

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

Economic analysis of Samsung Company in Russia

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Azimkhon Makhbubov

Business Administration

Thesis title

Economic analysis of Samsung company in Russia

Objectives of thesis

- overall assessment of financial status and factors affecting its change;
- examination of the conformity between means and sources, the rationality of their placement and use efficiency;
- observance of financial, settlement and credit discipline;
- the determination of liquidity and financial stability of an enterprise;
- long-term and short-term forecasting of stability of the financial status.

Methodology

The methods of induction and deduction are used during the economic analysis.

The method of induction (from particulars to generals) supposes that the examination of economic events begins from isolated facts, situations and comes to study of an economic process in general. The method of deduction (from generals to particulars) is defined by, on the contrary, a move away from generals to particulars, in particular to analysis of influence of specific factors on generalized economic data.

There are some other methods which are used, during analysis such as :
grouping method, balance method, mean-value method, method of index numbers, factor analysis.

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Keywords

Samsung, Samsung in Russia, Financial Analysis, Financial Position, Financial Performance

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Declaration

I declare that I have worked on my bachelor thesis titled "Economic analysis of Samsung company in Russia" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on _____

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Ekonomická analýza společnosti Samsung v Rusku

Souhrn

V bakalářské práci je řešena aktuální problematika, a to ekonomická analýza konkrétní společnosti. Ekonomická analýza slouží ke stanovení specifické strategie a přístupu k rozvoji organizace, k identifikaci existujících rezerv pro zvýšení výroby a služeb a růstu zisku.

Úlohou ekonomické analýzy je, na základě studia a zhodnocení organizačních a ekonomických procesů, navrhnout optimální řešení, najít možnosti, prostředky a způsoby, jak zvýšit konkurenceschopnost, finanční stabilitu a finanční výsledky a zhodnotit možnosti dalšího rozvoje analyzované společnosti.

Klíčová slova: Zásobování, Požadavek, Samsung, Ekonomická analýza, Finanční analýza, Finanční situace, Technologické podnikání, Analýza finanční stability, Ziskovost společnosti, Management analýza.

Economic analysis of Samsung Company in Russia

Summary

The subject of the paper is of current interest as economic analysis enables us to develop a specific strategy and approach concerning the development of organisation, identification of existent reserves for increasing in manufacture of products (works, services) and growth of profits.

The role of economic analysis is in study of organisation economic processes to develop optimal solutions, find possibilities, means and ways to increase their competitiveness, financial stability, financial results. It is possible to evaluate development opportunities and providing of financial stability of economic structures only on the bases of economic analysis and it determines its meaning.

Keywords: Supply, Demand, Samsung, Economic analysis, Financial analysis, Financial condition, Technology business, Analysis of financial stability, Company profitability, Management analysis.

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1 Introduction

Forming of market relations dramatically changed economic, legal and information environment in which companies of all branches were functioning, including commercial enterprises that were at the first line of the response to market relations. The changes caused the necessity of reforming of enterprise management system and above all such an important function as economic analysis. The importance of reliable, objective information increased sharply as enterprises that became completely independent had economic and legal responsibility for their decisions and actions. Under this circumstance commercial and financial success mostly depends upon how efficiently the analytical department of a company performs its responsibilities. (Druzhnikova E.P 2013)

Economic analysis involves a system of special knowledge connected with the study of economic processes evolving under influence of objective economic laws and subjective facts. The main goal is in evaluating and searching of the most effective ways to use resources that provide the achievement of maximal satisfaction of human and social needs. (Rusak N.A. 2013)

Under a free market economy economist, managers, accountants, auditors need to understand the innovative methods of economic analysis, use economic data in a proper way while performing; apply analytical tools more efficiently; understand analysis technique of financial and economic activities; assess the financial sustainability and responsibility of a company properly. (Rusak N.A 2013)

Owners (founders) of organisations analyse financial statements in order to increase profitability of capital invested as well as ensure good performance of a company, investors and creditors – in order to eliminate risks as for loans and investments granted. (Savitskaia G.V 2013)

Even though to perform careful analysis the additional indicators may be required, for most subjects of economic activities just quarterly or annual financial (accounting) reports are enough to be done. (Vyvarets A.D 2013)

The subject of research is to examine economic analysis of enterprise activities

The object of research - LLC “Samsung Electronics Rus Kaluga”

The methods of economic analysis used in research are: grouping method, balance method, mean-value method, method of index numbers, factor analysis.

The most influence on the development of the theory of economic analysis had monographic works, textbooks and text editions published for recent years. They include the

following: S.B. Barngolts "Economic Activities' Analysis at the Current Stage of Development», "Theory of Economic Activities' Analysis" edited by A.D. Sheremet, I.I Karakoz, V.I. Samborskii « Theory of Economic Analysis ". Those literary sources were used in writing this paper.

2 Objectives and Methodology

2.1 Objectives

The aim is to provide economic analysis of enterprise activities

Tasks:

1. To examine economic analysis and its role in the governance of organisation.
1. To consider tasks, sequence of performing and order of presentation of economic analysis results.
2. To examine types of economic analysis and their role in the governance of organisation.
4. To perform general organisational characteristics of Samsung Group.
5. To provide analysis of financial and economic activities of LLC “Samsung Electronics Rus Kaluga”
6. To perform economic analysis of current income and profitability controlling mechanisms at LLC “Samsung Electronics Rus Kaluga”

2.2 Methodology

The methods of economic analysis used in research are: grouping method, balance method, mean-value method, method of index numbers, factor analysis.

3 Theoretical Bases of Economic Analysis of a Company

3.1 Economic Analysis and its Role in the Governance of a Company

Economic Analysis (in other words — Analysis of economic activities) plays an important role in increasing of economic efficiency of company activities, in improvement of their financial standing. It is the economic science that studies business economics, company activities in terms of evaluation of their work plans, assessment of their material and financial status and to indicate untapped reserves to make company activities more effective. (Bakanov M.I 2014)

The subject of economic analysis is material and financial status and current economic activities of a company, which is studied in terms of its compliance with business plan tasks and to indicate untapped reserves to make company activities more effective.

The content of economic analysis is a comprehensive and detailed study using all available sources of information concerning different aspects of such a company functioning which is intended to improve its work though development and implementation of optimal management solutions that reflect reserves found during the analysis and ways of their use. (Ginzburg A.I. 2013)

Economic analysis is divided into internal and external ones according to subjects of analysis that is bodies, which perform it. The most complete and comprehensive analysis is an internal one carried by functional departments and services of the company. As a rule an external analysis conducted by tax bodies, banks, debtors and creditors and other organisations is reduced to determination of financial standing of the company, its creditworthiness and liquidity as of reporting period as well as in the long term. (Lialin V.E.2013)

Objects of economic analysis are material and financial status of a company, its production, supply and sales, financial activities, work of structural company subdivisions (shopfloors, production departments, work teams).

Economic analysis as a science, as a branch of economic knowledge, and finally as a classroom discipline is closely connected with other particular economic sciences. (Gorfinkel V.Ya 2014)

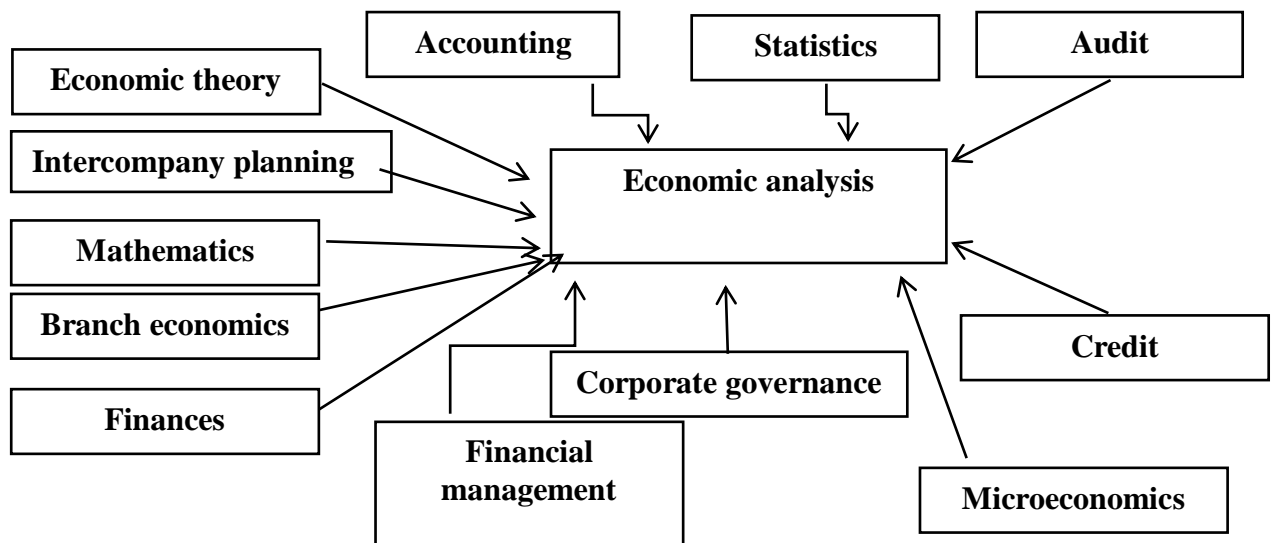


Figure 1 - Economic analysis and different economic sciences interrelation

Economic analysis is a complex science, which uses its own mechanism that remains typical for other economic sciences. Economic analysis as well as other economic sciences studies economics of separate objects but uses its own visual angle. It provides an assessment of a state of economy of the particular object as well as its current economic activities. (Charldaieva, L.A. 2014)

Principles of economic analysis:

- **Scientificity.** Analysis must meet the requirements of economic laws, use the achievements of science and technic.
- **System approach.** Economic analysis must be conducted considering all regularities of evolutionary system that is to study phenomena in their interrelation and interconnection.
- **Complexity.** While studying it is necessary to take into consideration many factors, which affect the enterprise economic activities.
- **Study in dynamics.** While analysing all the events must be seen in their development and it makes it possible not only to understand them but also find out the reasons of their changes.
- **Identifying the main goal.** Setting a research task and identifying the most significant reasons that cut down production or are barriers to the goal are important moments in the analysis.
- **Specificity and operational utility.** The results of analysis must have numeric value and the reasons for how indicators have changed must be particular indicating places of their occurrence and ways how to remove them. (Petrenko I.Ya. 2014)

For practical purposes to implement methods of economic analysis there were developed the specific methods. They are a range of ways and means applied for search of optimal solutions of tasks.

The methods used in economic analysis at some stages of analytical works provide applying of various techniques and approaches.

The joint moment of the method of economic analysis is identifying of effect of particular factors on economic indices. The relationship of economic phenomena is a joint change of two or more of such phenomena. There are different forms of relationships of economic phenomena. The most significant is a causative relationship. Its essential nature is that the change of one economic even is caused by the change of another economic event. Such a relationship is called deterministic, in other words — cause-and-effect one. If two economic events are connected by such a relationship, the economic event, whose change causes the change of another, is called a reason and the event, whose change is a result of influence of the first one, is called a consequence. (Bocharov V.V. 2014)

In economic analysis the signs that describe a reason are called component, independent. The signs that describe a consequence are called resultative, dependent.

The main tasks of economic analysis are: identifying and determination of influence of factors which affect the overall production and realization of products, cost saving; examination and use of reserves of growth of economic potential, working quality and efficiency of enterprise and its branches; searching for financial opportunities to improve servicing of customers. (Bocharov V.V. 2014)

Sources of information for economic analysis are forms of financial statements, accounting data, statistical reports and other sources, similar to those used in economic analysis of commercial enterprises. (Gavrilova A.N. 2013)

The subject of economic analysis is material, labour and financial resources, as well as the sources of their formation. The contents and the main target set is the evaluation of use of these resources and search of optimization ways as well as factors influencing change, analysis of financial status and identification of ways to improve it. For example, the content of production cost analysis is the identification of reserves to reduce costs of production and sales; an objective assessment of the performance plan concerning the cost value and its change with respect to previous periods as well as compliance with applicable laws, contractual and financial discipline; ensuring responsibility centres for costs with necessary analytical information to manage the formation of production cost; promoting the

development of optimal value of planned costs, planned and standard cost calculations for particular makes and types of products.(Savitskaia G.V. 2013)

Considering the fact that in the process of achievement of financial stability the essential role belongs to analysis and its main objectives are:

- overall assessment of financial status and factors affecting its change;
- examination of the conformity between means and sources, the rationality of their placement and use efficiency;
- observance of financial, settlement and credit discipline;
- the determination of liquidity and financial stability of an enterprise;
- long term and short-term forecasting of stability of the financial status.

To solve these tasks the following is examined:

- availability, composition and structure of the company assets; the reasons and consequences of their change; availability, composition and structure of sources of funds, reasons and results of their changes;
- status, structure and changes of long term assets; availability, structure of current assets, reasons and results of their changes;
- liquidity and quality of receivables;
- solvency and financial flexibility;
- efficiency of use of assets and investment return. (Muraviova A.I. 2013)

3.2 Objectives, step sequence and handling technique results of economic analysis

The most complete and deep analysis is the inner (intercompany) one, performed as a rule by functional departments and branches of this company. That is why the inner analysis faces far more numerous tasks than the external one. (Susha G.Z.: 2013)

The main tasks of inner analysis of enterprise activity should be considered:

1. check of assignment justification of business plans and various requirement criteria;
2. determining of a level of compliance of business plan tasks and following of standard requirement criteria;
3. estimation of the effect of specific factors on the deviation of the actual values of economic indicators from the basic ones;
4. searching of intercompany reserves for further enhancement of company's efficiency and ways of mobilization that is the use of such reserves; (Artemenko V.T 2013)

Of all tasks of inner economic analysis, the main one is to identify reserves in such a company.

Actually, the external analysis faces the only task that is evaluation of a degree of solvency or liquidity of a company as of specific reporting date as well as in perspective. (Blank I.A. 2013)

The results of the performed analysis are the basis for the development and implementation of optimal administrative solutions aimed to improve the efficiency of companies' activities. (Chechevitsyna L.N 2013)

The methods of induction and deduction are used during the economic analysis. (Volkova V.N 2014)

The method of induction (from particulars to generals) supposes that the examination of economic events begins from isolated facts, situations and comes to study of an economic process in general.

The method of deduction (from generals to particulars) is defined by, on the contrary, a move away from generals to particulars, in particular to analysis of influence of specific factors on generalized economic data. (Artemenko V.T 2013)

The most important thing while performing economic analysis is, of course, the method of deduction as sequence of performing analysis, as a rule, supposes a move away from the whole to its constituent elements, from synthetical that generalize operating rates to analytical, factorial data. (Strazhev V.I 2014)

During the economic analysis all aspects of company's activities, all the processes that compound company's operating cycle are examined in their interrelatedness, correlation and interaction. Such an examination involves a focal point of carrying-out of an analysis. It is called a factor analysis. (Khlusov V.P 2014)

After the analysis is completed, its results must be structured in a proper way. To this effect the explanatory notes to annual reports are used as well as certificates or statements concerning the results of analysis. (Gerchikova I.N 2013)

Explanatory Notes are used for external users of analytical information. We will consider what the content should be of the notes should be.

They should reflect the level of company development, conditions, in which its activities take place, there must be characterised the competitiveness of products, price policy, data on product markets etc. It should also give information about a life-cycle stage concerning each type of goods on the market. (They include stages of implementation, growth

and development, maturity, saturation and recession). Also, there must be information about competitors of that company. (Charldaieva, L.A. 2014)

Thereafter, there must be represented data on principal economic indicators over several periods. (Abriutina M.S. 2014)

Those factors must be mentioned which influenced the business of a company and its results. Also, there must be introduced those events that are being planned in order to avoid disadvantages in the business as well as to increase its efficiency. (Lapygin Yu.N 2014)

Statements and reports upon the results of economic analysis that was carried out can include a more detailed description if to compare with no explanatory notes. As a rule, statements and reports do not include general characteristics of a company and the conditions of its functioning. The main emphasis is made to describe reserves and the ways of their use. (Sergeev I.V. 2013)

The results of that activity can be performed in a textless form as well. In such a case there is a set of analytical tables in the analytical documents and there is no text, which characterises the economic activities of a company. Nowadays this presentation of results of the performed economic analysis has significantly increased. (Ignatova E.A 2014)

In addition to the forms of analysis presentation mentioned above, the entering of the most important of them into the certain sections of a **company's economic passport** is also used. (Kovalev V.V. 2014)

Such are the main forms of generalisations and presentation of results of the economic analysis. It should be understood that the representation of data in the explanatory notes as well as in the other analytical documents must be clear, simple, brief and it must be connected with analytical tables. (Radostovets V.K. 2014)

3.3 Types of economic analysis and their role in the governance of a company

3.3.1 Financial and management economic analysis

Economic analysis can be subdivided into different types in accordance with certain features. (Artemenko V.T 2013)

First of all, economic analysis can be subdivided into two main types— financial analysis and management analysis — depending on the content of analysis, the functions and challenges facing it. (Zhidileva V.V 2014)

Financial analysis, in its turn, can be divided into external and internal ones. The first one is held by tax authorities, banks, statistical authorities, parental organisations, suppliers,

purchasers, investors, shareholders, audit firms etc. The main task of external financial analysis is an assessment of the financial status of a company, its financial solvency and liquidity. A company, by its own accountants, specialists of a financial department, planning department, other functional services, holds it. The internal financial analysis solves much more tasks if to compare with the external one. The internal analysis studies use efficiency of equity and debt capital examines profit performance, profitability, indicates their reserves for growth and improvement of financial status of a company. Therefore, the internal financial analysis is aimed to develop and introduce optimal management solutions that encourage the improvement of finance indicators of a company.(Kolchina N.V 2013)

Management analysis, unlike a financial one, is internal. Services and departments of the company hold it. It studies issues connected with a managerial and technical level and other conditions of production using particular types of operating resources (human resources, gross assets, materials), reviews the volume of goods which are produced, their cost value. (Smagin V.N 2013)

3.3.2 Types of economic analysis according to the functions and tasks

In accordance with content, functions and tasks of analysis the following types of analysis can be distinguished: socioeconomic, economic and statistical, economic and environmental, marketing, investment, functional and value (FVA) etc. (Muraviova A.I 2013)

Socioeconomic analysis is engaged in interconnection and interaction between social and economic phenomena. (Charldaieva, L.A. 2014)

Economic and statistical analysis is used to examine mass economic and social phenomena. Economic and environmental analysis examines interconnection and interaction between environmental health and economic phenomena. (Charldaieva, L.A. 2014)

The purpose of marketing analysis is to explore raw material market and market of materials as well as finished products market, relation of supply and demand as for those products, competitive ability of products of that company, price level etc. (Kadambaev T.K 2014) Investment analysis aims to choose the most effective ways of a company investment activity. Functional and value analysis (FVA) is a method of the system study of functions of some product, or some industrial and economic process or a particular management level. This method aims to minimise expenditures connected with designing, production assimilation, sale of goods as well as industrial and domestic consumption of those goods on

conditions that they are of a good quality, maximal utility (and durability as well). (Kadambaev T.K 2014)

Depending on aspect of exploration two main types (directions) of analysis of economic activity can be distinguished:

- Financial and economic analysis;
- Technical and economic analysis. (Raievskii V.A 2014)

The first type of analysis studies the influence of economic factors on implementation of business plans in accordance with financial indicators.

Technical and economic analysis examines the influence on economic indicators of equipment, technologies and management engineering factors. (Liubushyn N.P. 2014)

Depending on activity coverage of a company two types of analysis of economic activity can be emphasized: complete (complex) and thematic (partial) analysis. The first type of analysis includes all aspects of financial and economic activities of a company. Thematic analysis determines some aspects of activities of a company. Economic analysis can be divided in accordance with objects of study: microeconomic and macroeconomic. Microeconomic analysis examines the activities of individual economic units. It can be divided into three main types: intradepartmental, shop and industrial analysis. (Liubushyn N.P. 2014)

Macroeconomic analysis can be industrial one that is aimed to examine functioning of a definite branch of economics or industry, territorial one that examines economics of some regions and, finally, interindustrial one that studies the functioning of economics as a whole. (Klimenko I.S. 2013)

An independent characteristic of classification of types of economic analysis is its subdivision in accordance with subjects of analysis. They mean those authorities and persons that make analysis.

The subjects of economic analysis can be divided into two groups.

1. Those who directly concerned in activities of a company. This group can include owners of company funds, tax authorities, banks, suppliers, purchasers, front office, some functional services of a company.
2. Subjects of analysis who indirectly interested in activities of a company. These include legal organizations, audit firms, consulting firms, trade unions etc. (Bakanov M.I.2014)

3.3.3 Economic analysis according to period

In accordance with the period of analysis (in other words, its periodicity) there can be differentiated: preliminary, operative, final and prospective analysis. Preliminary analysis makes it possible to evaluate object state while a business plan is developed. For example, the production capacity of a company is evaluated, is it able to provide the planned number of products. (Kovalev V.V. 2014) Operative (in other words current) analysis is performed every day, directly during the current activities of a company. Final (further, or retrospective) analysis examines efficiency of economic activities of a company for the past period.

Prospective analysis is used to determine expectations over the forthcoming period. Prospective analysis is of crucial importance for providing successful activities of a company in future. This type of analysis examines possible ways of a company development and selects the ways for optimal results achievement. (Gorfinkel V.Ya 2014) Depending on methods used for objects research, in economic literature the analysis of economic activities is divided into the following types: quantitative, qualitative, express analysis, fundamental, marginal, economic and mathematical. (Fatkhutdinov R.A. 2014)

Quantitative (in other words component) analysis involves quantitative comparisons, measurement and comparison of indices and study of the effect of some factors of economic factors. (Fokina O.M. 2014)

Qualitative analysis uses qualitative comparative assessments, characteristics as well as expert evaluation of economic phenomena, which are analysed.

Express analysis is an estimation method of economic and financial standing of a company on the basis of certain characteristics that express various economic phenomena. Fundamental analysis is based on a complex, detailed study of economic phenomena, as a rule, on the basis of applying of economic and statistical and economic and mathematical research methods. (Robozina L.A. 2014)

Marginal analysis researches the ways to optimize profit margin obtained as a result of sale of products, works and services. Economic and mathematical analysis is based on use of a complex mathematical apparatus with the help of which the optimal variant of solution of any economic and mathematical model is set. (Efimova O.V.2014)

3.3.4 Dynamic and statistical economic analysis

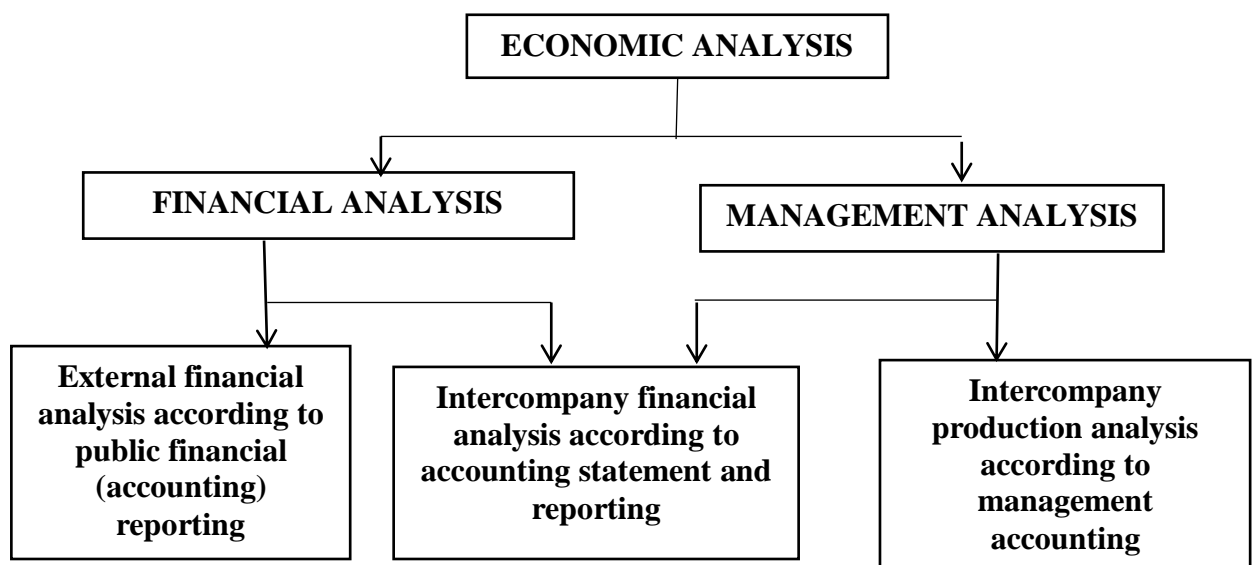
Conceptually, economic analysis can be divided into two: dynamic and statistical. The first type of analysis is based on examination of economic indicators taken in their development,

which is in their updating, development over the period of time, for some accounting periods. In the course of dynamic analysis, the indicators of absolute growth, rate of growth, rate of increase, absolute value of one percent of increase are identified and analysed and the formation of time series and their analysis is performed. Statistical analysis suggests that examined economic indicators are static that is permanent. (Poliak G.B. 2014)

As for the spatial characteristic economic analysis can be divided into two following types: internal (intercompany) and intereconomic (comparative). The first one studies a company's activities and its business subdivisions while the second one makes a comparison of economic indicators of two and more companies (the company that is being examined with others). (Lipsits I.V. 2014)

Operative economic analysis is used on all levels of management. A part of operative analysis while making optimal management decisions is increased during the upcoming to some companies and their structural subdivisions. (Bykadorov V.L. 2014)

Figure 2 - Structure of economic analysis



Source: Muraviova A.I (2013)

The final, further analysis, plays leading role in the development of optimal management solutions. The most important source of information to perform such an analysis is company's financial reporting. (Ilin A.I. 2013) Final analysis makes amended estimate of activities of a company and their results over a particular period, provides indication of sufficient reserve capacity of efficiency upgrading of activities of a company, searches for ways to activate them that is use such reserves. Results of final analysis, held by a company itself, are contained in an explanatory note to an annual report. (Knysheva E.N. 2013) Final analysis is the most complete type of analysis of economic activities of a company.

3.4 Technology sector

On the stock market Samsung, Apple, Sony and other companies, related to study, exploration, development, and distribution of technologically based goods and services belong to the technology sector. This category includes business and enterprises that deal with manufacturing of electronic goods, the creation of software, PCs and other products or services relating to information technology. (investopedia.com/terms/t/technology_sector)

Samsung Group — a South Korean group of companies, one of the largest chaebols in South Korea founded in 1938. It is world-famous as a producer of high-tech components, telecommunications equipment, household appliances, audio- and video equipment. The main office is located in Seoul. (samsung.ru/history 2016)

In 1930s Lee Byung-chul, the entrepreneur, set up his own business on the production of rice flour. A little storehouse situated in Daegu was the beginning of the big history of Samsung. Then Korea was a Japan's colony and it was rather difficult to run an individual business. Nevertheless, in 1938 Lee managed to create the first independent channel for export from Korea to China and Manchuria. An active growth of food supplies such as rice, sugar and dried fish made it possible to register a trademark Samsung Trading Company officially. International (for Korea) origin of the name had been a consequence of far reaching, ambitious plans of Korean entrepreneur: by the end of 1950s Lee Byung was going to establish trade with countries in the Americas. Since the US airborne landing on Korean Peninsula the factory products such as samshoo and bear had been sold to representatives of allied forces. The war in Korea put an end to that business. The storehouses were plundered and burnt as well as the main company plants. (choson2005.narod.ru 2012)

There is a legend about Lee Byung who found the hidden box full of money at the ruins of a burned house and invested the money into his own new business. They were a textile factory, a sugar beet plant and later insurance business. Lee Byung became rich very quickly whereas the average per capita income in Korea in 1960s was not more than 80 USD.^[3] It should be noted that at that moment even in the capital, Seoul, there was no continuous supply of electricity, it was supplied for several hours a day and there was no centralized public water supply. It is no wonder that the military coup overthrew Man's son Lee very quickly, president and a close friend Lee Byung, who as a rich entrepreneur, was close to the disgraced ruler. Lee Byung-chul was placed to the jail for corruption and close relationships with the deposed president. (samsung.ru /valuesphilosophy 2016)

A new President of South Korea, General Park Chung-hee began to implement industrial and economic reforms. There was developed a programme of industrial sector development, an advanced export orientation was supported by close relations with the USA, it was supposed to take foreign loans, buy raw materials and advanced technologies and the earned profit had to be taken for purchasing of raw materials and equipment again. Korean reformers make a conclusion that stationary economy must rely on large concerns but it was necessary to create them as soon as possible and that is why the most outstanding Korean businessmen were provided with government loans and credits. They were supported by public contracts, in addition, special legal and tax adjustments made it possible for small enterprises to become large conglomerates. Among successful businessmen was Lee Byung-chul. (ifes-ras.ru/pdv 1990)

Thus, 30 large companies were created (chaebols — ‘money families’). Among them, apart from Samsung, were Daewoo, Hyundai, Goldstar (LG) etc. Each ‘money family’ had its own direction: Daewoo — manufacture of vehicles, Goldstar — household appliances, Samsung — electronics, Hyundai — construction and so on.

The economics of South Korea grew tremendously from 6 to 14 % a year. During that period the growth rate of export was 30 %. So that in 1969 when Samsung, after it and Sanyo merged, began to manufacture black and white TV sets, only 2 % of Korean residents had them.

Merging of Sanyo and Samsung laid foundation for one of the biggest sectors of Samsung Group — Samsung Electronics.

Up to 1980s shares of companies of the concern circulated only on the territory of South Korea and in addition they were not in great demand of investors. The reason — traditionally Asian administration in accordance with Confucianism principles: only representatives of family Lee were in charge of the Board. External investors had no levers of influence on making decisions concerning corporate governance. In addition, traditional management implied life-term provision of employment and career advancement for long service.

The marketing changes were introduced as well as the complete processing of company’s mission and the change of its symbol. There were three red stars on the first two logos of the company. But the management of the company Samsung decided that the old logo was inappropriate for the image of International Corporation, took a decision to change it. Just then the current emblem appeared — slightly bent blue ellipse with written name of the company inside. Brilliant design and a major advertising campaign did it well: the logo

became one of the most recognizable in the world. Nowadays students-advertisers of leading universities study the change of Samsung logo as an example of extremely successful rebranding.

The development of the new emblem was not without Oriental philosophy. According to the version of company representatives ‘elliptic form of logo is a symbol of movement in the universal space expressing the idea of renovation and perfection’. Those changes lasted up to 1990s. In 1983 the manufacture of personal computers began. In 1991—1992 the development of first manufacture of personal mobile devices and mobile phones completed. And finally, in 1999 the prize of Forbes Global in manufacture of domestic electronic equipment was awarded to Samsung Electronics.

Structure and financial standing of the concern

In accordance with marketing research held annually by consulting company Interbrand, Samsung occupies 21st position as for total brand value as of 2007 . The principal competitor is Sony — 25th position:

Table 1 - Total Brand Value

Brand value (bln, USD) 2007	Brand value (bln, USD) 2006	Transcription
16,853	16,169	Brand Samsung occupies the leading position on the market of LCD panels as well as the manufacture of mobile phones due to financial losses of ‘NOKIA’ corporation in the first quarter of 2013.

Source: studwood.ru/1784658/marketing/conclusion

Table 2 - General view of profit distribution structure of the concern Samsung Group

Subdivision field of activity	Subdivision name	Sales of subdivision (bln, USD)	Total sales (%)
Electronic industry	Samsung Electronics	63,4	39,90
	Samsung SDI	7,15	4,50
	Samsung Electro-Mechanics	2,58	1,62
	Samsung SDS	2,26	1,42
	Samsung Networks	0,598	0,38
Chemical industry	Samsung Total	3,5	2,20
	Petrochemicals	1,5	0,94
	Samsung Petrochemicals	0,802	0,50
	Samsung Fine Chemicals	0,292	0,18
	Samsung BP Chemicals		
Finances and insurance	Samsung Life Insurance	29,1	18,31
	Samsung Fire & Marine	8,76	5,51

	Insurance	2,36	1,49
	Samsung Card	1,31	0,82
	Samsung Securities	0,08	0,05
	Samsung Investment Trust Management		
Heavy industry	Samsung Heavy Industries	6,83	4,03
	Samsung Techwin	3,095	1,95
Other activities	Samsung Corporation	10,18	6,41
	Samsung Engineering	2,18	1,37
	Samsung Everland	1,55	0,98
	Samsung Cheil Industries	1,47	0,93
	The Shilla Hotels & Resorts	0,469	0,30

Source: Samsung Group annual 2006

The companies of the concern Samsung Group deal with electronics and microelectronics, chemical industry, construction, motor-car construction, heavy industry, finances and credits, insurance. The concern structure includes the total production cycle of electronics, from resource extraction, its processing to manufactured products. Most subdivisions of conglomerate perform subordinated functions as regards the companies engaged directly into manufacture of finished electronic products and work only for the concern or only inside the territory of South Korea. This feature can be clearly seen from profit distribution among subdivisions; thus, the primary income the concern gets is due to electronic industry. (ofpr.ru/partners/samsung)

More than 70 % of concern sales correspond to electronic industry.

The companies of the subdivision:

- Samsung Electronics
- Samsung SDI
- Samsung Electro-Mechanics
- Samsung SDS
- Samsung Networks

The subdivisions are engaged into manufacture of hard disks (HDD), operating storage, SRAM (including those for manufacture of chips video cards and processors), liquid-crystal displays, liquid-crystal and plasma-panel TVs, mobile phones with GSM, CDMA, 3G functions and WiMAX-supportive equipment for IP-telephony, laptops, printers, multifunctional equipment, household appliances etc., development of wireless telecommunications networks of the third and fourth generation, WiMAX. (Alexander Prokhorov 2006)

Business distribution of electronic industry Samsung as for technological sphere:

The success of the company on the telecommunication market of the USA is worth noting. In the third quarter of 2008 Samsung managed to get the first position in sales of mobile phones, surpassed the principal competitor— company Motorola (Strategy Analytics), in Europe the corporation also is the first, displaced the company Nokia. (Alexei Maksimov 2003)

According to statistics of the research company DisplaySearch (1st quarter of 2007) Samsung Electronics has the leading position among the leading television brands in the international market, in much the same way, Samsung has the first position in the markets of West and East Europe and North American region in particular:

In 2008 a plant for production of TVs was opened in Russia (Kaluga region), the enterprise is engaged into assembling of LCD and plasma TVs. At the plant there is a workshop for production of plastic parts of a body but the line is not fully loaded and most parts of devices is assembled from import details (mostly Chinese) (November 2008). (Investment portal 2017)

The main manufacturing department in the Seoul suburb is completely engaged in manufacturing of the highest quality displays (of all which are produced by the concern), ‘6 sigma’ monitoring system was introduced at the enterprise. Here new models are developed, tested, the first product line is produced and after successful introduction they distribute load as regard production innovation among all plants in the world. Such a standard is introduced in the most plants of the concern; for example, it is a corporate strategy for Samsung SDI operation.

In August 2015 Samsung set off a new service Samsung Pay in South Korea. This instrument will allow making payments with the help of brand flagship smartphones which support data transmission through NFC.

Activities of Samsung in Russia

On the Russian market the subdivisions of the concern Samsung Group are represented mostly by electronic industry:

1. Samsung Electronics - household appliances (refrigerators, washing-machines, vacuum cleaners, built-in facilities), audio- and video units (LCD plasma TVs, projection sets, home cinemas, mini- and microsystems), mobile phones, office equipment, (monitor displays, laptops, printers, multifunction devices).
2. Toshiba-Samsung – hard disks, optical driving mechanisms
3. SDS — operating storage

As well as motorcars, which are, produced in Korea at the plant Renault Samsung Motor, vehicles are sold under Nissan and Renault trademark: Renault Koleos (Samsung QM5), Nissan Almera Classic (Samsung SM3).

The previous motto of Samsung household appliances is “Ideal equipment for real life”.

Plant Samsung in Russia

In July 2007 within XI International Economic Forum in Saint Petersburg the investment agreement between the representatives of Samsung company and Administration of Kaluga region was made. On the territory of Industrial park Vorsino the plant of the company Samsung Electronics — LLC ‘Samsung Electronics RUS Kaluga’ was built, the territory provided for the industrial complex was 47,3 ha. The first manufacturing line at the plant was started in October 2008. The total amount of investments reached RUB 3,5 billion.

Storehouse Samsung in Russia

The distribution centre of Samsung Electronics — Samsung Russian Distribution Centre was built on 11 March 2009 in Kaluga region on the territory of Industrial park Vorsino. The storehouse was built as soon as it was possible. For 9 months the storehouse grew on the empty field. SRDC was equipped with the latest technology.

4 Economic analysis of Samsung Group activities

4.1 Analysis of financial and economic activities LLC ‘Samsung Electronics Rus Kaluga’

The basis for analysis of financial and economic activity of LLC ‘Samsung Electronics Rus Kaluga’ were the following data:

Table 3 - Main financial and economic performance indicators of the company

Indicators	2011	2012	2013	2014	2015
Revenues	353 640 905	484 092 487	489 312 379	517 486 718	575 268 651
including from sales of oil	60 594 021	92 363 777	113 064 307	113 674 443	139 818 051
- from sales of oil-products	281 677 050	376 641 979	364 492 122	390 955 802	419 833 751
- from sales of other products, works	11 369 834	15 086 731	11 656 950	12 856 473	15 616 849
Cost of sales	221 444 943	283 356 018	281 503 708	268 263 219	296 375 379

including sales of oil	18 018 034	25 661 049	28 862 259	33 248 336	40 522 736
- sales of oil-products	194 363 966	245 521 845	242 930 312	222 362 061	242 783 159
- sales of other products, works, services	9 062 943	12 173 124	9 711 137	12 652 822	13 069 484
Gross margin	132 195 962	200 736 469	207 709 671	249 223 499	278 893 272
Business expenses	77 974 763	114 837 592	130 226 664	153 544 673	176 684 111
Administrative expenses	4 394 562	7 094 806	10 734 132	9 858 430	9 322 975
Profit (loss) on sales	49 826 637	78 804 071	66 748 875	85 820 396	92 886 187
Incomes from shareholdings in other companies	2 533 226	1 978 507	1 645 027	7 113 759	1 661 861
% earned	1 472 586	1 475 226	4 674 754	5 321 969	5 607 763
% payable	9 405 736	11 347 401	10 757 921	8 509 510	10 817 541
Other incomes	224 927 893	319 914 850	30 806 419	43 880 066	21 115 233
Miscellaneous costs	216 840 926	346 139 171	37 083 725	47 104 188	26 928 705
Profit (loss) before tax	52 513 680	44 686 082	56 033 429	86 522 492	83 524 797
Current income tax	6 739 207	10 119 276	10 545 607	15 241 562	15 671 412
including permanent tax liabilities	2 332 657	1 032 883	4 384	368 886	1 223 485
Deferred tax liabilities	1 409 441	724 748	1 363 893	2 311 057	170 347
Deferred tax assets	21 431	873 925	698 429	617 007	360 285
Others	324 048	247 181	352 720	462 517	9 385
Net profit	44 019 553	34 468 802	45 175 078	69 124 363	68 033 939

Source: Own computation

We will conduct an enlarged analysis of the main financial and economic performance indicators of the Company for 2011-2015.

At the end of 2012 there was an increase of enterprise revenues by up to 37%, however the net profit for 2012 is 22 % lower than in 2011, the reason for that is because of 28% higher net cost. This was mainly because the financial and economic crisis of 2008-2009

increased the cost of raw materials that influenced on long-term prospects and reflected in the statistics of 2012.

The indicators of 2013 are higher that is the revenue from sales shows a rise of 1% as compared to the correspondence figure of 2012, the net profit increased by 31%, 1% reduction in the product cost was achieved at the end of 2013. The high rate of net profit was achieved mainly due to increasing of % to receiving of profit.

In 2014 in comparison with 2013 the net profit increased by 53%, profit (negative profit) before taxes increased by 54%, while the net cost declined by 5 %, the increase in revenue was equal to 6% in 2014.

2015 was characterised by proportional growth of revenue and net cost (11% and 10% correspondingly). However, high overhead costs led to 2% reduction of net profit at the end of 2015.

During the whole monitoring period the sale of oil products remained the main revenue in the revenue structure, in 2011 the share of incomes from the sale of oil products of total revenues amounted to 79,65%, in 2012 – 77,80%, in 2013 – 74,49%, in 2014 – 75,55%, in 2015 – 72,98%.

The share of net cost in revenue reduces during the monitoring period which is a positive trend, in 2011 the unit cost of overall revenue was equal to 62,62%, in 2012 – 58,53%, in 2013 – 57,53%, in 2014 – 51,84%, in 2015 – 51,52%.

We will carry out the more detailed analysis of the Company's financial standing for the last 2 years that is for 2014 -2015. In 2014 there is a sustained growth of multiple indicators but forward data of 2015 show the decline of key highlights.

Table 4 - Asset profile of balance LLC "Samsung Electronics Rus Kaluga"

Financial statement item	Account code	31.12.2014	31.12.2015
I. Fixed assets			
Intangible assets	1110	0,01%	0,01%
Results of research and development	1120	0,00%	0,00%
Intangible search assets	1130	1,37%	0,02%
Tangible search assets	1140	0,16%	0,08%
Fixed assets	1150	31,24%	31,10%
Income-bearing investments	1160	0,00%	0,00%
Long term financial investments	1170	21,61%	25,60%
Deferred tax assets	1180	0,77%	0,75%
Other non-current assets	1190	2,66%	2,27%
Total Section I	1100	57,82%	59,84%
II. Current assets			
Supply stock	1210	8,57%	12,75%

Value-added tax for acquired values	1220	2,20%	2,06%
Accounts receivable	1230	18,61%	16,03%
including long term accounts receivable	1231		
Financial investment	1240	9,60%	0,93%
Cash assets	1250	2,45%	7,98%
Other current assets	1260	0,74%	0,42%
Total Section II	1200	42,18%	40,16%
Balance	1600	100,00%	100,00%

Source: Own computation

Accounting balance sheet is a list of company's properties (in assets) and sources of its acquisition (in liabilities) as of the date. (Radostovets V.K 2014)

Company's property indicated in the assets side of the balance sheet is divided into non-current (long term use) assets and current (short term use) assets. (Radostovets V.K 2014)

Non-current assets include fixed assets, company equipment, intangible assets as well as long term financial investments with period of usage more than one year.

Current assets include business resources used in the process of operating cycle that is production reserves, stored goods, current receivables etc.

Sources of formation of property remaining in assets are set out in the liabilities of balance sheet, which in turn consists of three sections:

- capital and reserves,
- long term liabilities,
- short term liabilities. (Kretov I.I.2014)

Liquidity and efficiency of current assets use are determined by the size of net working capital, which is the difference between company current assets and corrected short-term liabilities of a company. (Charldaieva, L.A 2014)

Since the size of net working capital directly depends on the structure of balance we will examine four main models of capital structure creation and define which model the structure of LLC 'Samsung Electronics Rus Kaluga' belongs to.

Before we proceed to analyse there is one point we should mention, the size of net working capital of LLC 'Samsung Electronics Rus Kaluga' at the end of monitoring period (31.12.2015) was RUB 46 706 849,00 thousand, which indicates that the company has net working capital to support its activities, as of the reporting date the standing of the company can be determined as relatively stable. However, it is still necessary to examine the structure of property of LLC 'Samsung Electronics Rus Kaluga' in details.

Based on the above models, at the end of the reporting period the structure of company's property may be referred to an aggressive model.

Aggressive model is based on the assumption that short term accounts payable is used for covering of a variable part of current assets which is essential as reserve stock. The permanent part of current assets in this case is covered by long term accounts payable and a part of own capital. The current situation as well as an ideal model should still be seen as a risky enough because it is practically impossible be kept to a minimum of current assets.

It is apparent when analysing the assets side of the balance sheet that the total value of company assets during the reporting period in comparison with the base one slightly increased. Comparing with the data for 31.12.2014 the assets and balance-sheet total increased by 8.41% that, in absolute terms, amounted to RUB 31 184 587,00 thousand. Therefore, in the reporting period the assets and balance-sheet total are at the level of RUB 402 029 507,00 thousand. To a greater extent this was conditioned by increase in 'Cash assets'. In the past period the growth of this article was equal to RUB 22 964 896,00 thousand (in terms of percentage 0 %) and by the end of reviewed period the value of article 'Cash assets' reached RUB 32 067 825,00 thousand.

In the total asset profile, the non-current assets, whose value as of 31.12.2014 was equal to RUB 214 415 039,00 thousand, increased by RUB 26 146 892,00 thousand (rate of increase 12.19%). As of 31.12.2015 their value was RUB 240 561 931,00 thousand (60% of total structure of property).

The size of current assets which was RUB 156 429 881,00 thousand as of 31.12.2014 also increased by RUB 5 037 695,00 thousand (accession rate amounted to 3.22%), and as of 31.12.2015 their size was RUB 161 467 576,00 thousand (40% of total structure of property).

The share of fixed assets was equal to 31% as of 31.12.2015 of total assets.

Table 5 - Asset Profile of Balance of LLC "Samsung Electronics Rus Kaluga"

Assets	31.12.2014	31.12.2015	In absolute terms (thsd, RUB)	Growth rate	Specific weight
I. Non-current assets					
Intangible assets	33 080	30 388	-2 692	-8,14 %	-0,00 %
Results of research	14 443	3 611	-10 832	-75,00 %	-0,00 %
Intangible search assets	5 070 823	70 028	-5 000 795	-98,62 %	-1,35 %
Tangible search assets	586 726,00	333 681,00	-253 045	-43,13 %	-0,08 %
Fixed assets	115 870 428	125 039 735	9 169 307	7,91%	-0,14 %
Income-bearing investments	0	0	0	0	0,00%

Financial investments	80 132 683	102 936 832	22 804 149,00	28,46%	4,00%
Deferred tax assets	2 840 629	3 020 441	179 812,00	6,33%	-0,01 %
Other non-current assets	9 866 227	9 127 215	-739 012,00	-7,49 %	-0,39 %
Total Section I	214 415 039	240 561 931	26 146 892	12,19%	2,02%
II. Current assets					
Reserves	31 765 128	51 276 332	19 511 204	61,42%	4,19%
Value-added tax for acquired values	8 154 136	8 270 457	116 321	1,43%	-0,14 %
Accounts receivable	69 032 274	64 436 360	-4 595 914	-6,66 %	-2,59 %
Financial investments	35 614 470	3 730 988	-31 883 482	-89,52 %	-8,68 %
Cash assets	9 102 929	32 067 825	22 964 896	252,28%	5,52%
Other current assets	2 760 944	1 685 614	-1 075 330	-38,95 %	-0,33 %
Total Section II	156 429 881	161 467 576	5 037 695	3,22%	-2,02 %
Balance	370 844 920	402 029 507	31 184 587	8,41%	0,00%

Source: Own computations

As Table 5 shows, at the end of the reporting period major share in the structure of total assets falls on non-current assets (59.84%) which proves reduced mobility of asset profile and promotes further decrease of assets turnover. Besides, a tendency for the worst can be seen during the analysed period. During the reporting period the share of non-current assets in the overall structure of balance declined by 2,02%.

The biggest change of non-current assets in their structure was caused by increase of the article 'Long term financial investments' by RUB 22 804 149,00 thousand in comparison with the base period.

The biggest change of current assets in their structure was caused by increase of the article 'Cash assets' by RUB 22 964 896,00 thousand in comparison with the base period.

The size of accounts receivable during the analysed period declined by RUB 4 595 914,00 thousand which means a positive tendency and may indicate the improvement of payments for company's products and the correct choice of sales policy.

Considering accounts receivable of LLC 'Samsung Electronics Rus Kaluga' it should be mentioned that the enterprise has passive balance (accounts payable are more than accounts receivable) as of 31.12.2015. Therefore, the company refunds its operating performance at the expense of creditors. The size of additional financing amounts to RUB 42 683 398,00 thousand.

The structure of liabilities in the balance sheet and changes in the analysed period are shown in the Tables 6 and 7.

Table 6 - Liability Structure of Balance of LLC "Samsung Electronics Rus Kaluga"

Financial statement item	Account code	31.12.2014	31.12.2015
III. Capital and Reserves			
Statutory capital	1310	0,00%	0,00%
Own shares repurchased from shareholders	1320	0,06%	0,04%
Reassessment of non-current assets	1340	1,35%	-1,34%
Additional capital	1350	9,78%	1,23%
Reserve capital	1360	0,01%	0,01%
Undistributed profit (uncovered loss)	1370	36,96%	28,06%
Total Section III	1300	48,16%	28,00%
IV. Long-term liabilities			
Borrowings	1410	22,90%	38,72%
Deferred tax liabilities	1420	2,92%	2,73%
Provisions for contingent liabilities	1430	0,00%	0,00%
Other long-term liabilities	1450	1,66%	1,58%
Total Section IV	1400	27,48%	43,03%
V. Short term liabilities			
Borrowings	1510	2,07%	1,43%
Accounts payable	1520	21,42%	26,64%
Deferred revenues	1530	0,03%	0,02%
Reserves for future expenses and payments	1540	0,85%	0,40%
Other short-term liabilities	1550	0,00%	0,47%
Total Section V	1500	24,37%	28,97%
Balance	1700	100,00%	100,00%

Source: Own computations

Table 7 - Changes of Liabilities of Balance of LLC "Samsung Electronics Rus Kaluga"

Liabilities	31.12.2014	31.12.2015	In absolute terms (thsd, RUB)	Growth rate	Specific weight
III. Capital and reserves					
Statutory capital	0	0	0	0%	0,00%
Own shares repurchased from shareholders	227 384	180 359	-47 025	-20,68 %	-0,02 %
Additional capital	36 257 464	4 960 970	-31 296 494	-86,32 %	-8,54 %
Reserve capital	34 108	34 108	0	0,00%	-0,00 %
Undistributed profits (uncovered loss)	137 052 606	112 806 793	-24 245 813	-17,69 %	-8,90 %
Total	178 593 136	112 580 195	-66 012 941	-36,96 %	-20,16 %
IV. Long term liabilities					
Borrowings	84 920 449	155 676 229	70 755 780	83,32%	15,82%
Deferred tax liabilities	10 831 318	10 971 301	139 983	1,29%	-0,19 %
Other long term liabilities	6 144 873	6 343 530	198 657	3,23%	-0,08 %
Total	101 896 640	172 991 060	71 094 420	69,77%	15,55%
V. Short term liabilities					
Borrowings	7 680 792	5 738 814	-1 941 978	-25,28 %	-0,64 %
Accounts payable	79 431 527	107 119 758	27 688 231	34,86%	5,23%
Deferred revenues	96 295	79 448	-16 847	-17,50 %	-0,01 %
Reserves for future expenses and payments	3 163 982	1 618 077	-1 545 905	-48,86 %	-0,45 %
Other short-term liabilities	2 548	1 902 155	1 899 607	74 552,86%	0,47%
Total	90 375 144	116 458 252	26 083 108	28,86%	4,60%
Balance	370 864 920	402 029 507	31 164 587	8,40%	-0,01 %

Source: Own computations

The growth rate of asset value in the liabilities mainly was caused by increase of the article 'Borrowing costs'. In the past period the growth of this article was equal to RUB 70 755 780,00 thousand (in terms of percentage 83.32%). Thus, by the end of reviewed period the value of article 'Borrowing costs' stayed at the level RUB 155 676 229,00 thousand.

Examining the rate of change of own capital of LLC 'Samsung Electronics Rus Kaluga' it is clear that its value during the analysed period declined. As of 31.12.2015 the value of own capital amounted to RUB 114 277 720,00 thousand (28.43% of total liabilities).

The weight of liabilities of cumulative sources of assets formation over the period examined significantly increased. As of 31.12.2015 the aggregate long term and corrected short-term liabilities of the enterprise amounted RUB 287 751 787,00 thousand (71.57% of total value of liabilities). Increased borrowed capital can cause the rise of financial risks rate and may adversely affect its financial stability.

When considering changes of company's reserves and undistributed profits, one could note that for analysed period their total value dropped by RUB 24 245 813,00 thousand and amounted to RUB 112 840 901,00 thousand. The change of reserves amounted to RUB 0,00 thousand and undistributed profits - RUB 24 245 813,00 thousand. In general, it can be seen as a negative trend since the decrease in reserves, funds and undistributed profits may mean inefficient performance of the enterprise.

In total structure of liabilities, the value of capital and reserves (section III of balance), which amounted to RUB 178 593 136,00 thousand as of 31.12.2014, declined by RUB 66 012 941,00 thousand (the rate of increase was equal to -36.96) and as of 31.12.2015 its value constituted RUB 112 580 195,00 thousand (28 % of total structure of assets). This change was mainly caused by reduction in 'Additional capital' by RUB -31 296 494,00 thousand.

As of 31.12.2015 in total structure of debts the long term liabilities exceed short term liabilities by RUB 58 230 333,00 thousand which means quite good financial stability of the company and, probably, future turnover increase in case if long term liabilities are directed to extension of equipment stock and overall production. There should be compared the described above factors and conducted in-depth analysis.

Long term liabilities, whose value was RUB 101 896 640,00 thousand as of 31.12.2014, increased by RUB 71 094 420,00 thousand (rate of growth amounted to 69.77%) and as of 31.12.2015 its value was equal to RUB 172 991 060,00 thousand (43.03% as part of liabilities).

The growth of article 'Borrowed assets' had the most significant influence on increase of long-term liabilities. Since then the growth of this article constituted RUB 70 755 780,00 thousand (with percentage content - 83.32%) and at the end of the reviewed period the value of article 'Borrowed assets' reached RUB 155 676 229,00 thousand.

The value of short-term liabilities, which made RUB 90 375 144,00 thousand as of 31.12.2014, increased as well by RUB 26 083 108,00 thousand (the rate of increase amounted

to 28.86%) and as of 31.12.2015 their value was RUB 116 458 252,00 thousand. As of 31.12.2015 the greatest share of short-term liabilities was the article ‘Accounts payable’. By the end of reviewed period in accordance with this article the rate of debts amounted to RUB 107 119 758,00 thousand (the share of total short-term liabilities - 91%). Aggregative balance is formed through grouping of similar accounting balance-sheet articles to make the further analysis easier. (Raievskii V.A 2014)

Table 8 - Aggregative Balance of LLC “Samsung Electronics Rus Kaluga”

Assets	31.12.2014	31.12.2015	In absolute terms, (thsd, RUB)	Growth rate	Specific weight
Non-current assets	214 415 039	240 561 931	26 146 892	12.19%	2,02%
Current assets	156 429 881	161 467 576	5 037 695	3.22%	-2,02 %
Reserves and expenditures	39 919 264	59 546 789	19 627 525	49.17%	4,05%
Short term accounts receivable	69 032 274	64 436 360	-4 595 914	-6.66%	-2,59 %
Cash assets and short term financial investments	44 717 399	35 798 813	-8 918 586	-19.94%	-3,15 %
Other current assets	2 760 944	1 685 614	-1 075 330	-38.95%	-0,33 %
Balance	370 844 920	402 029 507	31 184 587	8.41%	0,00%
Own capital	181 853 413	114 277 720	-67 575 693	-37.16%	-20,61%
Long term liabilities	101 896 640	172 991 060	71 094 420	69.77%	15,55%
Debts and borrowings	84 920 449	155 676 229	70 755 780	83.32%	15,82%
Other long-term liabilities	16 976 191	17 314 831	338 640	1.99%	-0,27 %
Short term liabilities	87 114 867	114 760 727	27 645 860	31.73%	5,05%
Debts and borrowings	7 680 792	5 738 814	-1 941 978	-25.28%	-0,64 %
Accounts payable	79 431 527	107 119 758	27 688 231	34.86%	5,23%
Other short-term liabilities	2 548	1 902 155	1 899 607	74552.8 6%	0,47%
Balance	370 864 920	402 029 507	31 164 587	8.4%	-0,01 %

Source: Own computations

Table 9 - Change of Statement of Financial Performance during the Reference Period in comparison with the Base Period of LLC "Samsung Electronics Rus Kaluga"

Indicator	31.12.2014	31.12.2015	In absolute terms (thsd, RUB)	Growth rate	Specific weight
Profits and costs on regular activities					
Revenue	517 486 718	575 268 651	57 781 933	11,17%	0,00%
Cost of sales	-268 263 219	-296 375 379	-28 112 160	10,48%	0,32%
Gross margin (loss)	249 223 499	278 893 272	29 669 773	11,90%	0,32%
Business expenses	-153 544 673	-176 684 111	-23 139 438	15,07%	-1,04 %
Management expenses	-9 858 430	-9 322 975	535 455	-5,43 %	0,28%
Profit (loss) on sales	85 820 396	92 886 186	7 065 790	8,23%	-0,44 %
Other profits and costs					
Incomes from shareholdings in other companies	7 113 759	1 661 861	-5 451 898	-76,64%	-1,09 %
% earned	5 321 969	5 607 763	285 794	5,37%	-0,05 %
% payable	-8 509 510	-10 817 541	-2 308 031	27,12%	-0,24 %
Other incomes	43 880 066	21 115 233	-22 764 833	-51,88%	-4,81 %
Miscellaneous costs	-47 104 188	-26 928 705	20 175 483	-42,83%	4,42%
Profit (loss) before tax	86 522 492	83 524 797	-2 997 695	-3,46 %	-2,20 %
Change of deferred tax assets	617 007	360 285	-256 722	-41,61%	-0,06 %
Changes of deferred tax liabilities	-2 311 057	170 347	2 481 404	-107,37 %	0,48%
Current income tax	-15 241 562	-15 671 412	-429 850	2,82%	0,22%
Net profit (loss) for reference period	69 124 363	68 393 402	-730 961	-1,06 %	-1,47 %
Inquiry					
Aggregate financial result for the period	69 124 363	68 393 402	-730 961	-1,06 %	-1,47 %
Basic earnings (loss) per share	360	0	-360	-100 %	-0,00 %
Overcapitalized earnings (loss) per share	0	0	0	0	0,00%

Source: Own computations

Table 10 - Change of Financial and Economic Activity Indicators during the Reference Period in comparison with the Base Period LLC “Samsung Electronics Rus Kaluga”

Indicator	31.12.2014	31.12.2015	In absolute terms (thsd, RUB)	Growth rate
1. Sales volume	517 486 718	575 268 651	57 781 933	11,17%
2. Profit on sales	85 820 396	92 886 186	7 065 790	8,23%
3. Amortization	0	0	0	0%
4. EBITDA	85 820 396	92 886 186	7 065 790	8,23%
5. Net profit	69 124 363	68 393 402	-730 961	-1,06 %
6. Profitability of sales, %	16,58%	16,15%	-0,44 %	-2,64 %
7. Net assets	178 669 431	112 659 643	-66 009 788	-36,95 %
8. Turnover of net assets, %	289,63%	510,63%	220,99%	76,30%
9. Profitability of net assets, %	48,43%	74,14%	25,71%	53,10%
10. Own capital	181 853 413	114 277 720	-67 575 693	-37,16 %
11. Profitability of own capital, %	38,01%	46,19%	8,18%	21,52%
12. Loans and borrowings	92 601 241	161 415 043	68 813 802	74,31%
13. Financial leverage	103,94%	251,80%	147,86%	142,26%

Source: Own computations

Table 10 illustrates that the company's sales revenue in comparison with the base period increased (from RUB 517 486 718,00 thousand as of 31.12.2014 to RUB 575 268 651,00 thousand as of 31.12.2015). During the reference period the change of volume of sales was equal to RUB 57 781 933,00 thousand. The growth rate amounted to 11.17 %.

As of 31.12.2014 the gross margin from sales made RUB 249 223 499,00 thousand. During the analysed period it grew by RUB 29 669 773,00 thousand that should be a positive moment and as of 31.12.2015 it made RUB 278 893 272,00 thousand.

On 31.12.2014 the sales profit constituted RUB 85 820 396,00 thousand. During the reviewed period it increased by RUB 7 065 790,00 thousand as well as the gross margin from sales and on 31.12.2015 the sales profit made RUB 92 886 186,00 thousand as well as gross margin from sales that is remained at the same level.

It should be noted that there is the high business and administrative expenditure rate in the statement of financial performance. At the beginning of reviewed period their share was 60.91 % of cost value of products sold and at the end of period – 62.76 % of cost value of products sold, production, works, services.

The index that indicates the improvement of efficiency of the company performance shows the increase of the rate of revenue in relation to the growth of prime cost, that was 11.17 % compared to the growth of prime cost (10.48 %).

The losses in ‘Other incomes and costs’ are the negative trend. On 31.12.2015 the amount of balance in this section settled at the level of RUB 9 361 389,00 thousand, however there is a positive trend that is the amount of balance in ‘Other incomes and costs’ increased by RUB 5 456 373,00 thousand during the period from 31.12.2014 to 31.12.2015.

As seen from the Table 10 the net profit for analysed period decreased by RUB 730 961,00 thousand and as of 31.12.2015 it settled at the level of RUB 68 393 402,00 thousand (decline rate of net profit made -1.06%).

*Table 11 - Analysis of financial stability as for comparative indicators of LLC
“Samsung Electronics Rus Kaluga”*

Indicator	31.12.2014	31.12.2015
Capital adequacy ratio	0,49	0,28
Ratio between borrowed funds and own capital (financial leverage)	1,04	2,52
Ratio between mobile and immobilized funds	0,73	0,67
Leverage ratio	0,96	0,4
Flexibility ratio	-0,11	-0,44
Reserves-to-production ratio and expenses net worth with own funds	1,74	0,78
Production targeted property ratio	0,69	0,75
Long term raised borrowed assets ratio	0,36	0,6
Short term indebtedness ratio	4,06%	1,99%
Accounts payable ratio	42,03%	37,89%

Source: Own computations

The analysis of financial stability regarding comparative figures presented in the Table 11 shows that in comparison with the base period (31.12.2014) the situation in LLC ‘Samsung Electronics Rus Kaluga’ remained in whole at the same level.

The index ‘Equity ratio’ for the reference period declined by -0.21 and as of 31.12.2015 amounted to 0.28. It is less than regulation value (0,5) whereby borrowed capital can be refunded by property of a company.

The index ‘Leverage ratio (financial leverage)’ for the reference period increased by 1.48 and as of 31.12.2015 made 2.52. The more this coefficient exceeds 1 the more the borrowed funds dependence of a company. The limit can be determined by job conditions of each enterprise, first, turnover rate of current assets. That is why the rate of current assets and accounts receivable for reference period should also be determined. If accounts receivable is faster than current assets, it means rather high intensity of cash inflow that is eventually – equity accumulation. That is why if there is fast turnover of material floating assets and even faster turnover of accounts receivable then leverage ratio might be much more than 1.

The index ‘Ratio between mobile and immobilized funds’ for analysed period declined by 0.06 and as of 31.12.2015 it amounted to 0.67. The ratio is determined as relations between mobile funds (total of the second section), long term accounts receivable and immobilized funds (non-current assets, corrected to long term accounts receivable). Standard value is specific for each branch of industry but on the basis of equal merit the increase of ratio is a positive trend.

The index ‘Capital mobility ratio’ dropped by 0.32 for the reference period and made - 0.44 as of 31.12.2015. It is less than the standard value (0,5). Mobility ratio distinguishes which part of source of working capital is in a mobile form. Standard value depends on business activity of enterprise: in capital-intensive production its normal rate must be less than in material-intensive. At the end of reference period the Company has a light asset profile. The share of capital asset in balance-sheet total is less than 40 %. Therefore, the enterprise cannot be included into capital-intensive production.

The index ‘The capital ratio and cost coefficient’ for the reference period declined by 0.95 and as of 31.12.2015 made 0.78. Thus, the index is at the level. Coefficient is the difference between the sum of sources of working capital, long-term credits, non-current assets and the value of reserves and costs.

Table 12 - Liquidity Analysis of Balance in accordance with comparative figures

Ratio	31.12.2014	31.12.2015
Cash ratio	0,52	0,31
Interim (quick) ratio	1,31	0,87
Current liquidity ratio	1,34	0,89
Coverage ratio of floating assets with own sources of formation	0,44	0,29

Source: Own computations

As Table 12 shows, the absolute liquidity ratio both at the beginning and at the end of analysed period (31.12.2014 – 31.12.2015) is above the standard value (0,2), which indicates that the enterprise is properly provided with monetary assets in order to discharge the most forward commitments in time by the most liquid assets. At the beginning of the analysed period – on 31.12.2014 the value of absolute liquidity made 0.52. At the end of reference period the value dropped and made 0.31.

The interim (quick) liquidity ratio shows which part of short-term debt can be extinguished from the most liquid and quickest assets. The standard value of index is 0,6–0,8 and means that the current liabilities must be covered up to 60–80 % by quick assets. At the beginning of analysed period (on 31.12.2014), the value of quick (interim) liquidity amounted to 1.31. As of 31.12.2015 the value of index dropped that can be viewed as a positive trend as the index value exceeded the standard one at the beginning of the reference period and made 0.87.

The current liquidity ratio both at the beginning and at the end of analysed period (31.12.2014 – 31.12.2015) is below the standard value 2, which proves that the value of ratio is low enough and the enterprise is not fully provided with its own means to carry on business and to discharge term liabilities in time. At the beginning of the reference period – on 31.12.2014 the value of current liquidity made 1.34. At the end of the reference period the value declined and amounted to 0.89.

As at the end of reference period the current liquidity ratio is below its standard value 2, the rate of financial solvency restoration should be assessed. The rate of restoration of financial solvency indicates if the enterprise is able, in a case of loss of solvency for the next six months, to restore it under the current trend of development of the current liquidity ratio. At the end of the period the rate settled at 0.33, which proves the fact that the enterprise will not be able to restore its financial solvency as the rate is below one.

Based on the analysis of Company's financial and economic activities held for the last 5 years, it may be concluded that the overall state of enterprise is steady which is characterised by both comparative and absolute performance rates. Some decrease in indicators following the results of 2015 does not affect the long-term sustainability and is more of preventive nature. Thanks to the successful work, the holding company has developed the stable material resources that enable to offset a slight drop in rates.

4.2 Economic analysis of current mechanisms of profit and profitability management at LLC ‘Samsung Electronics Rus Kaluga’

Let us consider the profit margin of LLC ‘Samsung Electronics Rus Kaluga’ in the dynamics; to do this we will perform horizontal analysis of the profit and loss statement for 2011-2015. The object of balance profit analysis consists of elements of sales of products, works, services, etc., financial assets, extraordinary operations. Each element makes up profitability of the enterprise. The data for horizontal analysis are presented in the Table 13, the results for horizontal analysis are in the Table 14.

Table 13 - Indicators of Financial Standing of LLC “Samsung Electronics Rus Kaluga”

Indicators	2011	2012	2013	2014	2015
Revenues	353 640 905	484 092 487	489 312 379	517 486 718	575 268 651
including production of electronics	60 594 021	92 363 777	113 064 307	113 674 443	139 818 051
- software development	281 677 050	376 641 979	364 492 122	390 955 802	419 833 751
- other activities	11 369 834	15 086 731	11 656 950	12 856 473	15 616 849
Cost of sales	221 444 943	283 356 018	281 503 708	268 263 219	296 375 379
including production of electronics	18 018 034	25 661 049	28 862 259	33 248 336	40 522 736
- software development	194 363 966	245 521 845	242 930 312	222 362 061	242 783 159
- other activities	9 062 943	12 173 124	9 711 137	12 652 822	13 069 484
Gross margin	132 195 962	200 736 469	207 709 671	249 223 499	278 893 272
Business expenses	77 974 763	114 837 592	130 226 664	153 544 673	176 684 111
Management expenses	4 394 562	7 094 806	10 734 132	9 858 430	9 322 975
Profit (loss) on sales	49 826 637	78 804 071	66 748 875	85 820 396	92 886 187
Incomes from shareholdings in other companies	2 533 226	1 978 507	1 645 027	7 113 759	1 661 861
% earned	1 472 586	1 475 226	4 674 754	5 321 969	5 607 763
% payable	9 405 736	11 347 401	10 757 921	8 509 510	10 817 541
Other incomes	224 927 893	319 914 850	30 806 419	43 880 066	21 115 233
Miscellaneous costs	216 840 926	346 139 171	37 083 725	47 104 188	26 928 705
Profit (loss) before tax	52 513 680	44 686 082	56 033 429	86 522 492	83 524 797
Current income tax	6 739 207	10 119 276	10 545 607	15 241 562	15 671 412

including permanent tax liabilities	2 332 657	1 032 883	4 384	368 886	1 223 485
Deferred tax liabilities	1 409 441	724 748	1 363 893	2 311 057	170 347
Deferred tax assets	21 431	873 925	698 429	617 007	360 285
Others	324 048	247 181	352 720	462 517	9 385
Net profit	44 019 553	34 468 802	45 175 078	69 124 363	68 033 939

Source: Own computations

Table 14 - Horizontal Analysis of Statement of Profit and Loss of LLC "Samsung Electronics"

Indicators	Relative variation 2011-12 (%)	Relative variation 2012-13 (%)	Relative variation 2013-14 (%)	Relative variation 2014-15 (%)
Revenues	137	101	106	111
including production of electronics	152	122	101	123
- software development	134	97	107	107
- other activities	133	77	110	121
Cost of sales	128	99	95	110
- including production of electronics	142	112	115	122
- software development	126	99	92	109
- other activities	134	80	130	103
Gross margin	152	103	120	112
Business expenses	147	113	118	115
Management expenses	161	151	92	95
Profit (loss) on sales	158	85	129	108
Incomes from shareholdings in other companies	78	83	432	23
% earned	100	317	114	105
% payable	121	95	79	127
Other incomes	142	10	142	48

Miscellaneous costs	160	11	127	57
Profit (loss) before tax	85	125	154	97
Current income tax	150	104	145	103
- including permanent tax liabilities	44	0	414	332
Deferred tax liabilities	51	188	169	7
Deferred tax assets	4 078	80	88	58
Others	76	143	131	2
Net profit	78	131	153	98

Source: Own computations

From the data presented in the Table 14 it can be seen that rate of revenue is showing steady growth rates over the whole period, the highest growth rate is in 2012 in comparison with 2011 (37%) and in 2015 in comparison with 2014 (11%). The net profit increased in 2013 in comparison with 2012 by 31%, in 2014 in comparison with 2013 by 53%, however following the results 2015 it dropped by 2% with regard to 2014. As for product costs, the rate dropped in 2013 compared with 2012 and in 2014 compared with 2013, but following the results of 2015 the product costs increased by 10% with respect to 2014, which caused the drop of net profit in 2015.

In order to examine the structure (specific weight) of some indicators of total volume of revenue, we will conduct the vertical analysis of the profit and loss statement of LLC 'Samsung Electronics Rus Kaluga' for 2011 -2015. (Table 14).

The analysis is based on presentation of financial statements - in terms of relative value, characterizing the structure of unifying summary indicators. The essential element of analysis of form No.2 are time series, which follow up structural shifts of financial and economic activities.

From the data presented in the below Table 15 we can suggest the following:

In the revenue of LLC 'Samsung Electronics Rus Kaluga' over the whole analysed period the greatest share belongs to product costs, however, the share of this index declines, in 2011 the high value of other incomes and miscellaneous costs, 63,60% and 61,32 % correspondingly, is observed, but by the end of the reference period these indices drop.

Table 15 - Vertical Analysis of Statement of Profit and Loss of LLC "Samsung Electronics "

Indicators	2011	2012	2013	2014	2015
Revenues	100,00%	100,00%	100,00%	100,00%	100,00%
including production of electronics	17,13%	19,08%	23,11%	21,97%	24,30%
- software development	79,65%	77,80%	74,49%	75,55%	72,98%
- other activities	3,22%	3,12%	2,38%	2,48%	2,71%
Cost of sales	62,62%	58,53%	57,53%	51,84%	51,52%
including production of electronics	5,10%	5,30%	5,90%	6,42%	7,04%
- software development	54,96%	50,72%	49,65%	42,97%	42,20%
- other activities	2,56%	2,51%	1,98%	2,45%	2,27%
Gross margin	37,38%	41,47%	42,45%	48,16%	48,48%
Business expenses	22,05%	23,72%	26,61%	29,67%	30,71%
Management expenses	1,24%	1,47%	2,19%	1,91%	1,62%
Profit (loss) on sales	14,09%	16,28%	13,64%	16,58%	16,15%
Incomes from shareholdings in other companies	0,72%	0,41%	0,34%	1,37%	0,29%
% earned	0,42%	0,30%	0,96%	1,03%	0,97%
% payable	2,66%	2,34%	2,20%	1,64%	1,88%
Other incomes	63,60%	66,09%	6,30%	8,48%	3,67%
Miscellaneous costs	61,32%	71,50%	7,58%	9,10%	4,68%
Profit (loss) before tax	14,85%	9,23%	11,45%	16,72%	14,52%
Current income tax	1,91%	2,09%	2,16%	2,95%	2,72%
including permanent tax liabilities	0,66%	0,21%	0,00%	0,07%	0,21%
Deferred tax liabilities	0,40%	0,15%	0,28%	0,45%	0,03%
Deferred tax assets	0,01%	0,18%	0,14%	0,12%	0,06%
Others	0,09%	0,05%	0,07%	0,09%	0,00%
Net profit	12,45%	7,12%	9,23%	13,36%	11,83%

Source: Own computations

We will study the overall change of income of the enterprise and in branches in dynamics, and present our results in the Table 16. Based on Table 16 the following conclusions were drawn:

- for the analysed period the considerable increase of such indicators as revenue, gross margin is shown, however the index of net profit at the end of 2015 is lower than the identical one of 2014 by RUB 1 090 424;

- the indicators of other incomes and miscellaneous costs declined during the whole monitoring period;

- the net profit is at its maximum value in 2014, following the results of 2015 the indicator dropped.

Table 16 - Dynamics of Profit at LLC “Samsung Electronics Rus Kaluga”

Indicators	Absolute variation (2011-2012)	Absolute variation (2012-2013)	Absolute variation (2013-2014)	Absolute variation (2014-2015)
Revenues	130 451 582	5 219 892	28 174 339	57 781 933
including production of electronics	31 769 756	20 700 530	610 136	26 143 608
- software development	94 964 929	12 149 857	26 463 680	28 877 949
- other activities	3 716 897	3 429 781	1 199 523	2 760 376
Cost of sales	61 911 075	1 852 310	13 240 489	28 112 160
including production of electronics	7 643 015	3 201 210	4 386 077	7 274 400
- software development	51 157 879	2 591 533	20 568 251	20 421 098
- other activities	3 110 181	2 461 987	2 941 685	416 662
Gross margin	68 540 507	6 973 202	41 513 828	29 669 773
Business expenses	36 862 829	15 389 072	23 318 009	23 139 438
Management expenses	2 700 244	3 639 326	875 702	535 455
Profit (loss) on sales	28 977 434	12 055 196	19 071 521	7 065 791
Incomes from shareholdings in other companies	-554 719	333 480	5 468 732	5 451 898
% earned	2 640	3 199 528	647 215	285 794
% payable	1 941 665	589 480	2 248 411	2 308 031
Other incomes	94 986 957	289 108 431	13 073 647	22 764 833
Miscellaneous costs	129 298 245	309 055 446	10 020 463	20 175 483
Profit (loss) before tax	-7 827 598	11 347 347	30 489 063	2 997 695
Profit (loss) after tax	3 380 069	426 331	4 695 955	429 850
Current income tax	-1 299 774	1 028 499	364 502	854 599
Deferred tax liabilities	-684 693	639 145	947 164	2 140 710
Deferred tax assets	852 494	175 496	81 422	256 722
Others	-76 867	105 539	109 797	453 13
Net profit	-9 550 751	10 706 276	23 949 285	1 090 424

Source: own calculations

Having considered the change of enterprise’s profit in general, let us analyses its value of sales of certain types of products, works, services in dynamics. We will identify the influence of individual factors on change in profits obtained from sales of certain types of products, works, services of LLC ‘Samsung Electronics Rus Kaluga’.

The major activities of enterprise in 2011-2015 were focused on sales of certain types of products, works, services and dynamics is presented in the Table 17.

Table 17 - Dynamics of Profit on Sales by LLC "Samsung Electronics Rus Kaluga"
(mill,RUB)

Indicators	2011	2012	Shift	2013	Shift	2014	Shift	2015	Shift
Profit on sales	49 826	78 804	28 977	66 748	12 055	85 820	19 071	92 886	7 065
- including production of electronics	8 537	15 035	6 498	15 423	387	18 851	3 428	22 575	3 723
-software development	39 687	61 312	21 625	49 721	11 590	64 836	15 114	67 788	2 952
-other activities	1 601	2 455	853	1 590	865	2 132	541	2 521	389

Source: Own computations

Based on results of the Table 17 we can suggest the following conclusions:

- sales profit over the whole reference period has been increasing, the greatest growth of this index provided the profit growth from software development, 2013 was the only period of adversity when the decline of profit concerning this activity could be seen which led to reduction of sales profit in 2013 in comparison with the indicator of 2012. However, in 2015 both indicators reached their maximum levels.

Table 18 - Dynamics of Profit on Sales by LLC "Samsung Electronics Rus Kaluga", %

Indicators	2011	2012	Shift	2013	Shift	2014	Shift	2015	Shift
Profit on sales	100,00	100,00		100,00		100,00		100,00	
including production of electronics	17,13	19,08	1,95	23,11	4,03	21,97	-1,14	24,34	2,34
- software development	79,65	77,80	-1,85	74,49	-3,31	75,55	1,06	72,98	-2,57
- other activities	3,22	3,12	-0,10	2,38	-0,73	2,48	0,10	2,71	0,23

Source: Own computations

As Table 18 shows the biggest specific weight on sales profit during the reference period belonged to the profit from software development and the smallest one belongs to the profit from other activities.

As the figures show, the production of electronics demonstrates the highest growth rate, and the most considerable decrease of sales rate is from other activities. The production of electronics provides the steady profits and maintains a position of a safety net having the fourth part of total profit of sales.

Profitability indices characterize the financial results and performance efficiency of the enterprise. They measure the profitability of the enterprise concerning different positions

and group in accordance with the interests of participants of economic process, market exchange.

Profitability indices are the important characteristics of factor environment for the formation of business profits. During the production analysis the profitability indices are used as an instrument of investment policy and price formation.

To assess the influence of separate factors on change of level of profitability at LLC ‘Samsung Electronics Rus Kaluga’ it is initially necessary to make the analysis of profitability level of its activities. The overall change of enterprise’s profitability level is shown in dynamics in the Table 19.

Table 19 - Dynamics of Profitability Indicators of LLC “Samsung Electronics Rus Kaluga”

Profitability indicators	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015
Overall profitability	14,85%	9,23%	11,45%	16,72%	14,52%
Sales	14,09%	16,28%	13,64%	16,58%	16,15%
Principal activity	37,38%	41,47%	42,45%	48,16%	48,48%

Source: Own computations

Table 20 - Dynamics of Profitability of Principal Activity as for Type of Services of LLC “Samsung Electronics Rus Kaluga”

Profitability indicators	2011	2012	2013	2014	2015
Production of electronics	6,41%	11,28%	11,57%	14,14%	16,94%
Software development	29,77%	46,00%	37,30%	48,64%	50,86%
Other activities	1,20%	1,84%	1,19%	1,60%	1,89%

Source: Own computations

Considering the profitability indices, first of all, it should be mentioned that at the beginning and at the end of reference period the number obtained by dividing the profit before tax and revenues from sales (index of overall profitability) of LLC ‘Samsung Electronics Rus Kaluga’ is higher than the industry average value, which is at the level of 10%. At the beginning of the reference period the index of overall profitability of the enterprise was 16.72%, and at the end of the period – 14.52 % (the change in absolute terms for the period is 2.2%). In general, the situation wherein the profitability index is higher than industry average value should be seen as a positive feature.

As can be seen from the Table, the most profitable type is a software development. Besides, the profitability index as for this service has been increasing over the last years and by the end of 2015 it reached its maximum.

Therefore, the conclusion of this analysis is as follows:

1. The considerable increase of such indices as revenue, gross margin for the analysed period is shown, however the index of net profit at the end of 2015 is lower than the identical one of 2014 by RUB 1 090 424. The indicators of other incomes and costs have been dropping over the whole reference period. The net profit has its maximum value in 2014, following the results of 2015 the index falls.

2. The sales profit over the whole reference period has been increasing, the greatest growth of this index provided the profit growth from software development, 2013 was the only period of adversity when the decline of profit concerning this activity could be seen which led to reduction of sales profit in 2013 in comparison with the indicator of 2012. However in 2015 both indicators reached their maximum levels.

3. Considering the profitability indices, first of all, it should be mentioned that at the beginning and at the end of reference period the number obtained by dividing the profit before tax and revenues from sales (index of overall profitability) of LLC 'Samsung Electronics Rus Kaluga' is higher than the industry average value, which is at the level of 10%. In general, the situation wherein the profitability index is higher than industry average value should be seen as a positive feature.

5 Conclusion

Economic analysis is of great concern for enhancement of economic efficiency of enterprise activities, as well as to strengthen their financial position. It is an economic science which studies economics of enterprises, their activities in terms of assessment of business plans performance, estimation of their property and financial standing and in order to find out-of-use reserves to increase performance efficiency of organizations. (Stoianova E.S. 2013)

Economic analysis of business activity is formed as an independent branch of scientific knowledge including the direct links with other special sciences: management, planning, accounting and statistics. (Knysheva E.N. 2013)

The research work has developed the economic analysis of LLC ‘Samsung Electronics Rus Kaluga’.

On the basis of the analysis of financial and economic activities held by the Company for the last 5 years, it could be concluded that the overall position of enterprise can be characterised as a steady one, which is proved by both comparative and absolute performance rates. A slight decline of rates in 2014 does not affect the long-term sustainability and is more of preventive nature. Thanks to the successful work, the holding company has developed the stable material resources that enable to offset a slight drop in rates.

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