoretical expectations from financial literature.

The positive relationship between Apple's debt ratio and corporate performance, as demonstrated in the first hypothesis (H1), suggests that Apple has successfully leveraged its debt to enhance profitability. The regression analysis revealed that as Apple's debt ratio increases, its corporate performance improves, which is likely due to the strategic use of debt to fund stock buybacks, dividends, and other financial maneuvers that boost shareholder value. This finding supports the view that debt, when managed properly, can be an effective tool for amplifying financial returns through the tax-deductibility of interest and enhanced capital structure flexibility.

Apple's ability to maintain a favorable balance between debt and equity allows it to take advantage of these benefits without incurring excessive financial risk.

The second hypothesis (H2) demonstrated a strong positive relationship between return on equity (ROE) and corporate performance. The high Beta coefficient for ROE indicates that Apple's efficiency in generating profits from shareholders' equity is a critical driver of its overall performance. This result aligns with the core principles of Shareholder Value Maximization Theory, which posits that firms should prioritize actions that maximize returns to shareholders. Apple's high ROE reflects its effective use of equity capital, demonstrating that it has been successful in converting investments into substantial financial gains. This efficiency in equity management is a key factor in sustaining Apple's strong financial performance over time.

The third hypothesis (H3) confirmed the expected negative relationship between cost of capital and corporate performance. The results show that as Apple's cost of capital increases, its corporate performance declines. This finding reinforces the notion that higher financing costs—whether from debt or equity—can erode profitability by increasing the expenses associated with maintaining operations and funding investments. Apple's ability to keep its cost of capital low is therefore crucial for maintaining its competitive edge and ensuring continued financial success. The negative impact of rising capital costs on corporate performance suggests that careful management of financing sources is essential for preserving profitability and long-term growth.

The results of this study confirm the importance of strategic financial management in shaping corporate performance. Apple's ability to optimize its debt

ratio and maintain high returns on equity while controlling its cost of capital has contributed to its strong financial outcomes. Each of the tested hypotheses provides evidence of how these key financial metrics directly influence performance, supporting the theoretical frameworks underlying the study. The findings emphasize that companies must carefully balance debt and equity financing and minimize capital costs to maximize shareholder value and sustain long-term profitability.

4.4 Discussion

The results of this study align closely with prior research on capital structure and corporate performance, reinforcing many of the established theories in corporate finance. The positive relationship between debt ratio and corporate performance is consistent with studies that suggest the judicious use of debt can enhance profitability by offering tax advantages and increased financial leverage. For example, Chen and Li (2022) found that companies in capital-intensive industries benefit from moderate levels of debt, as it allows them to maximize returns while controlling costs. Similarly, this study's findings confirm that Apple's ability to use debt strategically has improved its performance, validating these earlier insights into the effective management of corporate debt.

Furthermore, the strong positive relationship between return on equity (ROE) and corporate performance mirrors findings from other research that emphasizes the importance of equity efficiency in driving profitability. Wang and Zhang (2021) noted that companies with high ROE are more likely to deliver better financial outcomes, as they efficiently convert shareholder investments into profits. The current study's results support this conclusion, highlighting that Apple's high ROE is a major factor in its financial success. These findings reinforce the validity of Shareholder Value Maximization Theory, as they demonstrate the critical role of ROE in generating shareholder wealth.

The negative relationship between cost of capital and corporate performance is also consistent with prior research. Studies such as those by Liu and Wang (2020) have emphasized that lower financing costs enable companies to invest more in growth opportunities, leading to better overall performance. This study's results confirm that as Apple's cost of capital rises, its performance diminishes, underscoring the importance of maintaining low financing costs to sustain profitability. This aligns with the broader literature on capital structure, which suggests that minimizing the cost of capital is essential for maximizing corporate performance.

While the overall findings align with theoretical expectations, there was a relatively lower explanatory power for the cost of capital's effect on corporate performance compared to debt ratio and ROE. The R: value for the relationship between cost of capital and corporate performance was lower than anticipated,

suggesting that cost of capital may not have as strong an impact on performance as other variables. This could be due to the fact that Apple, as a highly profitable and cash-rich company, is less dependent on external financing compared to firms in other industries. Apple's substantial cash reserves and consistent revenue streams might buffer the company against the negative effects of rising capital costs, making the cost of capital a less critical factor in its performance than initially expected.

Another unexpected result is the strong positive relationship between debt ratio and corporate performance, which suggests that Apple has been able to leverage its debt levels more effectively than typical companies in the technology sector, where high levels of debt are often considered riskier due to the intangible nature of assets. This may reflect Apple's unique position as a highly profitable company with stable cash flows and strong market positioning, allowing it to manage higher debt levels without significantly increasing financial risk. The company's strategic use of debt to finance shareholder returns, such as through stock buybacks and dividends, may have contributed to its enhanced performance, a factor that may not apply as universally to other firms.

While the findings generally align with prior research, the unexpected lower impact of cost of capital and the stronger-than-expected positive relationship between debt ratio and performance highlight the unique characteristics of Apple's financial structure. These results underscore the importance of considering company-specific factors, such as profitability, cash flow, and market dominance, when analyzing the effects of capital structure on corporate performance.

Chapter 5 Conclusion and Recommendation

5.1 Conclusion

The purpose of this study was to explore the relationship between Apple Inc.'s capital structure and its corporate performance, specifically focusing on three key financial variables: debt ratio, return on equity (ROE), and cost of capital. The research sought to understand how these variables influenced Apple's overall performance, with the underlying goal of examining whether Apple's capital structure choices are aligned with the principles of Shareholder Value Maximization Theory. By analyzing the interplay between these financial factors, the study aimed to provide insights into how Apple has managed its financial strategies to enhance its profitability and sustain its competitive edge.

A quantitative research methodology was employed to test these relationships. Data was collected using a structured questionnaire, distributed to a sample of 250 financial professionals with expertise in corporate finance. The survey assessed their perceptions of Apple's capital structure decisions and their impact on the company's corporate performance. After receiving 220 responses and validating 205 for analysis, a series of statistical analyses, including regression analysis, was conducted to examine the relationships between the independent variables (debt ratio, ROE, and cost of capital) and the dependent variable (corporate performance).

The results of the study revealed several important findings. First, there was a significant positive relationship between Apple's debt ratio and corporate performance. This indicates that Apple's strategic use of debt, particularly to finance stock buybacks and dividends, has contributed to improved financial performance. This supports the idea that, when managed prudently, debt can enhance profitability and drive shareholder value.

Second, the study confirmed a strong positive relationship between Apple's ROE and corporate performance. This suggests that Apple's ability to efficiently utilize shareholders' equity to generate profits is a critical driver of its overall success. High

ROE levels indicate that Apple is effective in maximizing returns to shareholders, which directly aligns with the objectives of Shareholder Value Maximization Theory.

Finally, the analysis demonstrated a negative relationship between Apple's cost of capital and its corporate performance. As expected, higher costs of capital were associated with decreased profitability. This finding reinforces the importance of managing financing costs to sustain strong corporate performance, although the lower-than-expected explanatory power of this variable suggests that Apple's unique financial position may mitigate the impact of rising capital costs.

This study provided valuable insights into how Apple's capital structure decisions impact its corporate performance. The key findings indicate that Apple's use of debt, its high ROE, and its management of capital costs are all critical factors in driving its financial success. By effectively balancing these variables, Apple has been able to optimize its capital structure to enhance shareholder value, providing an instructive case study for other firms in the technology sector and beyond.

5.2 Recommendation

Based on the findings of this study, several recommendations can be made for Apple Inc. and companies in similar industries regarding the optimization of capital structure to enhance corporate performance.

First, Apple should continue to leverage debt strategically. The positive relationship between debt ratio and corporate performance indicates that Apple's current approach to utilizing debt to fund shareholder returns, such as stock buybacks and dividends, is effective in boosting profitability. However, maintaining a careful balance is essential to avoid the potential risks associated with over-leverage. Apple should consistently evaluate market conditions and interest rates to ensure that debt remains a cost-effective tool for financing its operations without increasing financial risk.

Second, maximizing return on equity (ROE) should remain a central focus for Apple and other firms. The strong positive correlation between ROE and corporate performance suggests that efficient use of equity capital is a key driver of financial success. Apple should continue to prioritize strategies that enhance its ROE, such as

effective reinvestment of profits, innovation, and operational efficiency. This focus on equity efficiency not only enhances profitability but also strengthens shareholder confidence and market positioning.

Third, managing the cost of capital is critical to sustaining long-term performance. Although Apple is less affected by rising capital costs than companies with fewer resources, the negative impact of high costs of capital on corporate performance cannot be overlooked. Apple should aim to keep its cost of capital as low as possible by diversifying its sources of financing and taking advantage of favorable borrowing conditions. Monitoring shifts in interest rates and equity market conditions will help Apple maintain an optimal financing mix that supports profitability and long-term growth.

For other firms, particularly in the technology sector, the findings emphasize the importance of a balanced capital structure. Companies should avoid extreme levels of debt or equity and instead strive for a capital structure that maximizes financial flexibility while minimizing risks. Furthermore, focusing on high ROE and managing financing costs efficiently can help firms enhance their corporate performance and achieve sustained success in competitive markets.

The study's findings suggest that optimizing capital structure, managing ROE effectively, and minimizing capital costs are essential strategies for improving corporate performance. Apple and similar firms should apply these principles to enhance shareholder value and maintain financial health in the evolving business landscape.

5.3 Further Study

While this study has provided valuable insights into the relationship between capital structure and corporate performance in the case of Apple Inc., there are several areas where further research may be beneficial. First, future studies should explore the impact of capital structure decisions on companies in other industries, especially those that rely heavily on physical assets rather than intellectual property. This could provide a more comprehensive understanding of how capital structure strategies differ across sectors.

Additionally, further research could investigate the long-term effects of debt ratio fluctuations on corporate performance during periods of economic instability or market downturns. Understanding how companies like Apple manage debt during challenging financial periods may offer deeper insights into risk management and resilience strategies.

Moreover, future studies may examine the role of external factors, such as macroeconomic conditions, government policies, and changes in tax regulations, in shaping the relationship between capital structure and corporate performance. These factors may influence the effectiveness of capital structure strategies and could provide a more nuanced understanding of the dynamics at play.

Finally, it would be valuable to conduct longitudinal studies that track the changes in capital structure and corporate performance over an extended period. This could help determine whether the positive relationships observed in this study are sustained over time or if they fluctuate in response to internal or external changes.

By addressing these areas, future research may contribute to a more comprehensive understanding of the complex interplay between capital structure and corporate performance, benefiting both academia and industry.

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Appendix

Apple Inc. Capital Structure and Corporate Performance Survey

Dear Respondent,

Thank you for taking the time to participate in this survey. The purpose of this study is to explore the impact of Apple Inc.'s capital structure on its corporate performance, with a focus on key financial indicators such as debt ratio, return on equity (ROE), and cost of capital. Your insights as a financial expert or analyst are invaluable to this research. The information you provide will be used strictly for academic purposes, and your responses will remain anonymous and confidential.

Please carefully read each question and select the option that best reflects your opinion or understanding. The survey is divided into three sections: basic demographic information, capital structure, and corporate performance. Your participation is greatly appreciated.

Sincerely

_____

Section 1: Demographic Information

1. What is your age group?
   - o 18-24
   - o 25-34
   - o 35-44
   - o 45-54
   - o 55 and above
2. What is your highest level of education?
   - o High school diploma
   - o Bachelor’s degree
   - o Master’s degree
   - o Doctorate degree
   - o Other (please specify) _____

3. How many years of experience do you have in the financial sector?

- Less than 1 year
- 1-3 years
- 4-6 years
- 7-10 years
- More than 10 years

4. What is your current position?

- Financial Analyst
- Corporate Finance Manager
- Investment Banker
- Academic Researcher
- Other (please specify) _____

5. Apple's current debt ratio is optimal for maximizing shareholder value.

- 1
- 2
- 3
- 4
- 5

6. Apple's debt financing strategy effectively balances financial risk and return.

- 1
- 2
- 3
- 4
- 5

7. The company's decision to increase its debt levels over recent years has enhanced its profitability.

- 1
- 2
- 3
- 4

- 5

8. Apple’s reliance on debt financing is sustainable in the long term.

- 1
- 2
- 3
- 4
- 5

9. The current interest rates make debt financing a cost-effective strategy for Apple.

- 1
- 2
- 3
- 4
- 5

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10. Apple’s ROE reflects its ability to efficiently use shareholders' equity to generate profit.

. 1
. 2
. 3
. 4
. 5

11. Apple’s ROE has consistently improved over the past five years.

. 1
. 2
. 3
. 4
. 5

12. The company’s high ROE indicates a well-managed equity base.

. 1
. 2
. 3
. 4
. 5

13. Apple’s return on equity is a key driver of its overall corporate performance.

. 1
. 2
. 3
. 4
. 5

14. The company’s current ROE level is sustainable in the long term.

. 1
. 2
. 3
. 4
. 5

15. Apple’s cost of capital is lower than the industry average, contributing to its financial success.

. 1
. 2
. 3
. 4
. 5

16. The company’s weighted average cost of capital (WACC) effectively supports its investment decisions.

. 1
. 2
. 3
. 4
. 5

17. Apple’s ability to keep its cost of capital low is a significant factor in its corporate performance.

. 1
. 2
. 3
. 4
. 5

18. Changes in the company's cost of capital have had a notable impact on its profitability.

. 1
. 2
. 3
. 4
. 5

19. The company's current capital structure effectively minimizes its cost of capital.

. 1
. 2
. 3
. 4
. 5

20. Apple's financial performance has significantly improved as a result of its current capital structure.

. 1
. 2
. 3
. 4
. 5

21. The company's revenue growth is directly tied to its capital structure decisions.

. 1
. 2
. 3
. 4
. 5

22. Apple's profitability has been consistently strong due to effective financial management.

. 1
. 2
. 3
. 4
. 5

23. The company’s current corporate performance exceeds industry expectations.

. 1
. 2
. 3
. 4
. 5

24. Apple’s long-term financial performance is sustainable under its current capital structure.

. 1
. 2
. 3
. 4
. 5

Thank you for completing this survey. Your responses are invaluable to our research. Your participation is greatly appreciated.