Review of Bachelor Thesis

Title: Financial Situation Assessment of the NetEase, Inc. Company

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Assessing of financial health is a necessary and permanently repetitious task in financial management, especially when it is focused on seeking further reasons of non-desirable conditions and when suitable recommendations are formulated. For that reason, the theme of the thesis may be considered actual and well chosen.

The aim of the thesis is to evaluate the financial condition of the NetEase Company during 2011–2015. The thesis is divided into five chapters. The first one is introductory, the second one may be considered as theoretical and the third chapter as application part. The last two chapters conclude the work.

The second chapter is devoted to the description of financial analysis. Here, the main attention is paid to the methods of financial analysis including the pyramidal decomposition. In the third section, the author introduced the company and applied the methods of financial analysis to the financial data. The fourth chapter is actually the conclusion, thus, the last chapter duplicates actually the previous one.

The text suffers some formal imperfections that are defined in Guidelines No. EkF_SME_12_002 Version E. The text is not well structured. Especially mathematical formulas are not written in the sentences that also yield the wrong punctuation. In addition, the author does not distinguish the dash and hyphen at all.

Figures are described sufficiently but are not correctly referred (e.g. figure 3.30). In addition, the graphical presentation is not well done because the development and distinction among some time series presented in the figures are not obvious (e.g. page 53). The abbreviation ROTC is confusing. Once it is a return on total costs, secondly, it means return on total capital. In addition, how is it possible that return on total capital and return on assets is not the same when the assets must equal to total invested capital?

From the expert’s point of view, many comments are reduced on the describing the input data. The horizontal common-size analysis is not actually performed because the author comments and compares only the absolute values of assets and other items. The calculated
ratios are not commented according to the others, e.g. liquidity regardless of activity ratios. The ROE is decomposed into three ratios only in spite that the author had the further data.

The sensitivity analysis is interesting; however, it does not reveal any relevant conclusion. It is expectable that increase in profit yields increase in ROE and in the influence of ROS on ROE etc. regardless of the fact that earnings or equity mustn’t be changed independently on the change of other items (i.e. debts, costs, revenues etc.). In addition, what are the findings for an increase in equity by 10 %? The decreasing influence of financial leverage changed on increasing, why it is so?

Based on reasons described above, it may be concluded that the thesis is not of great value in practice. However, it complies with the most formal requirements imposed on this kind of work and according to the procedure described and presented, it can be said that the goal has been complied partly. Therefore, I recommend the work to the defence.

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