Opponent's Review of Bachelor Thesis

Title: Financial Analysis of Yili Company

Author: Kangyu Wang

Assessing of financial health is necessary and permanently repetitious task within 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 as actual and well chosen.

The aim of the thesis is to conduct a financial analysis of Yili company. The thesis is divided into five chapters. The first one is introductory, the second one may be considered as theoretical and the third and fourth chapters as application part. The last chapter concludes the work. The second chapter is devoted to the description of financial analysis. Here, the main attention is paid to the ratio analysis. In the third section, there are firstly described Yili company and also the Chinese dairy market and the company's financial statements are analysed in the Section 4 which is focused on the financial analysis. Firstly, the common-size analysis is applied to the financial statements and then there are computed some financial ratios.

The text suffers some formal imperfections. Author does not comply with many requirements in Guidelines No. EKF_SME_07_004. He uses the wrong format of references; the symbol of multiplication is written improperly; the punctuation in the areas of equations is mostly missing; many paragraphs are not aligned properly and margins are too wide (thanks to that the text seems to be longer!).

In terms of application part, there are also some imperfections. Some comments are too simplifying and other causes remain unrevealed, for instance p. 42 the fall of profitability ratio is explained by the sharp increase of administrative costs due to melamine incident. It is obvious from the income statement that these costs increased by 1.000 mil and the profit decreased by 2.000 mil. Some graphs are not used properly, for instance the graph 4.8 does not represent a structure. Unclear values of gross profit are in the table 4.3 and graph 4.9 where the gross profit is depicted as positive numbers, but it is not explained and it is not clear how the gross profit is computed. These values are not recorded in any tables and even in income statement (profit before taxes is negative). However, seeking further causes may be appreciated. Many comments are supported by relevant and truthful arguments which may be verified in financial statements. It is pity that author formulates threats and recommendation rarely and the most of them are reduced on assessment as bad or good for company. Many comments are also reduced on the description only and almost everything is explained by melamine incident which would not be probably the only reason of undesirable state.

Finally in spite of the imperfections described above, it may be concluded that the thesis complies with the most formal and content requirements imposed on this kind of work and according to the procedure described and presented, it can be said that the goal was complied with. Therefore I recommend the work to the defence.

Ostrava 20th June 2012

Ing. Jiří Valečký, Ph.D.
Department of Finance
VSB-TU Ostrava, Faculty of Economics