

Comparison and analysis of the financial statements of GOME and SUNING appliances listed companies

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Abstract

With the development of The Times, the Chinese government has paid more and more attention to the home appliance retail industry. The two big retailers, SUNING and GOME, are growing rapidly and expanding, making the two groups a leader in the electronics retail chain. Of this article is based on the two largest electronics retailer in 2011-2014 financial statements, and then, respectively from the company profit ability, operation ability, debt paying ability and development capacity index respectively on the concrete analysis, find out the problems of the two companies, finally aiming at the existing problem of each company, put forward the corresponding countermeasures and Suggestions.

Keywords

Financial statements, Retail, SUNING appliances, GOME electrical appliances.

1. Introduction

The financial statements based on accounting standards specifications, to the owners, creditors, government and other external parties concerned and the social public financial conditions and operating of the accounting statements reflect an accounting entity. Financial statement analysis, also called financial analysis, it is by collecting, sorting data related to the process of the enterprise financial and accounting reports, and combined with other relevant supplementary information, to the enterprise's financial position, operating results and cash flow conditions for comprehensive comparison and evaluation, to provide users of financial reports management decision-making and control on the basis of a management job.

By analyzing the balance sheet, we can understand the financial situation of the company, and make judgments about the company's solvency, reasonable capital structure, liquidity adequacy, etc. By analyzing the income statement, we can understand the profitability, profitability and operating efficiency of the company, and judge the company's competitive position and sustainable development ability in the industry. By analyzing the cash flow statement, you can understand and evaluate the company's ability to obtain cash and cash equivalents, and predict the future cash flow of the company.

2. Relevant theoretical concepts and research methods

2.1 Relevant concepts

Financial statement analysis is to enterprise's operating results, cash flow and financial situation and so on to make a comprehensive evaluation and comprehensive comparison, and thus to provide control basis for users of financial statements information or the management countermeasures of a financial management work.

The analysis of financial statements mainly includes: analyzing the solvency of enterprises, analysis of equity structure, and measuring the use of debt funds. The solvency and management ability of enterprises is the material basis for realizing the financial goals of enterprises. Profitability is the result of both of them, and also the first enhancement motivation.

2.2 research methods

The research methods of this paper include: (1) the financial comparative analysis mainly includes trend analysis, factor analysis, ratio analysis and structure analysis, etc. (2) financial comprehensive analysis including DuPont analysis, etc.

3. Analysis of financial statements of GOME and SUNING appliances

3.1 Financial Analysis of GOME and SUNING appliances

3.1.1. Profitability

Profitability indicators mainly include profit margin, operating profit margin, profit margin of cost, return on equity, total return on assets, and earnings per share.

profit margin of main business

Table 1. Main business profit margin

Main business profit margin (%)	2011	2012	2013	2014
GOME electrical appliances	10.12%	13.15%	13.74%	12.64%
SUNING appliance	18.54%	24.53%	36.80%	44.18%

As can be seen from table 1, in terms of profit margin of the main business, the state of GOME is basically stable. In 2013, there was a small increase, and in 2014, it decreased again. SUNING appliance has been growing for three years, reaching 44.18% in 2014, indicating that SUNING's main business is prominent.

operating margin

Table 2. Operating margin

Operating margin (%)	2011	2012	2013	2014
GOME electrical appliances	2.12%	1.32%	0.95%	0.10%
SUNING appliance	6.86%	10.15%	10.30%	5.06%

Profit margin of cost

Table 3. Cost profit margin

Cost profit margin (%)	2011	2012	2013	2014
GOME electrical appliances	1.57	1.49	1.67	1.61
SUNING appliance	1.98	2.21	2.33	2.29

It can be seen from table 4 that in the last three years, SUNING appliance has been a lot higher than GOME. Therefore, GOME should strictly control the cost and pay attention to the upgrade of product structure.

return on equity

Table 4. Return on equity

Return on equity (%)	2011	2012	2013	2014
GOME electrical appliances	5.35	1.84	1.75	0.68
SUNING appliance	19.88	8.54	18.14	15.69

As shown in table 4, the return on equity of GOME electrical appliances has been declining in the past three years, with the decrease in 2014 from 2013 to 0.68%.

total return on assets

Table 5. Total return on assets

Total return on assets (%)	2011	2012	2013	2014
GOME electrical appliances	1.19	0.84	0.77	0.39
SUNING appliance	8.33	9.48	10.48	5.17

Table 5 shows that the total assets yield of SUNING appliance increased in 2013, but it declined in 2014. The total return on assets of GOME is decreasing year by year.

earnings per share

Table 6. Earnings per share

Earnings per share	2011	2012	2013	2014
GOME electrical appliances	0.0418	0.0409	0.0394	0.0155
SUNING appliance	0.47	0.36	0.70	0.58

In terms of table 6, the earnings per share of SUNING appliance is much higher than that of GOME, which indicates that SUNING appliance is more profitable and has greater investment value. GOME's earnings per share in the past three years have been falling continuously, indicating that GOME's profitability is declining year by year.

3.1.2.Operational capability

Operational capacity refers to the ability of an enterprise to operate and operate, that is, its ability to use assets to earn profits. The financial analysis ratio of enterprise operating capacity is: inventory turnover rate, receivables turnover rate, operating cycle, turnover ratio and total asset turnover rate. This article mainly analyzes the operation ability of the company from the following aspects.

receivables turnover rate

Table 7. Receivables turnover rate

Accounts receivable turnover rate	2011	2012	2013	2014
SUNING appliance	2.55	1.04	0.63	0.37
GOME electrical appliances	8.59	3.91	2.94	0.43

Overall, the working capital of SUNING and GOME has stagnated over accounts receivables and the recovery rate has declined, affecting the turnover of the two companies.

inventory turnover rate

Table 8. Inventory turnover rate

Inventory turnover rate	2011	2012	2013	2014
SUNING appliance	9.36	10.33	13.12	5.28
GOME electrical appliances	4.01	4.21	4.33	4.9

The data analysis from table 3-8 concludes that SUNING appliance effectively makes marketing strategy, expands the sales quota and achieves certain achievements.

turnover of total assets

Table 9. Total asset turnover rate

Total asset turnover	2011	2012	2013	2014
SUNING appliance	1.86	1.99	1.81	0.73
GOME electrical appliances	1.35	1.41	1.63	0.72

As can be seen from table 9, the total asset turnover rate of SUNING appliance is decreasing year by year, and the turnover rate of total assets of GOME is increasing year by year.

3.1.3.Solvency

The solvency of enterprises is an important symbol to reflect the financial situation and management ability of enterprises. Solvency is the ability or guarantee of an enterprise to repay its maturing debt, including the ability to repay short-term debt and long-term debt.

This paper mainly analyzes the solvency of the company from the following aspects.

liquidity ratio

Table 10. Current ratio

Current ratio	2011	2012	2013	2014
SUNING appliance	1.2	1.22	1.25	2.66
GOME electrical appliances	1.71	1.65	1.62	1.4

In general, the normal flow rate of a company should be 2:1. By the above table, SUNING fluctuates greatly in 2014 and its solvency is higher. The current liabilities of GOME are low and the loss buffer capacity is not strong enough.

quick ratio

Table 11. Quick ratio

Quick ratio	2011	2012	2013	2014
SUNING appliance	0.86	0.71	0.95	0.87
GOME electrical appliances	1.18	1.08	1.03	0.81

As can be seen from table 11, the reason for the decrease in the rapid rate of the GOME electrical appliances is that its inventory is too much.

cash ratio

Table 12. Cash ratio

Cash ratio	2011	2012	2013	2014
SUNING appliance	0.67	0.58	0.51	1.38
GOME electrical appliances	0.49	0.48	0.30	0.38

From table 12, it can be concluded that, in terms of cash ratio, SUNING appliance is higher than GOME, which means that SUNING appliance does not use capital efficiently.

asset-liability ratio

Table 13. Asset-liability ratio

Asset-liability ratio	2011	2012	2013	2014
SUNING appliance	0.59	0.53	0.52	0.51
GOME electrical appliances	0.40	0.44	0.45	0.58

Above show that the asset-liability ratio in GOME rise year by year, SUNIG appliance asset-liability ratio is higher than GOME, therefore deduce GOME adopted more conservative financial policies.

equity ratio

Table 14. Property rights ratio

Equity ratio	2011	2012	2013	2014
SUNING appliance	1.30	1.54	1.41	1.41
GOME electrical appliances	1.46	1.33	1.38	1.41

Equity ratio, also called debt equity ratio, which reflects the owner's equity of creditor's rights guarantee degree, it reflects the creditors and owners to provide capital relative relationship, reflects the stability of the basic financial structure. As can be seen from the table, the equity ratio of SUNIG and GOME is relatively stable.

interest guarantee coefficient

Table 15. Interest protection factor

Interest factor	2011	2012	2013	2014
SUNING appliance	-13.97	-15.05	-16.42	-11.03
GOME electrical appliances	6.25	1.1	-1.87	13.22

The security degree of creditor's rights is measured by the interest guarantee multiple. GOME's interest multiples are clearly falling, indicating that GOME's profitability has declined.

equity ratio of shareholders

Table 16. Shareholder equity ratio

Equity ratio of shareholders	2011	2012	2013	2014
SUNING appliance	41.64	42.92	38.52	38.33
GOME electrical appliances	33	40.69	42.84	41.51

It can be seen from the above picture that the shareholders' equity ratio of SUNING appliance is slightly larger than that of GOME, which indicates that SUNING appliance is more active in using financial leverage than GOME and expanding its operation scale.

3.2 DuPont analysis

Table 17. SUNING appliance and GOME electrical appliances in 2014

Projects	SUNING appliance	GOME electrical appliances
Main business profit margin	44.18%	12.64%
Operating profit margin	5.06%	0.10%
Cost profit margin	2.29%	1.61%
Return on equity	15.69%	0.68%
Return on total assets	5.17%	0.39%
Earnings per share	0.58	0.0155
Accounts receivable turnover rate	0.37	0.43
Inventory turnover rate	5.28	4.9
Asset turnover	0.73	0.72
Asset-liability ratio	0.51	0.58

As can be seen from the results of financial analysis, the overall financial indexes of the two major electrical appliances are relatively healthy, and the index changes are not large, and the overall trend is slowly rising. The advice to both companies is to improve their debt management ability and take the courage to move forward.

4. Conclusion and Suggestion

According to the results of various indicators, the two electric retailers have the advantages and disadvantages. This paper puts forward the following improvement measures and management Suggestions for the two companies:

(1) There are differences between the operation strategy and operation of GOME and SUNING appliances, but both should expand sales revenue and increase market share. Reasonable allocation of resources quicken asset turnover and create maximum value with limited resources.

(2) From the aspects of company management, more and more companies using the meager profit but high turnover management strategy, the need to strengthen the control of cost, especially to the management of cost control, the transformation of the mode of management and improve the efficiency of management, strictly control the cost, improve the level of profit.

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