Review of bachelor thesis

Author's name: Kai Wu

Bachelor thesis topic: Evaluation of Financial Situation of China Telecom Company

Evaluation of company's financial position is important part of financial management. It is also subject of interest of financial analysts and other external entities. Verification methods and tools, which are used to determine financial situation of companies, are important for all students.

The aim of the bachelor thesis is analysis of financial performance of specific company during selected time period. As to the results and conclusions presented in this bachelor thesis it can be confirmed that the mentioned goal was achieved.

Bachelor thesis is divided into five chapters. All mentioned text in these chapters agrees with the names of this chapters and logical relationship of individual chapters can be seen. There is only one difference, the name of chapter three is not same in content and in assignment. Second chapter is only theoretical and author mentioned selected methods of financial analysis in this part of bachelor thesis. Attention is concentrated on common size analysis, ratio analysis and pyramidal decomposition of the selected ratio (Return on equity). It is necessary to mention that all facts are described correctly without important mistakes and errors. Author tried to present all essential characteristics of these methods and used good formulas of individual ratios. Only another ratios could be still presented - for example Pretax profit margin, Return on long term capital, Working capital turnover or Long term debts to assets ratio so that evaluation of financial position was more comprehensive. Third chapter concerns some main historical and present information about selected company.

Practical financial analysis can be found only in chapter four and author used horizontal and vertical analysis firstly. Presented data are correct and author showed good knowledge of these methods, but some information could be expressed better. It means for example that items evaluated by vertical and horizontal analysis should be the same but author evaluated different items from balance sheet (see page s 31 and 38). Identified results are completed by graphs, but some of these could be created better. (For example line of total revenue could be part of figure 4.4.) Ratio analysis is part of this chapter as well. All presented data are mentioned without mistakes and inaccuracies though comments of findings could be more comprehensive, nevertheless author made mistakes in final part of chapter four. This part contained Du Pont decomposition of Return on equity and in spite of the fact that presented data are correct the final ranking of impact of various indicators on the top indicator is not determined correctly. For example we can see in table 4.20, according presented results, that ratio Total asset turnover the most influenced change of ROE and not Profit margin.
With the references the formal requirements bachelor thesis is without significant errors and is completely in accordance with the instructions. The text mostly is suitably supplemented by charts and tables that match the referred data. Only author could use more references to used literatures.

According above mentioned facts, bachelor thesis can be definitely recommended to the defence.