Supervisor’s bachelor thesis assessment

Student: Rongming Lu
Title: Financial Analysis of Qingdao Beer Company
Supervisor: Ing. Martina Novotná, Ph.D.

The author has focused on the problem of financial analysis, which is a topical problem in the area of corporate finance. The ability to properly apply methods of financial analysis, interpret results and take adequate measures is the core activity in financial management and it is definitely a suitable topic for the bachelor thesis. The main objective is stated in the introductory chapter as examining the financial works of the company. This expression is not quite accurate, however with respect to the following text, the objective is clear. The student attempts to carry out the financial analysis of Qingdao Beer Company over the period 2006-2010. Based on the content and results of this work, the objective has been achieved successfully by the student.

The structure of the thesis is consistent with the thesis assignment, the author proceeds systematically and logically from the theoretical background to the practical application of chosen methods. The author summarizes his findings in tables and interprets results. The visual layout is adequate; the work contains tables and graphs in an appropriate degree. References have been properly included in the text, but the style of quotes is not always in line with guidelines. There are minor grammar and spelling errors.

The work is divided into five main chapters. First, the methods of financial analysis are described. The student has paid adequate attention to all main areas of financial analysis. In the third chapter of this work, the overview of the Qingdao Beer Company is provided, including the company profile and analysis of the industry. Then, the chapter is focused on the comparison of selected indicators (revenues, profit, total assets) with the main competitor, Yanjing Brewery.

The core chapter of this work is chapter four, in which the practical application of selected methods is carried out by the student. The company has been assessed by common size analysis and financial ratios analysis, the attention is paid to four main areas such as activity, liquidity, solvency and profitability analysis. The analysis is performed in detail; however we can find some inaccuracies (e.g. the purpose of the graph 4.18 is not clear and not supported by calculations). DuPont analysis and quantification of influences (2007-2010) is carried out clearly and in detail, including author’s interpretations.

Based on the thesis, the student is able to identify a problem and use an appropriate methodology to solve the problem. It is evident that the student is capable of original and independent work. Regardless of the comments above, the work satisfies the requirements for the elaboration and provides author’s original results and suggestions.

Themes for discussion:
1. The results of financial analysis could have been compared with the industry averages. Is it possible to get suitable data about brewery industry from official Chinese sources?
2. Is the relatively high amount of cash and thus high liquidity indicators typical in the beer industry?

For the reasons above, I recommend the thesis for the oral defence.

Ostrava, June 18, 2012.

Ing. Martina Novotná, Ph.D.