REVIEWER’S BACHELOR THESIS ASSESSMENT

Title: Financial analysis of a selected company

Student: Yiping Jing

Bachelor thesis of the student Yiping Jing is focused on financial analysis of a company Bayer AG. This topic is important for company management to get rough information on financial health of the company and help to support future decisions. From this point of view, the topic is chosen well; moreover its difficulty corresponds to the requirements on such works at Finance department.

First it is necessary to mention, that the goal of the bachelor thesis is not specified in the introduction. Author’s declaration that the financial knowledge will be used to analyse company’s operating situation is insufficient. Moreover, author states that “…this method will be used to analyse capital structure and find the way to increase the company’s profit and funding.” This sentence has absolutely no meaning. Does author really want to apply just one method (which one?) with the goal to increase company’s profit and funding?

Bachelor thesis is in accordance with the bachelor thesis assignment divided into five main chapters, where the chapter fourth is the application and can be considered as the most important part of the bachelor thesis.

Second chapter concentrates on the methods description, which will be applied in the practical part of the bachelor thesis, i.e. common-size analysis (horizontal and vertical), financial ratios application and pyramidal decomposition and analysis of influences.

Chapter three is focused on the description of the company, which will be analysed. In this case it is Bayer AG Company.

The application part of the bachelor thesis is the contents of the chapter four. On the basis of available accounting data provided from financial statements over the period of 2008 – 2012, chosen methods of financial analysis are applied. First horizontal and vertical analysis is applied on balance sheet, income statement and cash flow statement. Next, financial ratios are used for analysis of company’s profitability, liquidity, solvency and activity. In the end, pyramidal decomposition and influence quantification is applied. As a base ratio, return on equity is chosen, which is decomposed by the following component ratios: net profit margin, assets turnover and financial leverage. For influence quantification, method of gradual change and logarithmic method are employed. Results are presented in Tab. 4.10-17.

Questions on student at thesis defence.

1. Explain the meaning of the negative values of cash ratio (table 4.2, page 38).
2. Explain the meaning and sense of the vertical analysis of the cash flow in Figure 3.12, page 35.

Overall summary

To sum up, the overall quality of the bachelor thesis is below average. Tot all the results are correct, the meaning of some analysis is doubtful. There are mistakes in units of results (see for example table 4.4 – activity ratios are not in percent). The comments are just general, without any deeper analysis, they just describe what the reader can see from figures.
In spite of the above mentioned mistakes and lacks, the bachelor thesis can be recommended for oral defence.

Ostrava, 26th May 2014

Ing. Miroslav Čulík, Ph.D.
bachelor thesis reviewer