

EXPLORATION OF FINANCIAL ANALYSIS AND EVALUATION METHODS FOR A LEADING CHINESE HOME APPLIANCE ENTERPRISE

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Abstract *This paper mainly uses comparative analysis and ratio analysis to comprehensively analyze the financial situation of Haier Zhijia. First of all, we make a comprehensive analysis of Haier Zhijia's three statements to understand the basic financial situation of the whole enterprise, and then summarize and analyze Haier Zhijia's financial situation and operating performance for three consecutive years, find some problems in the operation process of the whole enterprise and put forward specific solutions.*

Keywords: Haier, Financial analysis, Financial indicators, Financial situation

Introduction

Haier Group is the first brand of white goods in the world and the most valuable brand in China. Haier has established 29 manufacturing bases, 8 comprehensive R&D centers and 19 overseas trading companies around the world, with more than 60,000 employees worldwide, and has developed into a large-scale multinational enterprise group.

Haier Zhijia Co., Ltd. (formerly known as "Qingdao Haier") is a smart home eco-brand, which is headquartered in Qingdao, China. The company is mainly engaged in the research, development, production and sales of smart home appliances and smart home scene solutions such as refrigerators/freezers, washing machines, air conditioners, water heaters, kitchen appliances and small household appliances.

Business scope of the company: R&D and manufacturing of electrical appliances, electronic products, mechanical products, communication equipment and related accessories, industrial automation control equipment, computer software and hardware and auxiliary equipment; Import and export business (operating within the scope approved by MOFTEC); Wholesale and retail: domestic business (except goods prohibited by the state).

The financial management of an enterprise plays a very important role in the daily management and economic activities of the enterprise, so the financial management of the enterprise is an indispensable factor in the development of the whole enterprise. The operating conditions of the whole enterprise will be directly related to the financial situation, which will affect the future development of the whole enterprise. Through this analysis, we can objectively and comprehensively evaluate the company's financial ability in financing, operation and development, debt repayment and so on. In recent years, the reform of accounting system and accounting standards in China requires the quality of accounting information to be greatly improved.

For the understanding of the overall financial management level of enterprises, we can use the method of financial statement analysis. The purpose of this paper is to understand the overall financial situation, operating results and cash flow of Haier Zhijia through the analysis of its financial statements. Since the 21st century, with the sustained growth of the national economy and the improvement of people's living standards, the demand for household appliances in daily life is increasing day by day. In order to stand out in the fierce competition market, home appliance enterprises constantly introduce new products to meet the needs of the market, which leads to increasing market competition pressure in the home appliance industry.

This paper selects Haier Zhijia as the analysis object, aiming at analyzing the current development of the industry and the future development trend.

General concepts and theoretical foundations of Financial Analysis and Evaluation

Literature research method is the basic law of thesis research method. It is mainly to find out the relevant data on the Internet or refer to a large number of documents for summary, which lays the foundation for the analysis of the article.

Vivien Ainley (2018) pointed out that the behavior of financial analysis cannot be carried out independently, and it is necessary to analyze other data of the enterprise, and then judge the development of the whole enterprise comprehensively [1, 2]. Stikney (2018) pointed out that for the analysis of financial statements, vertical and horizontal time analysis methods can also be used. Chen Juan (2019) published "Application of Financial Statement Analysis in Enterprises", which mentioned that the analysis of financial statements is a process of comparison and analysis [3]. Yu Yaxin (2019) published "Analysis of Financial Statements", arguing that the comprehensive evaluation method of financial statements is to combine all the data in financial statements and analyze them together [4]. Lei Fang (2020) pointed out that the analysis of financial statements is divided into several steps [5].

The case analysis method is mainly aimed at analyzing the current situation of Haier Zhijia. First, we should understand the operation process of Haier Zhijia, and also investigate all the financial report data to help the following analysis. Through in-depth analysis, Haier Zhijia can provide better data for our paper research, making the whole paper more accurate and convincing. Tang Binhao (2020) believes that the object of financial statement analysis is the daily business activities of enterprises [6]. Liu Xiaojing (2020) pointed out in The Function of Enterprise Financial Analysis and the Ways to Improve it that enterprises should improve the efficiency of using funds [7]. Yang Qi (2020) published "The Application of Financial Statement Analysis in Enterprise Financial Management", and pointed out that the analysis of financial statements mainly includes comprehensive analysis and evaluation from the aspects of profitability [8]. Wang Keke, Dong Qiya (2020) analyzed the financial statements of enterprises, mainly based on the profitability, operational capacity and solvency of financial statements [9].

Ratio analysis is to compare all the data in financial statements to find the ratio. It is the most important analysis method to analyze the financial operation status in the daily business activities of enterprises [10, 11]. Comparative analysis usually has the following two forms. (1) Vertical comparison refers to the comparison between the economic indicators of this period and the economic indicators of the previous period in the financial statements. In order to understand the economic indicators in a period of time. (2) Horizontal comparison refers to the comparison between a certain financial index of an enterprise and the average level of other enterprises. The application of comparative analysis method in financial statements can enable managers of enterprises to grasp the current business situation of enterprises and understand where the disadvantages of enterprises are in the process of development [12]. Through structural analysis, we can know whether the ratio of assets and rights and interests of the enterprise has reached the standard value [13]. Factor

analysis refers to the factors that restrict the development of enterprises in the process of development [14, 15]. The advantage of using factor analysis method is that it can understand the relationship between external characteristics and internal ones [16].

Table 1 Summary of Haier Smart Home's Balance Sheet from 2016 to 2018 Unit: 10000 Yuan

Project	2016	2017	2018
Current assets	1300198	1484761	1429685
Noncurrent assets	605308	662606	753106
Total assets	1905506	2147367	2182791
Current liabilities	1336157	1410906	1350649
Noncurrent liabilities	37003	41124	43201
Total liabilities	1373160	1452030	1393850
Total owner's equity	532346	695337	788941
Total liabilities and owner's equity	1905506	2147367	2182791

Combined with the company's balance sheet (2016-2018), it can be seen that the company's total assets are expanding and the total assets are growing at a faster rate.

Table 2 Summary Statement of Haier Zhijia's Income Statement for 2016-2018 Unit: 10,000 Yuan

Project	2016	2017	2018
Business income	2673022	3348759	3601960
Operating costs	2048665	2696983	2917152
Operating profit	106526	201018	150873
Total profit	127034	223229	156491
Income tax expenses	12875	18107	14183
Net profit	114159	205122	142307

Combined with the company's income statement (2016-2018), it can be seen that the operating profit, total profit and net profit of Haier Zhijia all showed a fluctuating growth trend, and the operating income showed a rising trend year by year.

Gross profit margin of sales is the percentage of gross profit to net sales, which is usually called gross profit margin. Where gross profit is the difference between net sales revenue and product cost. Calculation formula of sales gross profit margin:

Table 3 Analysis Table of Haier Zhijia's Gross Sales Margin in 2016-2018 Unit: 10,000 Yuan.

Year	2016	2017	2018
Turnover	2673022	3348759	3601960
Production cost	2048665	2696983	2917152
Gross profit margin	23.36%	19.46%	19.01%

According to Table 3, the gross profit margin of Haier Zhijia's sales decreased year by year from 2016 to 2018.

The net profit rate of sales is the ratio of net profit to sales revenue, which can be used to explain the ability of enterprises to obtain profits in the sales process.

The rate of return on owner's equity, also known as the rate of return on owner's equity or the rate of return on net worth, refers to the ratio between the net profit and owner's equity obtained by an enterprise in a period

of time. For joint-stock enterprises, it refers to the rate of return on equity.

Table 4 Analysis Table of Total Return on Assets of Haier Zhijia in 2016-2018 Unit: 10,000 Yuan.

Year	2016	2017	2018
Owner's equity	532346	695337	788941
Net profit	114159	205122	142307
Reward rate of ownership	21.44%	29.5%	18.04%

According to Table 4, it can be seen that Haier Zhijia's return on owner's equity increased by 8.06% in 2017 compared with 2016. It shows that the increase of owner's equity of the company is less than the increase of net profit. In 2018, the return on owners' equity decreased by 11.46% compared with that in 2017, indicating that the increase in owners' equity of the company was greater than the increase in net profit, and the lower the income brought by investment in 2018.

Haier Zhijia's asset utilization efficiency is very low, because its own asset value is not much, so there are still cases of low asset utilization efficiency, and some departments do not consume a lot of assets in the process of developing their business.

The quick ratio of Haier Zhijia in recent three years is lower than the standard value of 1, and it shows a fluctuating trend.

Inventory accounts for a very large share of enterprise assets, and it is also very sensitive to changes in business activities, and its value-added ability is very strong. Haier Zhijia's inventory turnover rate is declining year by year and getting faster and faster, indicating that the company has not made good use of inventory, which has slowed down the inventory turnover rate.

For many large enterprises, they have many departments. Some departments have a lot of idle assets, and when other departments need assets to develop economic activities, the funds of other departments should be adjusted to fully develop the internal assets of enterprises. For many large groups, which have many subsidiaries, the parent company should exert its coordination ability, utilize the idle assets of all subsidiaries and redistribute them. Let other subsidiaries that need assets get full play, so as to optimize the internal resource allocation and improve the total income of enterprises.

Through our data research, it is found that the accounts receivable of Haier Zhijia have been declining for three consecutive years, which shows that although the sales channels have been improved during the operation of the enterprise, the normal development of the enterprise has been affected because too many accounts receivable have not been recovered.

Haier Zhijia should meet the market demand, improve products, promote sales and reduce inventory backlog. Haier Zhijia also needs to understand the difference between the market demand and the inventory of the warehouse, which needs to measure the inventory of the warehouse and the sales capacity of the market. We can produce the products in the warehouse in batches or deliver them in batches, which can improve the liquidity utilization ability of the whole enterprise.

Conclusion

In this paper, the financial indicators of Haier Zhijia are used to analyze the statements, judge the operating results of Haier Zhijia fairly and reasonably, and formulate relevant business strategies. The financial analysis indicators are applied to the specific matters of actual cases. In-depth analysis of the connotation of indicators, pointing out the shortcomings in Haier Zhijia's financial statements. Based on the market background, the connotation of financial statement analysis is determined and evaluated objectively. From the observation of financial indicators in the past three years, the overall financial situation of Haier Zhijia is not very optimistic. It is necessary to strive to improve the development level of enterprises, adjust the industrial structure, reduce

the proportion of monetary funds, take active measures, enhance the level of risk resistance, reduce inventory reserves and avoid inventory impairment while maintaining the overall financial situation of enterprises in a good state of development. Improve operational capacity, solvency and profitability. I hope Haier Zhijia will continue to develop its advantages and change its disadvantages.

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