

## Mid-term Assignment/Paper



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## Introduction to Samsung Company

The Samsung Company is famous company in the area of electronic industry. This company was established in 1969 in Taegu, Korea. The founder of this company was Byung – Chull Lee. At the very first time the company has started business with the manufacturing of Black and White TVs. At the early period of time the company was at the steady growth and after the end of year 2004 the company has got about the sale of £52 billion and has assets about £38 Billion. At this time the company had employed approximately 113 thousand at the worldwide. In this year the company got the competitive advantage too as it go ahead to its competitive rivals like Kodak, Philips, and Panasonic etc. At that time the company involved in the manufacturing of TVs, Computers and Av equipment, Mobile Phones, Networking Equipment, LCD Screens, Notebook computers, Laptops, HDTVs , Washing Machines and other electronic equipment etc. According to the company the success they achieved is purely depend on their contribution that how they manage their company in an effective way by considering the things like contribution to society and mutual prosperity at the worldwide level among the people. The chairman of the company has told that the group of Samsung always guide their employees to put emphasize over the efficiency and design of the products. Under the observation of the formal chairman the company able to attain the leading position in the electronic market. In relation to this the below diagram has shown the organizational structure of the company.

## Financial Analysis of the Company (Samsung)

The Samsung is continued to grow and gain profit in the market at high rate. From the financial statement of the last five years of the company has clearly showed that how the company is on the track of the progress. From year 2005 to 2010 there is increase in the net profit of the company. For the year 2005 the company has gained the profit with 31 % but in the next year it was decreased by 1 % and become 30% then for the coming consecutive years there is decrease as that was recession period but still in recession it made the profit of 28% in both 2007 and 2008. For the further improvement in next year of 2009 there is total gross profit is by 33.5 % and fro the next and present year of 2010 the company has the highest profit of 35.3 % as a gross profit of the company. From the financial statement given in the appendixes it is clear that the company has got the improvement in last five years. Till year 2010 there is total assets of the company are 125,677 billion as Korean KRW.

## Ratio Analysis of the company Samsung

The following table show the ratios for the company over last five years. The different ratios find in the table are ROE in which there are ratios of Profitability, assets turnover ratio and leverages are included and there is average ration of ROE is given. For the next there is Debt/ equity ratio for the five years followed by the Net debt/equity ratio and in the last column there is total earnings per share are given.

The ratios are calculated from the balance sheet and income statements for the last five years of the company. The ratios calculated are shown in the following table for the years 2005-2010.

## **Introduction to Nokia**

The company Nokia has started in year 1856 at the banks of Nokianvirta River. The company at that time is major force in the industry. After that it undergoes merger with Cable Company to enter into the market of electronic by the name of Nokia Corporation. The new company successfully entered into the market and play a pioneering role in the area of mobile communications. Due to the globalization the company soon grow at fast pace and there is good position attained by the company. The most strategic decision taken by the company was in 1992 that to concentrate on the telecommunication business only.

At present the Nokia Corporation is engaged in the business of communication and manufacturing of the mobile. This company is at the number one position in the market. The company had over 123000 employees at present working in the company. The company has its roots in 120 countries of the world. The annual sale of the company is 41 Euro billion and has profit about 1.2 euro Billion as on the year of 2009. This company is recognized as the world's largest manufacturer of mobile phones and even it provides the navigation system too in addition. The market shares of the company was 30% of the global market in the third quarter of year 2010 operating profit of  $\hat{a}$ , -1.2 billion as of 2009. It is the world's largest manufacturer of mobile telephones: its global device market share was 30% in the third quarter 2010, but this value is less than to year 2009 when it was 34 %. The Nokia is continuing to growing by introducing advance technology according to the global needs of the society and market.

## **Financial analysis of Nokia**

For the financial analysis of Nokia there is consideration of the annual statements for the last five years of Nokia and also there is consideration of the balance sheet of the Nokia for the last five years from 2005- 2009. The following table is formulated for the explanation purpose to analyse the financial position of the company.

## **Ration Analysis of Nokia**

The following table shows the ratio analysis of the company on the bases of above table which represents the overall financial statement of the company.

From above table of ratios it has been seen that there is deterioration in the ROE ratios from 2007 to 2008 and from 2008 to 2009. There is also deterioration in the ROA ratio with the same pace.

## **Comparison of Nokia and Samsung**

The both companies are reputed companies in the mobile sector. The Nokia is leading than the Samsung Company. At present the nokia is number one company but there is deterioration in the sales of the company and even in the ratios of the company if it continues it will be hard for the company to compete with its rivals. On the other hand the company Samsung is continue to grow. There is continue growth has seen in the company. As from the financial analysis of the company and the ratios calculated it has seen that at present the company has raised itself from the 15th position to

the 5th position and this is milestone in the history of telecommunication industry. The company is continuing on this track to progress.

The following presentation shows the comparison between these two companies.

Nokia 2009

Samsung 2009

**Position in Market**

1st

5th

**Operating income**

( 1716)

8973

**Net profit**

0.63 %

15.4%

From above table it is clear that Samsung is making profit regularly. On the other hand there is continues deterioration in the Nokia from last four consecutive years

### SAMSUNG PAST FIVE YEAR RATIOS

Years	Current ratio %	Quick ratio %	Net working capital	Net profit %	Price earning %	Debt to equity	Avg Inventory	Inventory turnover	EPS %	Capitalization
2011	1.6133	1.2061	23569799	8.3235	6.8517	0.5281	12681096.5	7.6679	77.23	83,555,820
2010	1.5371	1.1475	18840871	10.4420	5.0328	0.5029	10143672	8.8868	93.07	73,509,495
2009	1.6455	1.2789	20865512	7.3599	5.4687	0.6767	8052275	10.5294	56.13	47,975,014
2008	1.5204	1.0988	13334515	4.8561	7.9296	0.7291	6945668.5	10.2812	29.98	37,398,881
2007	1.4062	1.0418	9630102	8.0429	4.0750	0.7239	6804563.5	11.1051	53	33,917,629

Note: All the figures are in the billions dollars and taken from the annual reports of Samsung ratios analysis from 2007-2012

### NOKIA PAST FIVE YEAR RATIOS

Years	Current ratio %	Quick ratio %	Net working capital	Net profit %	Price earning %	Debt to equity	Avg Inventory	Inventory turnover	EPS %	Capitalization
2011	1.6084	1.5806	17,018	23.95	14.36	0.3650	783.5	20.5960	0.01434	73754
2010	2.0112	1.9605	20,956	21.48	20.15	0.4335	913.5	15.7186	0.0116	48390
2009	2.7424	2.7029	20,049	19.19	31.17	0.3636	753	24.1713	0.0091	29396
2008	2.4616	2.4255	20,598	16.32	15.80	0.6700	482	26.1721	0.0080	126.12
2007	2.3611	2.3239	12,657	14.56	43.5	0.6398	427.5	14.1146	0.0061	111.9

Note: All the figures are in billion dollars taken from the annual reports of Nokia ratios analysis from 2007-2012

### Conclusion

From the above report it is concluded that the financial analysis is very important for the companies in every field. This is useful in find out the level of company and moreover this is useful in having comparison with the other companies so that for the future welfare possible steps should be taken. The financial analysis make the company knows about the finance they have to spend and where they need to spend this. This even gives the evaluation for the profit and loss for the company.

