

talents. History has proven that without the joint efforts of a group of technological entrepreneurial elites, innovative management masters, and venture capital, the US information industry cannot grow rapidly. In the early development of Silicon Valley, American universities have provided Silicon Valley companies with a steady stream of high-quality scientific and technological innovation talents, and cultivated a number of well-known companies such as (HP, Cisco, Apple, Yahoo, and Google). Provide sufficient intellectual reserves and sources of innovation for the development of the digital economy.

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FINANCIAL STATEMENTS ANALYSIS FOR EFFECTIVE INVESTMENT DECISION MAKING IN HUAWEI

Li Rongmei

*Master's Student of the School of Accounting and Economics
of the Belarus State Economic University, Minsk*

Supervisor: **V. Rudkouskaya**

*PhD in Economics, Associate Professor of Accounting, Analysis and Audit
in the Sectors of National Economy Department of the Belarus State Economic University, Minsk*

The role of the financial statements analysis in making effective investment decisions is defined, the main directions of financial statements analysis in the company «Huawei» are presented, additional areas for analysis in investing are outlined.

Keywords: financial statements; analysis; assessment; company; investment decisions; profitability.

АНАЛИЗ ФИНАНСОВОЙ ОТЧЕТНОСТИ ДЛЯ ПРИНЯТИЯ ЭФФЕКТИВНЫХ ИНВЕСТИЦИОННЫХ РЕШЕНИЙ В КОМПАНИИ «ХУАВЕЙ»

Ли Жунмэй

*Магистрант учетно-экономического факультета
Белорусского государственного экономического университета, г. Минск*

Научный руководитель: **О. Г. Рудковская**

*Кандидат экономических наук, доцент кафедры бухгалтерского учета,
анализа и аудита в отраслях народного хозяйства
Белорусского государственного экономического университета, г. Минск*

Определена роль анализа финансовой отчетности в принятии эффективных инвестиционных решений, представлены основные направления анализа финансовой отчетности в компании «Хуавей», очерчены дополнительные области для анализа в инвестировании.

Ключевые слова: финансовая отчетность; анализ; оценка; компания; инвестиционные решения; прибыльность.

Financial statements analysis is one of the most important conditions for a company's successful financial management. The financial state determines the competitiveness of the company and its potential in business cooperation, it is an economic interest effective implementation guarantor for all participants in financial relations: both the company and its partners.

Using financial statements analysis for effective investment decision making, development trends are studied, the main factors that influence on a company's performance are thoroughly and systematically investigated, plans and management decisions are justified, control over their implementation, increasing production efficiency reserves are identified, and the company's performance is assessed. Organizations need data on the partners' reliability and financial stability, it is important for banks to know about the creditworthiness of borrowers, the tax office checks the solvency and the likelihood of bankruptcy of companies. This information can be obtained as a result of assessing the company's financial state. It is needed not only by external users, but it is even more important for the company itself.

Financial solvency is an important economic activity characteristic in the external environment. It largely determines the competitiveness of the enterprise, its potential in business cooperation, evaluates the degree to which the economic interests of a company and its partners in financial and other relations are guaranteed.

The main elements of the analysis of the financial solvency of a company are:

- the composition and structure of assets (property, tangible and intangible assets, which are the company's production and economic activities resources), their condition and dynamics;
- the composition and structure of liabilities (equity and borrowed capital), their condition and dynamics;
- financial stability absolute and relative indicators and their level assessment;
- the solvency and the balance sheet assets liquidity [1, p. 34].

Financial solvency analysis as one of the managing functions it is a process of researching economic information with the aim of:

- an objective assessment of the financial solvency stability level achieved, assessment of changes in this level in comparison with the previous period, with the business plan under the influence of various factors;
- making investors informed on financing investment projects based on the criterion of company's investment attractiveness;
- improving the financial solvency, increasing financial stability and investment attractiveness [2, p. 41].

Based on the above essence and content, as well as the purpose of the analysis of the company's financial solvency, Huawei can conclude that its main tasks include:

- 1) assessment of property status, structure of its distribution and efficiency of use;
- 2) assessment of the adequacy of equity and borrowed capital for current business activities, the rationality of its use, as well as the choice of strategy for the further company development;
- 3) assessment of the financial solvency level achieved, its financial independence, provision with its own working capital, the adequacy of fixed assets, inventories and work in progress to ensure the competitiveness and profitability of products;
- 4) solvency and property liquidity assessment;

5) analysis of the main technical and economic factors impact on the change in financial solvency;

6) identification the risk factors and uncertainties influence (including inflation, state tax policy) on the financial solvency;

7) the internal production reserves identification and the managerial decisions development aimed at increasing the stability of the financial solvency and its investment attractiveness;

8) increasing the business plan economic feasibility in part, aimed at improving the financial solvency, determining the prospects for further improvement of the financial condition, including the construction of forecast balances, calculating the need for investments and growth in working capital and fixed assets.

Published financial statements are the only source of information about the activities and affairs of a business entity available to the public, shareholders, investors and creditors, and the governments. These various groups are interested in the progress, position and prospects of such entity in various ways. But these statements however, correctly and objectively prepared, by themselves do not reveal the significance, meaning and relationship of the information contained therein. For this purpose, financial statements have to be carefully studied, dispassionately analysed and intelligently interpreted. This enables a forecasting of the prospects for future earnings, ability to pay interest, debt maturities both current as well as long-term, and probability of sound financial and dividend policies.

Thus, financial statements analysis refers to the treatment of information contained in the financial statement in a way so as to afford a full diagnosis of the profitability and financial position of the firm concerned.

Huawei is a Chinese multinational company with headquarters in Shenzhen, which is the main contender for leadership in the smartphone market. The company was founded in 1988 by a former officer and is a major global manufacturer of telecommunications equipment. The main activity of the company is the creation of telecommunication networks, the provision of operational and consulting services, the production of equipment inside the country and abroad. Huawei has achieved high results in the development of telecommunication networks, terminal solutions and cloud computing systems [3].

Solvency indicators of Huawei

It follows that the Debt Ratio for 2017–2019 decreased by 0.124, the Debt-to-Equity Ratio increased by 0.431, the Equity multiplier decreased by 0.31. Show the calculation results in figure 1.

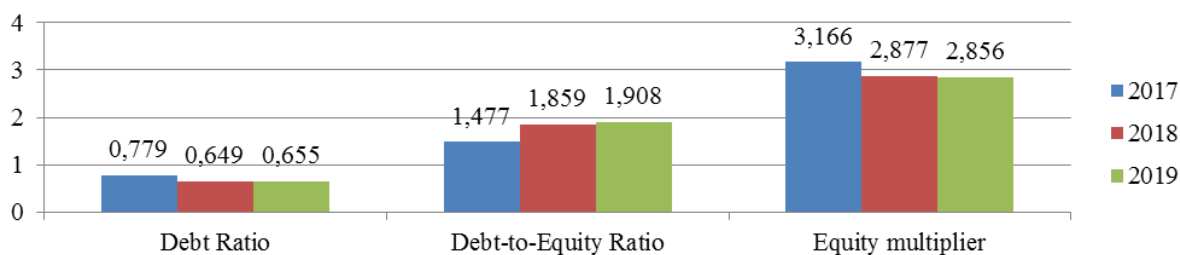


Figure 1 – Solvency indicators

Note – References: own development based on [3].

Liquidity indicators of Huawei

It follows that the current ratio for 2017–2019 decreased by 0.058, the quick ratio decreased in a significant amount. The Cash Ratio decreased by 0.329.

We will show the calculation results in figure 2.

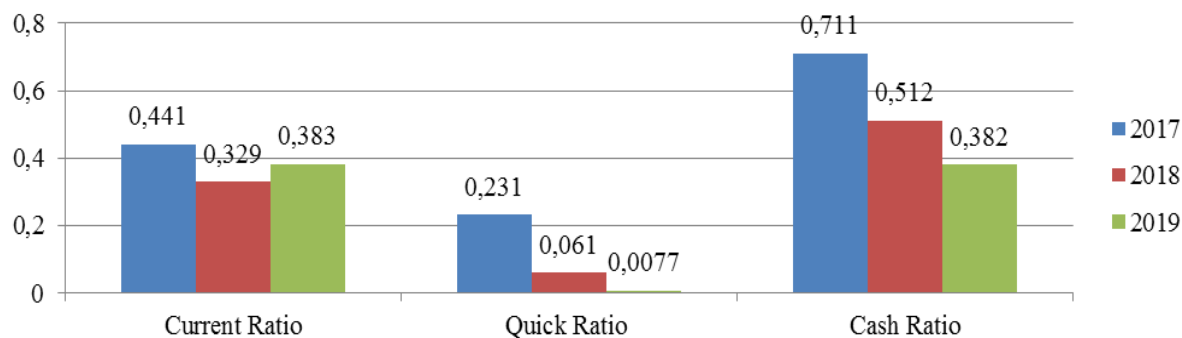


Figure 2 – Liquidity indicators

Note – References: own development based on [3].

Profitability indicators of Huawei

It follows that the Net Profit Margin Ratio for 2017–2019 increased by 0.0113, the Gross Profit Margin Ratio increased by 0.125, the Operating Margin Ratio increased by 0.0106. Show the calculation results in figure 3.

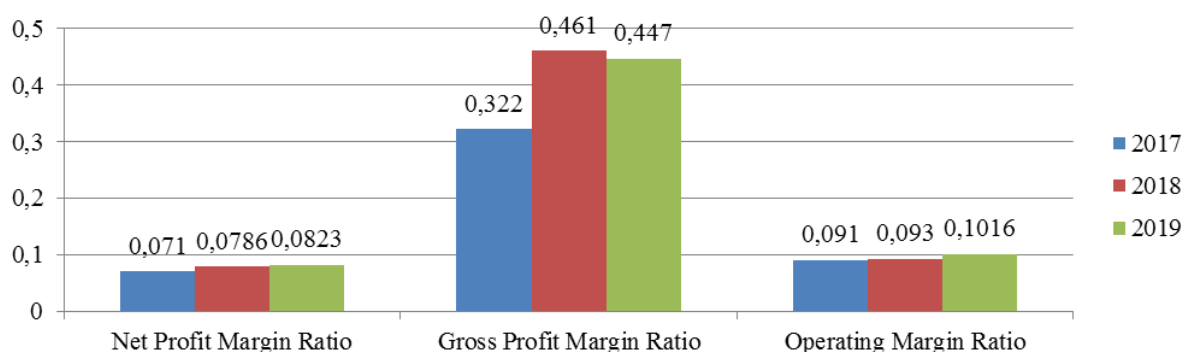


Figure 3 – Profitability indicators

Note – References: company data.

These estimated indicators are not enough to fully assess the feasibility of investing. The effectiveness of the investment project as an aggregated economic assessment of project decisions includes social (socio-economic) efficiency and entrepreneurial (commercial) efficiency.

Public performance indicators reflect the social consequences of implementing a large-scale investment project, including «internal» and «external» results and costs. The result of the investment project is the income generated by it, which is placed at the disposal of the state and the participants.

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