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Financial Reporting Analysis: Tesla vs Ford

Company Background

Tesla, Inc. is a leading manufacturer of electric vehicles, energy storage systems, solar energy products, and charging infrastructure. Its stock trades on the **NASDAQ** under the ticker symbol **TSLA.** As an American multinational automotive and clean energy company, Tesla has become the global leader in electric vehicle innovation with models such as the Model S, Model 3, and Model X. Founded in 2003, Tesla has delivered nearly 1.8 million vehicles worldwide and deployed a record 31.4 GWh of energy storage capacity (Zhou 2025). Beyond electric vehicles, Tesla develops and deploys energy storage systems and solar energy solutions, integrating energy generation more deeply into our community and helping combat major issues such as climate change and global warming. As of 12/05/25, TSLA has a market closing price of $455.00 USD per share. As Ford Motor Company sees growing EV sales, Tesla is its primary competitor because it targets a similar consumer market.

Profit, Capital, and Cash Flow

Analyzing trends in Tesla's financial statements from 2021 to 2024 provides valuable insight into the company's future. To start, Tesla's net income has grown steadily from 2021 to 2023, with a dip in 2024. At the end of 2021, Tesla reported net income of $5,644 million, followed by a noticeable increase to $12,587 million in 2022. Going into 2024, Tesla saw a rise

in net income, though not as substantial as the previous year. Tesla increased from $12,587 million to $14,974 million at the end of 2023. Lastly, Tesla saw a drop in net income in 2024 to $7,153 million, which is even lower than the mark it reached in late 2022 (See Exhibit # 4). The company was showing strong growth and improving profitability. However, the sudden decline suggests possible operational challenges, market pressure, or a single event. With a net income growth rate of -52% in 2024, this lack of sustainability could raise concerns for potential investors (See Exhibit # 1). On the flip side, Tesla's primary EV competitor, Ford Motor Company, saw an increase in net income from 2023 to 2024. This increase was $4,347 million to $5,879 million (See Exhibit # 4). To assess Ford Motor Company's sustainability, a deeper analysis of previous years' financial statements would be required to determine whether it is worth investing in the long term.

Gross margin trends are a great way to evaluate if a company is becoming more efficient at controlling production costs or raising prices relative to costs. This ratio is calculated by dividing gross profit by net sales. In 2022, Tesla had a gross margin profit of about 26% (20,853 / 81,462). In 2023 and 2024, this dropped to 18% (17,450 / 97,690) (See Exhibit #1). A decreasing gross margin suggests that either costs are rising faster than sales or pricing power is weakening. For investors, delving margins may signal a weaker competitive advantage, especially compared to peers such as Ford. Ford's gross margin increased from 10.1% in 2023 to 18.2% in 2024 (See Exhibit #3).

Tesla's stockholders' equity increased from $62,634 million in 2023 to $72,913 million in 2024 (See Exhibit 4). With Tesla's stockholders' equity steadily growing over 3 years, this signals that Tesla is building shareholder value. The increase is driven primarily by profits added back to

equity and the possible issuance of new shares to investors. This suggests Tesla is creating sustainable value, which is a potential positive for long-term investors.

To better understand Tesla's potential, it is crucial to analyze the statement of cash flows from operating activities and compare it with the company's net income. To create a statement of cash flows from operating activities, it is important to begin with the company's net income. With the net income being $7,153 million in 2024, that will be the starting point. When analyzing the Exhibits, the operating activities need to be identified. Operating activities are the day-to-day business functions that generate revenue and expenses. However, a full CFO is not possible because things such as depreciation, which need to be added back into net income, are not provided. This means outside sources will need to be used to determine the cash flow from operating activities. According to macrotrends.net, “Tesla's annual cash flow from operating activities for 2024 was $14.923B, a 12.58% increase from 2023.” When comparing this number to net income, it is significantly higher. This means that Tesla generated way more cash from operations than it reported on net income. Many non-cash expenses were likely added back into net income, such as depreciation. Also, working capital changes, such as inventory, receivables, and payables, can boost the CFO. This is a good sign and may explain the drop in net income. As for Ford, “Ford Motor annual cash flow from operating activities for 2024 was $15.423B, a 3.39% increase from 2023” (Macrotrends 2025). So even though Ford had a lower net income in 2024, they had a higher CFO than Tesla. This indicates that Ford’s earnings are more closely tied to cash generation, underscoring the importance of net income.

Lastly, analyzing Tesla's capital structure can help investors assess risk. Tesla’s capital structure in 2024 consisted of 55% debt and 45% equity, indicating moderate reliance on debt to finance operations (See Exhibit #2). Since the debt percentage exceeds the equity percentage,

creditors see a higher risk. Tesla must generate consistent cash flow to cover interest and principal. If the equity percentage is higher than the debt percentage, the company has a more substantial cushion to absorb losses. Capital structure can also be expressed in a company's debt-to-equity ratio. It tells how many dollars of debt the company has for every dollar of equity. When calculating this for Tesla, it came out to be about 0.66. Comparing this to Ford, they have a 5.35 debt-to-equity ratio. This ratio suggests that investing in Ford is riskier. However, both companies have strong cash flow from operations to service their debt.

PwC audits Tesla to ensure that financials are fairly presented, prepared according to GAAP, and free of material misstatement. A clean audit report increases confidence in the reliability of the numbers. PwC is a Big Four accounting firm, meaning it is among the most trusted and highly credible in the world.

Ratios

An analysis of Tesla's 2024 financial ratios relative to Ford Motor Company provides insights into profitability, efficiency, liquidity, solvency, and each firm's market valuation. These ratios complement the earlier discussion of trends in net income and sales and help explain both Tesla's strengths and the financial pressures it may face going forward.

Tesla's 2024 profitability ratios show that the company remains more profitable than Ford overall, but not without concerns. Tesla's return on equity (ROE) is 0.106, while Ford's ROE is slightly higher at 0.134 (see Exhibit 5). This means Ford is generating more profit per dollar of shareholders' equity than Tesla in 2024. However, Tesla's return on assets (ROA) of 0.063 is noticeably higher than Ford's ROA of 0.021, indicating that Tesla is using its asset base more efficiently to generate earnings (see Exhibit #5). Tesla's profit margin is 0.073, compared with Ford's 0.032, so Tesla earns more profit on each dollar of sales than Ford does. Earnings per

share (EPS) also favor Tesla. Tesla's EPS is 2.235, compared with Ford's 1.474. These ratios, combined with the earlier finding that Tesla's net income dropped sharply in 2024 while Ford's increased, suggest that Tesla is still stronger than Ford on a per-dollar profitability basis. Still, its recent earnings decline raises questions about how sustainable that advantage will be.

Turnover ratios show how effectively each company uses its assets to generate revenue. Tesla's 2024 receivables turnover is 24.651, while Ford's is 12.201 (see Exhibit 5). This indicates that Tesla collects cash from customers roughly twice as quickly as Ford, which supports stronger cash flows and lower credit risk. However, the situation changes when inventory is factored in. Tesla's 2024 inventory turnover is 6.258, whereas Ford's is 10.354 (see Exhibit #5). This means that Ford sells and replaces its stock nearly twice as often as Tesla does. Tesla's slower inventory turnover could indicate that it has more stock on hand, that demand for some models has changed, or that production and delivery times differ. Overall, the turnover ratios suggest Tesla is very efficient at managing receivables but less efficient than Ford at moving inventory.

Tesla's liquidity ratios show a stronger short-term position than Ford's. Tesla's current ratio in 2024 is 2.025, compared with Ford's 1.165 (see Exhibit 5). A current ratio above 1.0 means that a company has more current assets than current liabilities. Tesla's value of just over 2.0 indicates it has enough cash to pay its short-term bills. Ford's current ratio is much closer to 1.0, indicating a smaller margin of safety. The fact that Tesla has more cash and receivables than current liabilities supports the idea that it can meet short-term needs without selling much inventory. When considered collectively, the liquidity measures suggest that Tesla outperforms Ford in terms of satisfying short-term creditors.

Tesla's solvency ratios show how much debt it has and the long-term risk it is taking on. Tesla's 2024 times interest earned (TIE) ratio is approximately 6,797.751, compared with Ford's 4,765.201 (see Exhibit 5). Both values are incredibly high, indicating each company generates income far in excess of its interest obligations. Still, Tesla's higher TIE suggests a larger cushion to absorb earnings volatility before it has trouble paying interest. The debt-to-equity ratio tells an even clearer story. Tesla's debt-to-equity ratio is 0.664, while Ford's is 5.353 (see Exhibit #5). This indicates that Ford relies much more heavily on debt financing than Tesla does. As a result, Tesla carries significantly less long-term financial risk from leverage, which is reassuring for long-term creditors, even though its recent profitability has weakened.

Market ratios show how investors are valuing each company based on its earnings. Tesla's 2024 price-to-earnings (P/E) ratio is 197.961, while Ford's is only 7.705 (see Exhibit 5). A higher P/E ratio generally reflects stronger growth expectations, and Tesla's extremely high P/E ratio suggests the market is pricing in substantial future growth and innovation. However, when this high P/E is viewed alongside Tesla's drop in net income and relatively modest EPS of 2.235, it also suggests that the stock may be richly valued relative to current earnings. Ford's much lower P/E indicates the market has more modest expectations for its growth, but it could also make it more appealing to value-oriented investors. For Tesla, the gap between its lofty valuation and recent earnings pressure could pose a risk if the company does not deliver the growth investors expect.

Final Recommendations

In sum, investors need to understand which company is better in the short term and which is better in the long term. Also, it is vital to know whether to sell, hold, or buy Tesla stock.

The better company to buy in the short term is **Ford**. With Tesla's declines in net income, gross margin, and turnover ratios in 2024, Ford demonstrates a stronger short-term performance. Ford's net income rose from $4.3 billion to $5.9 billion, and its cash flow from operations increased to $15.4 billion, signaling robust earnings quality. Although Ford's debt-to-equity ratio of 5.35 reflects high leverage and greater long-term risk, this structure can amplify returns in the near term. For short-term investors, Ford offers stronger momentum and the potential for significant gains, making it the more attractive option compared to Tesla. A reason for Tesla's "terrible" 2024 may contribute to the massive failure of the Cybertruck. With a considerable investment, the truck has already been pulled from the market. According to arstechnica, "Tesla says that reduced average selling prices contributed to its lousy results, as well as an increase in operating expenses to fund sidelines in AI and robotics that generate nothing to the company's bottom line." Tesla is now trying to market their company differently and shift away from just creating electric vehicles. This was an interesting statement, considering 77% of their sales came from cars. With Tesla trying to rebrand its identity and the Cybertruck's failure, short-term investors should stay away.

As for long-term investors, **Tesla** is the better option. Tesla has a more balanced capital structure (debt-to-equity ratio ≈ 0.66 vs. Ford's 5.35), making it a less risky investment, especially in the long term. Tesla's stockholders' equity has also grown steadily, signaling value creation. Profitability ratios still suggest that Tesla is more profitable than Ford on multiple fronts, but is experiencing a down year. Many of Tesla's numbers are still larger than Ford's despite the down year. Investors should trust that Tesla will soon be able to generate revenue from multiple sources, creating a long-term cushion. For 2025, Tesla has made some very bold predictions. Energy storage revenues will "grow by at least 50 percent year-over-year," it claims.

AI and software will generate profits, it claims. And stretching credulity, the company says it will grow automotive sales by “more than 60 percent” this year despite a model lineup that remains outdated and, in terms of features, eclipsed by rivals in China and even here in the US (arstechnica 2025). As Tesla expands its brand, long-term investors should be excited about its growth potential. 2024 was most likely used to rebrand operations and primarily to invest in multiple sources of passive income.

Investors should **hold** Tesla stock. Despite the significant earnings decline in 2024, Tesla’s share price has remained relatively stable, reflecting market confidence in its long-term prospects. A hold recommendation allows investors to monitor whether profitability rebounds; if earnings stabilize, Tesla could become a buy opportunity given its balanced capital structure and leadership in innovation. According to Wall Street analysts, 17 of 47 currently recommend holding Tesla, which aligns with the company’s mixed financial performance.

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Exhibits

Exhibit 1

Ratio:	How is the Ratio Calculated?	Additional Calculation Details?	2024	2023	2022
Gross Margin Percentage	*Gross Profit / Net Sales*	*(Net Sales - COGS) / Net Sales*	0.18	0.18	0.26
Net Income Growth Rate	*(Net Inc - Net Incn-1) / Net Incn-1*		-0.52	0.19	1.23

Exhibit 2

TABLE B:		
a) Depreciation Method		Straight Line Method
b) Inventory Valuation Method		Lower Cost than market Value
c) Asset breakdown	Current assets (%)	0.48
	Non-current assets	0.52
d) Liabilitites breakdown	Current liabilities	0.60
	Non-current liabilities	0.40
e) Capital Structure	Debt (Liabilities)	0.55
	Equity	0.45
f) Auditor		PWC

Exhibit 3

TABLE C: (Rounded to $000's)				
Item	**2024**	**2023**	**2022**	**2021**
Net Income	7,153	14,974	12,587	5,644
Net Sales	97,690	96,773	81,462	53,823
Gross Profit	17,450	17,660	20,853	13,606
COGS	80,240	79,113	60,609	40,217
Total Assets	122,070	106,618	82,338	62,131
Current Assets	58,360	49,616	40,917	27,100
Non-Current Assets	4,215	4,531	4,193	2,138
Total Liabilities	48,390	43,009	36,440	30,458
Current Liabilities	28,821	28,748	26,709	19,705
Non-Current Liabilities	122,070	106,618	4,193	2,138

Exhibit 4

	Tesla		Ford Motor Company	
TABLE E:	**2024**	**2023 (if required)**	**2024**	**2023 (if required)**
Net Income	7,153	14,974	5,879	4,347
Stockholders' Equity	72,913	62,634	44,900	42,800
Interest Expense	-350	-156	-1,115	-1,302
Total Assets	122,070	106,618	285,196	273,310
# Shares Outstanding	3,216	3185	3,978	3,998
Net Sales	97,690	96,773	184,992	176,191
Current Assets	58,360	49,616	124,474	121,481
Current Liabilities	28,821	28,748	106,859	101,531
Cash	17,037	17,189	22,935	24,862
Short Term Investments	20,424	12,696	15,413	15,309
Net Accounts Receivable	4,418	3,508	14,723	15,601
Net Credit Sales*	97,690	96,773	184,992	176,191
COGS	80,240	79,113	158,434	150,550
Inventory	12,017	13,626	14,951	15,651
Income Tax Expense	1837	-5001	-1,339	362
Total Liabilities	48,390	43,009	240,338	230,512
Earnings per Share**	2.04	4.3	1.46	1.08
Market Price of common stock***	403.84	248.48	11.25	10.73

Exhibit 5

TABLE F:			**Tesla**	**Ford Motor Company**
Ratio:	**How is the Ratio Calculated?**	**Additional Calculation Details?**	**(1)**	**(1)**
Return on Equity	*Net Income/Average Total Stockholders' Equity*	*((StockHolders Equity+StockHolders Equity-1)/2)*	0.106	0.134
Return on Assets	*Net Income/Average Total Assets*	*((TotalAsset+TotalAssets-1)/2)*	0.063	0.021
Earnings per Share	*e/Weighted Average Number of Common Shares Ou*	*((SharesOutstanding+SharesOutstanding-1)/2)*	2.235	1.474
Profit Margin	*Net Income/Net Sales Revenue*		0.073	0.032
Current Ratio	*Current Assets/Current Liabilities*		2.025	1.165
Quick Ratio	*Cash Equivalents + Net Accounts Receivale/Current*		17037.153	22935.138
Receivable Turnover	*Net Credit Sales/Average Net Receivables*	*((NetReceivables+NetReceivables-1)/2))*	24.651	12.201
Inventory Turnover	*Cost of Goods Sold/Average Inventory*	*((Inventory+Inventory-1)/2)*	6.258	10.354
Times interest earned	*e + Interest Expense + Income Tax Expense/Interes*		6797.751	4765.201
Debt to Equity ratio	*Total Liabilities/Total Stockholders' Equity*		0.664	5.353
Price/Earnings (P/E) ratio	*Market Price per Share/Earnings per Share*		197.961	7.705