

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Trade and Finance**



**Master's Thesis**

**Assessment of the Financial Position and  
Performance of the Chosen Companies in the E-  
Commerce and Online Retail Industry**

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# **DIPLOMA THESIS ASSIGNMENT**

Bc. Iuliia Kasianova

Economics and Management

Thesis title

**Assessment of the Financial Position and Performance of the Chosen Companies in the E-commerce and Online Retail Industry**

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## **Objectives of thesis**

The aim of this diploma thesis is to assess and compare the financial position and performance of the chosen companies operating in the e-commerce and online retail industry by analyzing the companies' financial statements with focus on the representation and changes of the reported assets, liabilities, expenses, revenues and cash-flow for a chosen period and to identify the potential financial problems and the most significant factors influencing the profit from the companies and the industry point of view.

## **Methodology**

Methodology for the literature overview is based on data collection from the relevant legal framework, specialized publications and other written or online sources. The practical part of the thesis will be based on the information gained from the published annual reports of the chosen companies. Vertical and horizontal analysis and ratio analysis of the financial statements will be used to assess the financial position and performance of the companies and to prepare the practical part of the thesis. The methods of analysis, synthesis, comparison and deduction will be used to formulate the conclusions of the thesis.

## The proposed extent of the thesis

70-80

## Keywords

financial statements, financial position, balance sheet, assets, liabilities, equity, financial performance, income statement, expenses, revenues, profit, financial analysis, cash-flow, e-commerce online retail

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## **Declaration**

I declare that I have worked on my diploma thesis titled "Assessment of the Financial Position and Performance of the Chosen Companies in the E-commerce and Online Retail Industry" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break any copyrights.

In Prague on 15.03.2024

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## **Acknowledgement**

I would like to thank Ing. Enikő Lőrinczová, Ph.D. and all other persons, for their advice and support during my work on this thesis.

# **Assessment of the Financial Position and Performance of the Chosen Companies in the E-Commerce and Online Retail Industry**

## **Abstract**

This diploma thesis evaluates and compares the financial positions and performances of the top three companies in the global retail industry: Ozon (Russia), Alibaba (China), and Amazon (USA). Through analyzing financial statements, the study identifies trends in assets, liabilities, expenses, revenues, and cash flow over a specified period. It highlights the robust financial standing of Alibaba and Amazon, contrasted with Ozon's concerning indebtedness and declining efficiency. The research underscores the pivotal role of profitability and market competition, particularly noting the emergence of competitors like Wildberries. Recommendations include revenue growth strategies for Amazon and Alibaba, emphasizing a focus on core retail operations. For Ozon, potential measures include rebranding, cost reduction through layoffs and department closures, and exploring merger options with major Russian retail players like Wildberries.

**Keywords:** financial statements, financial position, balance sheet, assets, liabilities, equity, financial performance, income statement, expenses, revenues, profit, financial analysis, cash-flow, e-commerce online retail

# Hodnocení finanční situace a výkonnosti vybraných společností v E-Commerce a online maloobchodu

## Abstrakt

Tato diplomová práce hodnotí a srovnává finanční pozice a výkony top tří firem v globálním maloobchodním průmyslu: Ozon (Rusko), Alibaba (Čína) a Amazon (USA). Prostřednictvím analýzy finančních výkazů studie identifikuje trendy v aktivech, závazcích, nákladech, příjmech a cash flow po určené období. Zvýrazňuje silné finanční postavení Alibaba a Amazonu, v kontrastu s znepokojivou zadlužeností Ozonu a klesající efektivitou. Výzkum zdůrazňuje klíčovou roli ziskovosti a tržní soutěže, zejména zmínění konkurenti jako Wildberries. Doporučení zahrnují strategie růstu příjmů pro Amazon a Alibaba, s důrazem na zaměření se na hlavní maloobchodní operace. Pro Ozon jsou možná opatření zahrnující rebranding, snížení nákladů prostřednictvím propouštění a zavření oddělení a zkoumání možností fúze s hlavními ruskými maloobchodními hráči jako Wildberries.

**Klíčová slova:** finanční výkazy, finanční pozice, rozvaha, aktiva, pasiva, vlastní kapitál, finanční výkonnost, výkaz zisku a ztráty, výdaje, výnosy, zisk, finanční analýza, cash-flow, e-commerce online retail

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# 1 Introduction

The e-commerce industry has emerged as a significant force in the worldwide commercial landscape. The phenomenon under consideration has an influence on consumer preferences and alters the dynamics of market operations. The objective of this thesis is to conduct a comprehensive examination of the financial well-being and performance of prominent organizations operating in the online retail industry. The primary objective of this research is to comprehensively examine the state of the financial sector and its prospective trajectory. This will be achieved by investigating the intricate relationship between financial analysis methodologies and the establishment of accounting regulations in three prominent economies: Russia, China, and the United States.

As the inquiry progresses, critical components are meticulously scrutinized. The present analysis commences by examining the fundamental characteristics of the internet retail industry and its impact on conventional trade frameworks. This research further examines the fundamental concepts of financial analysis and elucidates their significance in comprehending a company's financial well-being and determining its viability as an investment opportunity. This thesis examines the intricate nature of stock market dynamics and emphasizes the significance of technical analysis techniques in comprehending market movements.

The empirical phase of the research starts by conducting a comprehensive examination of select prominent corporations, aiming to discern their distinguishing characteristics and evaluate their financial performance. The objective of this research is to provide a comprehensive assessment of the operational capabilities of businesses via a detailed examination of their financial conditions, performance indicators, cash flows, and financial metrics. This research establishes a correlation between market indicators and financial indicators by conducting a preliminary examination in the stock market. This enables the comprehensive assessment of an organization's fiscal well-being.

During the subsequent stages, the thesis meticulously examines the empirical findings, so enabling a comprehensive discussion on the financial condition, performance, and fundamental determinants impacting profitability. This research also examines the

complexity of the financial challenges encountered by various groups, therefore contributing to the discourse around their overall financial stability.

This comprehensive investigation enhances our understanding of the financial dynamics of the online retail industry, therefore providing valuable insights into its significance and potential within the contemporary economic landscape. This thesis utilizes a comprehensive analytical framework to integrate academic perspectives and empirical evidence, emphasizing the inherent connection between financial analytics and strategic decision-making. This framework provides practitioners and other stakeholders with a robust toolkit to effectively navigate the complexities of online retail operations.

## **2 Objectives and Methodology**

### **2.1 Objectives**

The diploma thesis is interested in the analysis of the financial situation in three selected companies based in different countries and parts of the world but operating in the same industry of online retail or e-commerce. The attention of the diploma thesis is explicitly paid to financial position, financial performance and movement of cash within the organization, covering three individual financial statements – statement of cash-flows, statement of income and statement of financial position.

To be more specific, the diploma thesis is dedicated to the subject of financial analysis of three companies, each based in a different country – Ozon, based in the Russian Federation; Amazon, based in the United States of America and Alibaba, based in China. An additional subgoal that complements the series of objectives from the previous paragraph is to compare those companies and identify the most important problems that can be encountered by them.

### **2.2 Methodology**

The thesis uses both fundamental techniques of analysis – quantitative and qualitative, hence employing methods of both deduction and induction. The foundation for the thesis is laid with the help of the literature review that will shed a brighter light on the legal framework of accounting environments, where the selected companies operate. In the empirical part of the diploma thesis, the technique of financial analysis is implemented, where the development of elements over time (the horizontal analysis or trend analysis) and their shares (the vertical analysis or share analysis) are analyzed.

Furthermore, apart from the utilization of basic techniques of financial analysis consisting of the vertical, horizontal and ratio analyses, the thesis goes even further by performing a technical analysis on stocks of the three companies that will help to identify their attractiveness for investors and key events that influenced their valuation. The time span used in the analysis covers five years – from 2018 to 2022 and all information is retrieved from financial statements published directly by the selected series of three

companies. Furthermore, financial statements published by all three companies use different currencies, where Amazon and Ozon both used the US dollar, whose exchange rate to the Czech crown is equal to 21.95 CZK per 1 USD as of the 2<sup>nd</sup> of August 2023, and Alibaba used the Hong Kong dollar, whose exchange rate to the Czech crown is equal to 2.81 CZK.

## 3 Literature Review

### 3.1 Online Retail Industry

For a long time, the Internet retail industry has been on the increase, and it is also known as E-commerce. E-commerce, also known as electronic commerce or e-commerce, encompasses all sites and services where payments are made online, including, first and foremost, online retailers that take electronic payments and any sale conducted over the Internet or, in other words, online. In reality, e-commerce encompasses not just financial or commercial transactions conducted over networks, but also chains of global corporate operations related to transactions (Tian, 2008).

E-commerce nowadays encompasses the electronic purchase or sale of goods via online services or the Internet, mobile commerce, electronic funds transfers, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Furthermore, there are various distinguishing characteristics or forms of commerce.

There are two types of e-commerce that can be specified in what they sell and to whom they sell. It might include physical products including food, clothing, furniture, gadgets, and paper books; digital goods including music, movies and series, e-books, and online courses; and services including photography, cleaning, and moving aid. There are also several types to who the product is sold and the divisions of the classification are presented below (Mohapatra, 2013):

- B2C (business to consumer) – online stores that sell directly to consumers, i.e., at retail;
- B2B (business-to-business) - the company sells something to other businesses. This could be wholesale, with the buyer selling the goods to consumers at retail. Or goods and services tailored to corporate need, such as cash registers, cloud storage and services, and worldwide distribution of goods.
- C2B (consumer to business) – individuals offer goods and services to businesses. Outsourcing performers like as designers, programmers, and content developers are a good example.

- C2C (consumer to consumer) – individuals sell goods and services directly to one another: nannies, tutors, confectioners, and fashion designers.
- G2B (government to business) - government entities provide something for businesses, such as radio frequencies, airspace, and data collection and processing services.
- B2G (business to government) - the inverse process: for example, public purchase goods and services, software, and electronics;
- C2G (consumer to government) - when consumers pay for various public services (Raziei, 2020).

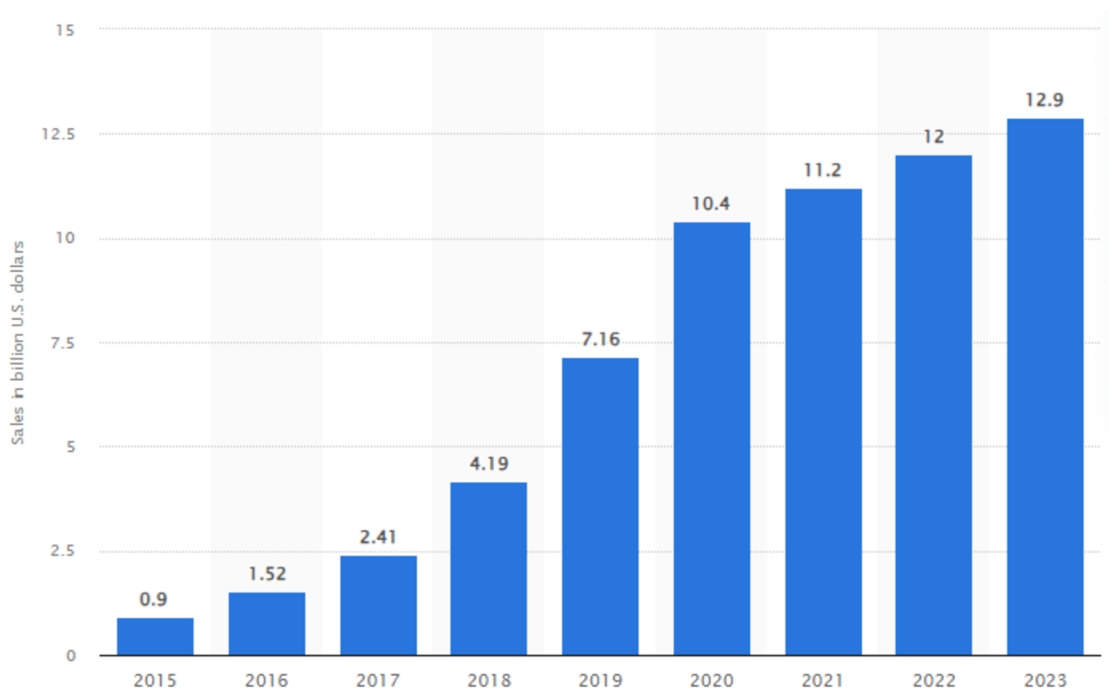
An inquiry may arise regarding the potential monetization of these guidelines for product sales. In the realm of online retail, various models exist to facilitate such monetization. However, it is crucial to acknowledge that the sale of goods and services does not always serve as the primary source of profitability in the domain of e-commerce. Prominent e-commerce enterprises often expand their operations by diversifying into many sectors, occasionally evolving into comprehensive ecosystems, whereby online trading constitutes a constituent element (Hayes, 2011).

The primary revenue streams in the field of electronic commerce:

- One example of a financial transaction involves the remittance of funds in exchange for a subscription to a certain product or service, such as the case of paying for a Netflix subscription.
- The remuneration for supplementary services, such as insurance coverage, delivery, and maintenance, is required. When purchasing plane tickets, airlines often provide additional options such as insurance coverage, in-flight meal services, and seat upgrades.
- The integration of payment services refers to the process by which organizations establish a connection with payment systems, enabling them to receive a commission for each transaction facilitated through their payment platform.
- Marketplaces generate revenue through the sales commission imposed on sellers (Erlyana, 2017).

It is imperative for the researcher to underscore multiple instances of prosperous enterprises that have attained substantial financial gains through the utilization of electronic commerce. Amazon, in particular, stands out as a prominent exemplar in this regard by being the United States' largest e-commerce platform and a prominent player in the worldwide internet commerce industry. Amazon possesses an extensive array of warehouses, an autonomous delivery system encompassing aircraft, unmanned aerial vehicles, and automated machines, alongside diverse commercial divisions such as Amazon commercial catering to corporate entities, cloud storage solutions, and streaming services. For example, the researcher would like to show how Amazon sales have change for the last eight years show the amount of advancement in online marketing and sales (Niranjanamurthy, 2013)

**Figure 1, global Amazon sales from 2015-2023**



(see Figure 1).

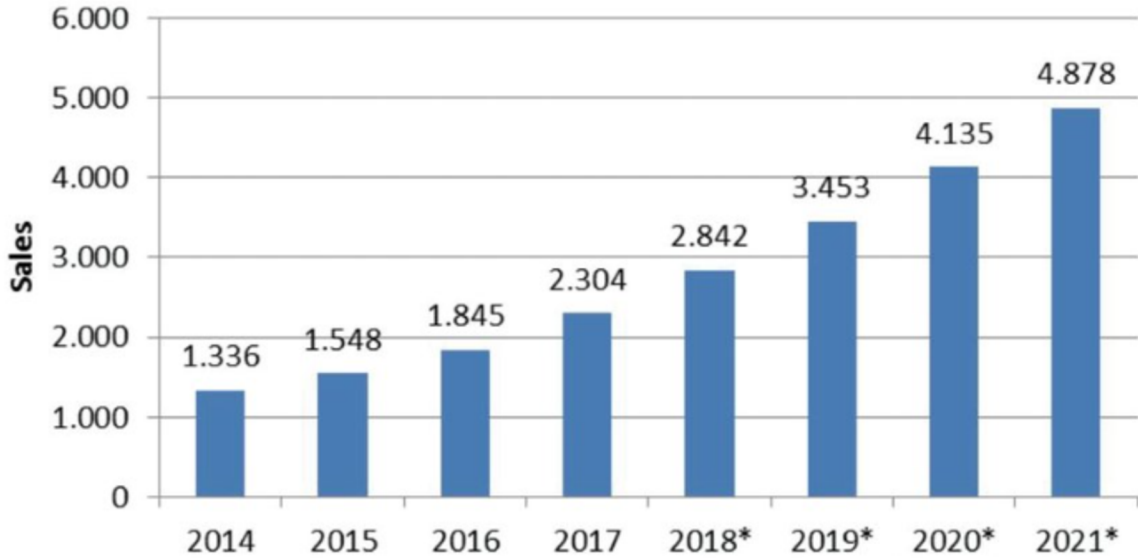
Source: Coppola, 2023

Additionally, it is worth noting that eBay, initially functioning as an internet-based auction platform, facilitated the display of various merchandise by individuals, enabling interested parties to place bids and make purchases. Subsequently, the company transitioned to using the conventional consumer-to-consumer model characterized by predetermined pricing structures. eBay made the strategic decision to maintain its current service offerings, continuing to function as an online aggregator and retaining its position as one of the primary



platforms for the purchase of rare and collectible products (Joledo, 2016). Additionally, it is important to show how E-commerce sales have grown for the last nine years with

**Figure 2, global E-Commerce Sales (In billion dollars USD)**



acknowledgment of COVID-19 and internet involvement in product sales (see Figure 2).

Source: Gate, 2021

It is noteworthy to emphasize that in recent years, with the advancement of the Internet, a substantial new domain has emerged for marketing, constituting a vital element within the realm of electronic commerce. There are several key characteristics of marketing within the realm of electronic commerce (Rangaswamy, 2020):

- The concept of personalization. The organization utilizes data about potential customers and purchasers, including their personal identification details, residential addresses, areas of interest, and behavioral patterns. This strategy enhances the personalization of offers by utilizing the recipient's name and presenting products that align with their potential interests.
- Mobile marketing. Individuals are inclined to engage in mobile commerce, as seen by their increased propensity to make purchases using their smartphones. This preference is further underscored by their use of store-specific applications at a rate twice as high as their utilization of corresponding websites.
- Virtual assistants. According to recent data, a significant proportion of users, specifically 40%, engage in the practice of placing online orders through voice assistants. Online assistants serve as supplementary salespersons and

counselors. The individuals in question will respond to often-asked inquiries and make appropriate product choices (Terzopoulos, 2020).

- The process of sampling is a fundamental technique used in research to select a subset of individuals or the aforementioned items encompass complimentary offerings, specifically perfume samples, soda provided by a food delivery service, and a half-hour duration of English language instruction. Sampling plays a crucial role in enhancing the visibility and recognition of a product and brand across both offline and online platforms.
- Interactive marketing refers to the utilization of content that enables users to actively engage with it, such as performing calculations with a calculator, responding to quiz questions, or participating in tests. The consumer is engaged and intrigued by the content, providing marketers with a platform to seamlessly discuss the product.

It is anticipated that the e-commerce industry would experience significant growth over the next two decades, leading to a progressive shift of all consumer transactions to online platforms. According to projections, the proportion of offline sales is expected to decline significantly, accounting for just 5% of total sales by the year 2040 (Qiao, 2021). There are several noteworthy global trends in the advancement of electronic commerce. The concept of conscious consumption involves the preference for ecologically friendly recyclable goods over disposable ones. This approach emphasizes the importance of considering the environmental impact of consumer choices. Seamless shopping, also known as omnichannel shopping, refers to a seamless and integrated shopping experience across different channels and platforms. This approach aims to provide customers with a consistent and convenient shopping experience regardless of the channel they use. The introduction of augmented and virtual reality technologies has become increasingly prevalent. These technologies enhance the shopping experience by providing virtual simulations and interactive elements, allowing customers to visualize and experience products in a virtual environment. The notion of "invisible" payments and payment by face refers to the emerging trend of frictionless payment methods. These methods eliminate the need for physical payment instruments and instead rely on technologies such as facial recognition to facilitate secure and convenient transactions (Morimoto, 2022).

In essence, retail establishments endeavor to optimize the purchasing experience by prioritizing efficiency, convenience, and stimulation. This phenomenon, along with various other factors, poses a challenge to traditional marketing strategies. As previously mentioned by the researcher, e-commerce is moving towards a trend of personalization, facilitated by features such as intelligent search and product selection, personalized recommendations, online stylists, and other related tools. Artificial intelligence (AI), an increasingly pervasive technology, has the potential to evaluate customer purchases and preferences comprehensively, enabling the provision of personalized suggestions that are specifically matched to individual characteristics. Grocery chains have begun to incorporate the practice of curating product offerings based on genetic testing and fundamental medical markers (Ho, 2022).

Another noteworthy phenomenon is the emergence of hybrid formats when traditional brick-and-mortar supermarkets and retail chains venture into the Internet realm by establishing dedicated sections for self-delivery or online shopping. An illustration of the integration of offline and online formats may be observed in the case of Amazon, particularly through its establishment of Amazon Go. This innovative branch allows customers to make purchases without the need for traditional cash desks or sales personnel. Instead, customers can utilize a dedicated application and face recognition cameras to facilitate their transactions. In addition, the increasing popularity of social networks has led to the active integration of e-commerce features within them. Presently, users have the ability to directly purchase products or access product pages on platforms such as TikTok, Twitter, Pinterest, and YouTube (Tucker, 2020).

Furthermore, due to market pressures, even traditionally conservative sectors of the consumer market that rely on offline sales, such as developers and car dealers, are gradually embracing digitalization. It is worth noting that the global business-to-business (B2B) e-commerce market, which already surpasses the turnover of business-to-consumer (B2C) transactions, is projected to experience a faster growth rate, averaging 18% annually until 2027. Moreover, mobile applications are anticipated to supplant other online sales channels, with smart voice assistants, augmented reality fitting applications, and PayPass payment methods serving as valuable tools for consumers. However, it is crucial to acknowledge that this approach encompasses not just the transactional aspects of commerce, but also the

legislative dimension, which varies across countries in terms of their attitudes towards e-commerce (Vyas, 2023).

## **3.2 Accounting Legislation**

### **3.2.1 Russia**

As for the federal laws of Russia in relation to accounting, they are divided into several provisions that are important to note. First, it's important to know what this Federal Law of Russia is about and what it wants to do with accounting. The goals of this Federal Law are to set standard requirements for accounting, including accounting (financial) reporting, and to make a legal way to control accounting. In this case, accounting is the process of putting together recorded, organized information about the things covered by this Federal Law, according to the rules set by this Federal Law, and then using that information to make accounting statements (Mikhaylov, 2021). Also, it's important to know where this Federal Law applies. This Federal Law applies to the following people:

- business and non-business groups;
- state bodies, local self-government bodies, bodies that handle state extra-budgetary funds, and area state extra-budgetary funds;
- the Russian Federation's Central Bank;
- Individual business owners, lawyers with their own offices, notaries, and other people who work on their own;
- Organizations set up in accordance with the laws of foreign states that have branches, representative offices, and other parts of their structure on the territory of the Russian Federation;
- International organizations and their branches and representative offices on the territory of the Russian Federation, unless international treaties of the Russian Federation say otherwise (Guzikova, 2020).

It would take the researcher a very long time and a lot of pages to explain all of the rules and systems of the Russian Federation's laws. Because of this, she wants to focus on just a few parts of the law to show the big picture and attitude toward accounting. And the following roles make up the accounting (financial) statements of the legislation:

1. Annual accounting statements are made up of a balance sheet, a statement of financial results, and any other documents that go with them.
2. A non-profit organization's yearly accounting (financial) records, besides those required by this Federal Law and other federal laws, are made up of a balance sheet, a report on how the money will be used, and any other documents that go with them.
3. Federal guidelines decide how interim accounting (financial) accounts should be put together, except in the cases set out in this Federal Law.
4. The fiscal laws of the Russian Federation decide how the accounting (financial) records of public sector organizations should be put together.

The accounting laws of the Russian Federation consist of various components, including this Federal Law, which establishes a comprehensive legal and methodological framework for the organization and maintenance of accounting. These laws are supplemented by other federal laws, decrees issued by the President of the Russian Federation, and resolutions adopted by the Government of the Russian Federation. The primary objectives of accounting legislation in the Russian Federation encompass standardizing the methods employed by organizations to record their assets, liabilities, and business transactions. Additionally, these laws aim to gather and present consistent and trustworthy information regarding an organization's assets, liabilities, income, and expenses, which is essential for users of financial statements (Bagdasarian, 2020).

The responsibility for overseeing the overall accounting procedures in the Russian Federation lies with the Government of the Russian Federation. The bodies entrusted with the authority to oversee accounting practices in line with federal legislation in the Russian Federation engaged in the formulation and endorsement of the following, in compliance with the established legal framework: The provided materials consist of two components: firstly, charts of accounts together with corresponding guidelines for their use; and secondly, provisions or standards about accounting practices. These provisions provide the fundamental concepts, regulations, and methodologies that businesses employ to record and compile a comprehensive list of their business transactions. The organizational structure of accounting inside enterprises legislation is also important to understand and include. The individuals in leadership positions are tasked with the responsibility of ensuring that the

accounting system is established in compliance with legal regulations and that the company activities adhere to legal requirements (Frolova, 2020). The decision regarding the accounting function within an organization is contingent upon the volume of accounting work. The options available to the organization's leader include:

- a) establishing an accounting service with a chief accountant;
- b) employing an accountant;
- c) outsourcing bookkeeping tasks to a centralized accounting department, a specialized organization, or an expert accountant;
- d) personally, maintaining the accounting records (Udalova, 2019).

The provided information affirms the existence of a functional accounting chart that encompasses both synthetic and analytical accounts necessary for fulfilling accounting requirements in terms of timeliness and comprehensiveness in accounting and reporting. Additionally, it acknowledges the utilization of alternative primary accounting documents in cases where standard forms are unavailable for processing business transactions. Furthermore, it acknowledges the utilization of specific documents for internal financial statements and outlines the procedure for conducting inventory (Nikolova, 2023).

The financial policy of the company is consistently applied in the same manner over consecutive years. Modifications to the accounting policy may be implemented in the event of legislative amendments within the Russian Federation or alterations to the regulations established by accounting oversight organizations. Additionally, revisions may be warranted if the organization devises novel accounting methodologies or experiences substantial operational transformations. In order to facilitate comparability of accounting data, it is advisable to implement modifications to accounting standards at the beginning of the fiscal year (Kuzmin, 2019).

### **3.2.2 China**

The Accounting Law of the People's Republic of China was enacted by the 9th Session of the 6th Standing Committee of the National People's Congress on January 21, 1985 (Deng, 2019). The purpose of this legislation is to enhance and establish uniformity in accounting practices, ensure compliance among accountants with legal requirements, and provide significance to the function of accounting in facilitating the efficient operation of the socialist

market economy, enhancing economic governance, and promoting economic efficiency (Qader, 2023).

Various entities, including state bodies, public groups, corporations, schools, private producers, firm owners, and other organizations, are obligated to adhere to this legislation in the context of their accounting practices. The individuals responsible for overseeing financial record-keeping and the employees comprising the accounting department are obligated to adhere to the statutory regulations and directives stipulated under this legislation. The need to maintain accounting records and conduct accounting audits necessitates the performance of this task. The individual occupying the leadership position within the business assumes the responsibility of ensuring compliance with legal regulations by accounting offices, accountants, and other personnel. The individuals in question are furthermore responsible for ensuring the legality, accuracy, and completeness of accounting data, while also safeguarding the unhindered performance of accountants in their professional duties. It is prohibited for someone to attempt to persuade an accountant to engage in any action. Accountants who diligently adhere to this legislation, exert significant effort in their professional duties and demonstrate exceptional performance will get due recognition and rewards (Zigo, 2021).

The responsibility for overseeing the operations of the national accounting department is with the finance department of the State Council. The responsibility for accounting within local governments lies with the financial offices situated in the respective areas. In accordance with the aforementioned legislation, the Finance Department of the State Council would establish a comprehensive financial system that encompasses the whole of the nation. The financial departments of the provinces, autonomous regions, and municipalities, along with the authorized departments of the State Council and the General Supply Department of the People's Liberation Army of China, have the authority to establish distinct procedures or introduce additional regulations to ensure the effective implementation of the unified nationwide accounting system, provided that these actions do not conflict with existing laws and regulations. The submission of these plans to the financial authorities for approval is mandatory (Jin, 2021).

Accounting procedures and the accounting of company transactions are used in many scenarios:

1. Acquiring monetary fund's and/or tangible possessions and afterwards returning them;
2. The documentation pertaining to the acquisition, transfer, appreciation or depreciation, and use of the property;
3. The initiation and repayment of a loan or obligation.
4. Variations in monetary and capital quantities, together with fluctuations in income and expenditures;
5. Determining the financial revenue, expenses, or valuation of an entity.
6. Identifying and managing the financial implications (Dat, 2020).

In alternative scenarios that need the use of accounting methodologies and the documentation of commercial operations. The use of the Chinese currency, Renminbi (RMB), is required while recording transactions in the ledgers. Subdivisions characterized by their primary sources of revenue and expenses denominated in foreign currencies possess the prerogative to choose the specific foreign currency to serve as their financial unit. In such circumstances, it is necessary to convert the cash into yuan before the creation of financial records. Accounting accounts, accounting books, accounting reports, and other accounting data need to adhere to the regulations set out by the United National Accounting System. Engaging in the act of forging or altering accounting accounts or records, as well as providing falsified accounting reports, is deemed unacceptable. The use of computers in accounting is subject to regulations imposed by the State Council and the Ministry of Finance. These regulations pertain to the software employed, as well as the permissible accounting accounts, accounting books, accounting reports, and other associated accounting data that may be derived from such systems. The accounting personnel are required to meticulously examine the source papers and thereafter prepare accounting documents based on the information obtained (Billings, 2021).

By the regulations governing the accounting system, establishments have the authority to establish their accounting departments and maintain their accounting records. Based on the examined source papers and accounting documents, it is necessary for the accounting authority to maintain accounting accounts by the regulations of the accounting system. Institutions need to have a mechanism to conduct regular audits of their assets, ensuring



alignment between their financial records and the corresponding inventory of funds and resources (Song, 2019).

### **3.2.3 USA**

The profession of accounting and the provision of accounting services to firms in the United States include significant responsibilities and many intricacies. Accounting serves as the primary means of communication within the realm of business. Throughout the duration from the company's registration to its eventual closure, a substantial volume of financial transactions, economic manipulations, and tax computations are undertaken. In the United States, having the knowledge and skills to effectively manage financial resources is crucial for achieving success in entrepreneurial endeavors (Renaldo, 2023). This phenomenon may be attributed to the operational mechanisms of budgeting and reporting systems. This service is a significant concept that enables users to record their transactions comprehensively, categorize them, do analyses, summarize the findings, and present them in a user-friendly manner. Maintaining financial records in compliance with legal regulations is of utmost significance in the United States. Every firm, regardless of its size, ownership structure, organizational setup, or industry, need assistance in managing its accounting functions. In the United States, it is advisable to engage the services of highly proficient accountants, as attempting to economize on their expertise may prove to be ill-advised (Litvinenko, 2022).

Accounting and financial reports play a crucial role in corporate operations since they provide a reliable and comprehensive assessment of the organization's performance. The primary objectives of accounting include the acquisition and dissemination of timely information essential for the formulation of strategic managerial decisions, conducting research to facilitate sales and revenue planning, and determining the optimal allocation of financial resources.

There are many advantages associated with the practice of accounting in the United States:

1. American company owners can accurately determine the precise location of their organization.
2. Explore strategies to enhance work performance and achieve desired objectives.
3. As a consequence of transparent and comprehensive reporting practices, the proprietor is consistently informed about the financial outcomes (profit or loss) of

the firm, the outstanding liabilities to suppliers, as well as the specific dates and amounts associated with transactions.

4. The discipline of accounting facilitates the assessment of a company's financial performance.
5. Accounting and reporting play a crucial role in ensuring the financial stability and integrity of limited liability organizations (LLCs) and corporations.
6. The implementation of consistent and precise financial record-keeping practices and accounting procedures inside the organization, along with the production of well-crafted reports, significantly enhances the likelihood of obtaining approval from creditors.
7. Effective tax planning is crucial for companies operating in the United States since it requires meticulous monitoring and harmonization of revenue and expenditures.
8. The implementation of a rigorous recruiting process and the use of comprehensive reports may significantly benefit a firm, providing the owner with several advantages, particularly when it comes to regulatory compliance, such as with the Internal Revenue Service (IRS).
9. The use of systematic accounting and reporting services contributes to the enhancement of a company's financial management (McClung, 2020).

The rules in the United States have remained stable over an extended period and mandate adherence to worldwide Generally Accepted Accounting Principles (GAAP) for accounting and reporting purposes. The aforementioned standards exhibit similarities to the international accounting system (IAS), although diverging from the accounting standards used inside the Russian Federation. One of the primary significances of GAAP is in its ability to foster more consideration towards the requirements and interests of shareholders by firms. In the United States, a comprehensive compilation of accounting and reporting regulations may be seen, including the following guidelines:

1. Maintaining dual sets of records. Every transaction is documented in two separate accounts, with one account being debited and the other account being credited. This implies that the company's total assets must consistently equal the sum of its cash holdings and outstanding liabilities.

2. The concept of free will. It is important to maintain a separate account for the funds allocated to the firm, distinct from the personal finances of the business owners.
3. A device used for counting currency. There are three distinct methods for quantifying activities, namely via the lenses of nature, labor, and monetary value. The primary focus of the report forms is on the conversion of all existing processes into monetary values via recalculation.
4. The current situation is proceeding in a manner consistent with standard operating procedures. The process of accounting and filing should be diligently and consistently maintained during the whole duration of a business's operations, even in cases where preparations to cease operations are being formulated.
5. The concept of cost. According to GAAP, it is mandated that all organizations conduct their commercial operations using the concept of "cost" rather than "market price." The discipline of accounting sometimes lacks precise knowledge of the actual market worth of a company's assets. This poses a challenge in determining the overall valuation of the firm.
6. The political ideology of conservatism. Accounting principles provide explicit guidelines about the processes of increasing or decreasing capital. In the field of accounting, it is a common practice to defer the recognition of a rise in cash until the completion of a transaction, often after the goods or services have been transported or delivered. Similarly, behaviors that result in a decrease in cash are also included.
7. In actuality. According to GAAP, prospective actions that are planned but have not yet occurred should not be included in the accounting. In the realm of intellectual discourse, the focus is only on the contemplation of veracity.
8. The importance of punctuality. According to GAAP, recognition of income is contingent upon the completion of the delivery of goods or provision of services to the customer or client.
9. The concept behind global accounting pertains to the need for US corporations to meticulously record all financial transactions, even those involving barter, to maintain comprehensive financial records. The exchange of assets and obligations takes place. Accounting necessitates the inclusion of a designated

location for every economic transaction that has potential monetary value (Leikoski, 2021).

The accounting practices and reporting standards in the United States exhibit notable distinctions compared to those of other nations, necessitating scrutiny of the structure and implementation of accounting procedures that include many options including:

- The act of maintaining one's own collection of books.
- Allocate additional responsibilities to the chief accountant.
- The accounting task should be delegated to proficient professionals employed by an outsourced enterprise.
- The primary determinant of significance is in the preferences of the employer and their financial resources (Darnall, 2022).

### **3.3 Stock Markets**

The stock market refers to a marketplace where shares of publicly traded companies are bought and sold, either through organized exchanges or decentralized over-the-counter securities markets. The stock market holds significant significance within a free-market economy due to its role in facilitating companies' acquisition of capital in exchange for granting investors a share of ownership in said enterprises (Petry, 2023). The stock market enables the conversion of modest sums of capital into substantial amounts, with comparatively lower levels of risk in comparison to entrepreneurial ventures, as an illustrative example. Investors are allowed to engage in the financial performance of a firm through their acquisition of shares in the stock market. When a corporation is engaged in active development and generating substantial profits, investors get financial gains through the receipt of dividends and the selling of shares. However, companies may also experience substantial financial setbacks in the event of declining profitability. The stock market can be categorically classified into two fundamental components, namely the primary market and the secondary market (Barbosa, 2022).

The primary market refers to the initial sale of new shares through an initial public offering (IPO). The majority of these shares are often acquired by institutional investors through investment banks (Basha, 2021). The secondary market is where all subsequent

trading occurs, involving a diverse range of market participants such as institutional investors and individual investors. Stock exchanges facilitate the trading of shares. The United States of America is home to two prominent stock exchanges, namely the New York Stock Exchange (NYSE) and the Nasdaq (Chowdhury, 2022). The NYSE, established in 1792, holds the distinction of being one of the oldest stock exchanges in the country. On the other hand, the Nasdaq, founded in 1971, is a relatively newer addition to the American stock market landscape. In contemporary times, the predominant mode of conducting transactions within the stock market is through electronic means, with a notable shift towards the electronic storage of shares as opposed to their physical manifestation in the form of certificates (Lazonick, 2020).

The exchange market is closely linked to the notion of exchange as a distinct mechanism for market organization, facilitating enhanced capital mobility and the accurate determination of asset prices in the market. The primary function of the exchange market is to facilitate the trading of pre-existing financial assets, making it largely a secondary market in nature. Trade and information systems are commonly utilized inside the over-the-counter market. The individuals involved in these systems, known as financial intermediaries, are provided with the chance to familiarize themselves with the supply and demand for financial assets. They can then enter into agreements with the financial intermediaries whose offers align with their interests (Jayeola, 2020).

The exchange and over-the-counter markets fulfil distinct functions within various sectors of the financial market. Therefore, within the realm of the foreign exchange market, the primary focus of trading foreign exchange resources is predominantly centred on the over-the-counter interbank market. Both the exchange market and the over-the-counter market hold significant importance within the securities industry. The entities responsible for facilitating trading activities in the securities market are known as stock exchanges and specialized exchanges that cater to the trading of futures and options contracts. The execution of securities trading in the over-the-counter market is facilitated by trade and information systems that are developed by securities traders in compliance with the regulatory framework of a certain jurisdiction (Paolini, 2020).

Exchange refers to a physical or virtual location where buyers and sellers engage in trades. In reality, it is common for exchanges to lack direct sellers and purchasers, with their roles being fulfilled by intermediaries who represent the first and second parties involved. The comparison between the exchange and the market is not feasible due to the distinct characteristics of each. In the context of the market, one can readily perceive the presence of items offered by the seller, and transactions typically occur without the involvement of middlemen. One of the primary benefits of the exchange is the lack of physical products, enabling the purchase and sale of items without the immediate requirement of their physical delivery during the transaction. However, the exchange serves as the primary venue for conducting transactions, encompassing the crucial roles of accounting, execution, and management of those transactions, while also ensuring the fulfilment of finalized contracts (Murray, 2021).

The stock exchange is an efficiently structured institution that functions by specific regulations, ensuring the monitoring and regulation of buying and selling prices. Typically, the oversight of exchange operations is conducted by governmental regulatory bodies. Depending on the instruments traded, exchanges are divided into (Mexmonov, 2020):

- commodity;
- currency;
- stock;
- futures

Additionally, there exists a commodity exchange, which serves as a wholesale market facilitating the purchase and sale transactions of specific categories of goods. The Commodity Exchange facilitates a diverse array of goods for trading, encompassing a broad spectrum of commodities such as precious metals, oil, cotton, and lean pork. Commodity exchanges can be classified into two distinct categories:

- *Universal* platforms are often the largest platforms globally in terms of transaction volume. Examples of such exchanges encompass the New York Stock Exchange and the Tokyo Stock Exchange.
- *Specialized* exchanges refer to platforms where transactions are conducted specifically for categories of items. An instance of non-ferrous and precious

metals is exchanged on the London Metal Exchange, serving as an illustrative case (Seddon, 2020).

It is noteworthy to consider the aspect of currency exchange, which encompasses the transactional activities involving the buying and selling of national currencies at a specific rate. This rate is determined by market forces of supply and demand, prevailing at a particular moment in time (Alzahrani, 2019). The exchange rates observed in currency markets are contingent upon the purchasing power of a certain currency, which is inextricably linked to the economic conditions prevailing in the nation of origin. It is important to acknowledge that the currency exchange market possesses high liquidity, rendering it highly appealing to traders and speculators. The primary objective of currency exchange is to ascertain the prevailing exchange rate. However, the significance of national currency exchanges has recently diminished in light of the growing prominence of the global currency market known as Forex (Chaboud, 2022).

The stock exchange is an alternative form of exchange characterized by a comprehensive framework and mechanisms that facilitate transactions involving the acquisition and divestment of securities, particularly shares. Presently, it stands as a highly appealing instrument for investment purposes. To gain further insights into the stock exchange, it is recommended to access the provided hyperlink (Kim, 2022).

The final category is the Futures Exchange, which refers to a marketplace where contracts for the delivery of products or assets at a future date are traded. In essence, this refers to a transactional process wherein the buying and selling of goods or services occur at anticipated future prices (Park, 2021).

### **3.4 Financial Analysis**

#### **3.4.1 Techniques**

Financial analysis encompasses a range of techniques employed to gather, manipulate, and evaluate both qualitative and quantitative data pertaining to the financial aspects of a business entity (Ravi, 2017). In prosperous enterprises, the practice of financial analysis is closely intertwined with management analysis, facilitating the prompt identification and

elimination of unfavorable patterns while bolstering favorable ones. This chapter highlights the significance of considering the goals and objectives of financial analysis within the context of the organization. The purpose of conducting financial analysis is to facilitate well-informed managerial decision-making (Brau, 2006). Enterprises engage in both external and internal analyses in order to have a comprehensive understanding of their business environment.

The process of internal analysis is conducted by personnel within the organization, utilizing a comprehensive range of data sources. This includes not only publicly available reports but also specific internal reports that provide insights into various aspects such as the percentage of defects and customer complaints about specific product types. Moreover, this analysis delves into a more granular level of detail, encompassing not only the overall performance of the enterprise but also localized indicators about individual divisions. Frequently, internal financial analysis data is not publicly disclosed and tends to be very specialized. These data not only encompass the outcomes but also elucidate the underlying mechanisms that contributed to these outcomes (Scott, 2003).

External analysis is conducted by independent experts who advocate for the interests of various stakeholders such as business partners, creditors, investors, regulatory agencies (e.g., the Federal Tax Service), the media, and scientific organizations. The goal of doing an external analysis is to assess the level of risk associated with capital investments in an enterprise, predict the potential profitability of investments, and evaluate the competitiveness of a company. The resulting reports are highly structured. The completeness and topical nature of the analysis may vary depending on its volume. Additionally, the analysis can be categorized as preliminary, current (or operational), or retrospective, based on the time period for which it was conducted (Tricker, 2015).

The selection and execution of tasks are contingent upon the specific goal and nature of the research being conducted below:

- A comprehensive, unbiased, and punctual evaluation of the financial condition of the company as of the specified reporting date;
- Examining the factors that have contributed to the current situation;



- The identification of untapped reserves and resources that have the potential to enhance the operational efficiency of the firm within the financial sector.
- The following is an exposition of particular procedures that are intended to enhance the financial state of the organization.
- The task at hand involves the prediction of forthcoming financial outcomes for subsequent time periods.

Various techniques are employed to present an accurate representation of the financial status of an organization (Gunasekaran, 2004). These approaches include examining financial accounts, conducting horizontal or trend analysis, vertical analysis, time series analysis, comparison analysis, factor analysis, and utilizing the method of financial ratios. This thesis pertains to the comprehension of financial statements, specifically focusing on gaining a general understanding of the financial position through the examination of the balance sheet, its accompanying appendices, and the income statement. Based on the report, the long-term perspective is used to elucidate the property and financial situation of the enterprise. This includes the regular generation of financial results by the enterprise, as well as any changes in the capital of owners and the liquidity of the enterprise (Borodin, 2015).

Horizontal analysis, also known as temporal analysis, involves the comparison of financial accounts across different periods of business activity. The predominant techniques employed in horizontal analysis encompass two primary approaches:

- 1) a straightforward examination of reporting items and an investigation into the underlying causes for their alterations;
- 2) an analysis of the variations in reporting items in relation to fluctuations observed in other items (Croushore, 2001).

Vertical (structural) analysis is conducted in order to ascertain the proportion of particular balance sheet items in relation to the overall final indicator, and thereafter compare this outcome with data from the preceding period. The process can be conducted on either original or aggregated reporting. The utilization of vertical analysis on the balance sheet enables the examination of the proportion between non-current and current assets, as well as

equity and loan capital, with the aim of assessing the composition of capital based on its constituent components (Aramburu, 2011).

Horizontal and vertical analysis are frequently employed in conjunction with one another while constructing analytical tables, since they serve to enhance and support each other's findings. Time series analysis involves the computation of relative deviations of reporting parameters over many periods, such as quarters or years, in comparison to the base period's level. Predictive analysis is conducted by utilizing the trend to generate potential values for indicators in the future. Comparative spatial analysis is conducted by comparing individual indicators of the enterprise on-farm and inter-farm indicators of similar competitive companies (Singh, 2015).

Factor analysis is a research method that examines the impact of specific factors on performance indicators through the use of deterministic and statistical techniques. In this particular scenario, factor analysis can encompass both direct analysis, which involves examining the components individually, and reverse analysis, which involves synthesizing the components. The direct technique of analysis involves the segmentation of the performance indicator into its constituent pieces, while the reverse method entails the aggregation of the different aspects into a unified performance indicator. In order to enhance the precision of the outcomes, it is important to consistently modify the array of indicators and the weighting coefficients assigned to each indication, while considering the specific economic sector and other specified circumstances (Morris, 2019).

The financial ratios approach involves the computation of ratios using data from financial statements and the analysis of the interrelationships between these indicators. When engaging in analytical work, it is imperative to consider the following factors:

- 1) The efficacy of the implemented planning methodologies.
- 2) The dependability of financial statements.
- 3) The use of diverse accounting procedures, also known as accounting policies.
- 4) The extent of diversification in the operations of other enterprises.
- 5) The static characteristic of the employed coefficients (Beaver, 2012).

In the context of Western corporations, specifically those in the United States, Canada, and Great Britain, the three coefficients that are commonly employed are as follows: Return on Assets (ROA), Return on Equity (ROE), and Return on Invested Capital (ROIC) are financial metrics commonly used in the field of finance.

The measure of ROA that can be attributed to the total assets can be found by following formula:

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

This metric quantifies the profitability of a company in relation to the total assets it has generated from both internal and external sources.

The return on equity (ROE) is a financial metric used to assess the profitability and efficiency of a company by measuring the return generated on the shareholders' equity investment.

$$ROE = \frac{\text{Net Income}}{\text{Average Total Equity}}$$

This ratio quantifies the return generated on the capital invested by shareholders, either through direct investment or by the retention of earnings.

The return on invested capital (ROIC) is a financial metric used to assess the profitability and efficiency of a company's capital investments.

$$ROIC = \frac{\text{NOPAT (Net operating profit after tax)}}{\text{Invested Capital}}$$

The amount of invested capital can be expressed as the sum of working capital and fixed capital. This observation suggests that it is the responsibility of shareholders and creditors to provide the necessary funding for the company's property, equipment, other long-term assets, and the portion of current assets that is not covered by short-term obligations. The primary requirement in this scenario is that the analysis must include solely the capital utilized to generate the profit included in the computation (Li, 2020).

### 3.4.2 Importance

The primary objective of financial analysis is to acquire information that provides an impartial evaluation of the financial state of the organization. Financial analysis is a process that yields insights into the financial performance of an organization, as well as any alterations in the composition of its assets and liabilities, and the status of its dealings with debtors and creditors. Simultaneously, the management typically exhibits interest not alone in the present financial state of the firm, but also in its prospective outlook. Financial analysis is conducted within various domains, including:

- Examination of the financial stability and solvency of the firm.
- An examination of balance liquidity.
- An evaluation of the efficacy of utilizing assets, equity, and loan capital.
- The examination of the financial gains or losses incurred by the firm.
- The present study focuses on the analysis of profitability metrics.
- Examination and evaluation of the fiscal state of the organization (Arkan, 2016).

The majority of organizational leaders employ financial analysis methodologies to make decisions that maximize their interests. Financial analysis is performed with the objective of enhancing the profitability, augmenting the business activity, and ensuring the stable functioning of the organization. This information holds significance not only for the proprietors of the firm but also for the creditors of the enterprise. The creditors, relying on the obtained data, will determine their decisions regarding loan approval and the terms of financing. Based on the financial analysis data, investors are able to assess the financial standing of the enterprise, enabling them to make informed decisions regarding the allocation of their own capital. This evaluation encompasses considerations such as the viability of investing in the enterprise, potential returns on investment, and the level of risk associated with non-repayment of invested funds (Cascio, 2010).

The primary objectives of financial analysis encompass:

- conducting an impartial evaluation of the financial state of the enterprise;
- analyzing the enterprise in terms of the factors that impact its operations;

- preparing and justifying managerial decisions that have been adopted;
- identifying potential areas for enhancing the enterprise's profitability and optimizing its operational efficiency (Tiron-Tudor, 2019).

At this stage of the thesis, the researcher will move on to using the knowledge and information gained on a specific example and using the previously indicated formulas and techniques to demonstrate their effectiveness.

## 4 Practical Part

### 4.1 Characteristics of the Companies

Figure 3, companies used in practical part of the thesis



Source: Crowd, 2023

The practical component of this thesis will include doing an investigation of many organizations that specialize in online trading, each representing the nations mentioned in the theoretical section of the study. In the context of the Russian economic sector, the platform known as OZON will be analyzed, while in the American context, Amazon will be analyzed, and in the Chinese context, Alibaba will be analyzed. All of the aforementioned organizations (see Figure 3) have a same operational philosophy. The first company under scrutiny will be OZON, which has the distinction of being the oldest marketplace in Russia, having been established in 1998. As of 2021, OZON occupies the second position in the top three rankings, trailing only behind Wildberries. Originally, the entity emerged as a retail establishment specializing in the sale of books, videos, and audio products. Over time, it diversified its offerings and recently attained the designation of a marketplace in the year 2019 (Andreevna, 2022).

Ozon now offers a wide range of legal goods, including several categories. While initially focused on technology and publications, the company has expanded its collection to include a diverse array of items, spanning from food to building supplies. The marketplace in question is well recognized and attracts a diverse range of consumers. While it is often associated with the sale of books due to longstanding consumer behavior, it also facilitates the trade of numerous other product categories, including cosmetics, electronics, furniture, pet products, food, and children's items. Additionally, the marketplace offers opportunities for service provision.

The profitability of OZON for sellers is evident due to many factors, including a streamlined registration process, the availability of a user-friendly mobile application, and a significant reduction in commission rates from an average of 25% to 10% in 2021. The distribution network spans a vast geographical area, including over 12,000 distribution sites nationwide, as well as regional warehouses. One has the option to engage in sales activities from either a personal warehouse or from OZON warehouses. The disbursement of funds occurs on a bi-monthly basis. There are enough advertising prospects available in the marketplace, enabling promotion even with a little budget. Consequently, a significant number of small-scale businesses have established many retail establishments to market their own products or engage in the resale of imported goods. At the commencement of 2021, the active buyer counts on OZON surpassed 16 million, accompanied by a monthly influx of over 80 million site visits. In terms of market share, it now stands at 6%. During the first quarter of 2021, a total of over 35 million orders were placed. Additionally, Ozon operates throughout the whole of Russia, facilitating the delivery of certain product categories to both European Union and CIS nations. It is important to note that Ozon only collaborates with legal organizations, limited liability companies (LLCs), and individual entrepreneurs (Arkhipov, 2022).

The growth rate of Ozon is noteworthy, as market projections indicate a projected increase in turnover of 115% by the conclusion of 2023, in comparison to the previous year. According to the CEO of the firm, there is a goal to achieve a turnover of 2.5 trillion rubles within a span of four years. In the year 2021, there has been an almost twofold increase in the quantity of OZON sellers, resulting in a current total of 50,000 individuals engaged in

this activity. According to Forbes, the assortment of commodities has more than 27 million items (rf).

Regarding the forthcoming marketplace, Alibaba's business approach aimed to revolutionize the notion of electronic commerce. A platform has been developed by the developers to facilitate the streamlined global trade of products and services for small and medium-sized Chinese enterprises. Throughout its duration, the corporation has achieved the status of being the sixth most prominent global brand, including several sectors such as financial services, e-commerce, retail, and supermarkets. The core operations of Alibaba are managed via a distinct entity known as the Alibaba Group, including many tiers within its organizational structure (Andreevna, 2022).

- The Alibaba.com platform is primarily focused on facilitating B2B transactions, effectively linking global customers and suppliers in a more efficient and streamlined manner. Typically, this particular industry caters to huge firms involved in extensive quantitative trading activities.
- The Alibaba Group encompasses Taobao.com, which is often regarded as the most valuable asset inside the conglomerate. Taobao.com is recognized as the biggest platform for consumer-to-consumer commerce, enabling small enterprises to effectively promote their goods to a diverse global customer base.
- The most recent addition to this collection of companies is Tmall.com, an online platform curated to showcase a selection of prestigious brands like Gucci, Louis Vuitton, Armani, and others. This implies that a significant portion of its user base comprises affluent individuals from China's middle and higher socioeconomic strata who exhibit a preference for cost-effective alternatives rather than investing substantial sums on high-quality products emblematic of capitalist markets (Kwak, 2019).

Alibaba was established during the late 1990s, a period characterized by the culmination of the internet boom. The founder of Alibaba, Jack Ma, convened a gathering of 17 technological professionals at his modest residence located in Hangzhou, situated in the eastern region of China, with the objective of collectively assessing and documenting first perceptions of Alibaba's business plan. The genesis of this company concept originated from



Mr. Ma's visit to San Francisco, California, when he was first exposed to the capitalist economic system. This interaction prompted him to see the vast possibilities inherent in a free market economy (Liu, 2021).

The Alibaba Group is a prominent conglomerate that exercises control over several businesses and derives earnings from diverse business sectors, with its primary focus being on e-commerce. This particular sector contributes to about 90% of the group's overall revenue. In addition to exploring other revenue streams, the Group also seeks to earn income via advertising, membership fees, cloud computing, and the selling of delivery services. The primary source of Alibaba's income is from its marketplaces, which facilitate global connections between consumers and Chinese enterprises engaged in the sale of diverse product offerings. Alibaba imposes a commission fee for each transaction conducted on its online platforms, namely Alibaba.com and Tmall.com. In relation to the operational mechanisms of Taobao.com, the platform exhibits similarities to eBay, although with a distinct revenue model. Unlike eBay's transaction-based compensation structure, Taobao.com adopts a different approach by levying fees on sellers for advertising services rendered (Liu, 2021).

Amazon.com Inc., often referred to as Amazon.com, is a prominent American firm that focuses on many domains like e-commerce, cloud computing, and artificial intelligence. Amazon is renowned for its extensive online retail operations and efficient delivery services, establishing itself as the leading retail corporation in terms of market value. According to Forbes, the market value in 2019 was reported to be \$916.1 billion, with sales reaching a total of \$232.9 billion. Amazon reported a notable net profit of \$10.1 billion, setting a new record for the company. According to the Global 2000 2019 ranking, Amazon is positioned as the 28th biggest public company, representing the Russian Federation (Rakesh, 2020).

Amazon.com is not alone a prominent online marketplace, but also a worldwide purveyor of cloud computing and artificial intelligence services. The aforementioned firm is at the forefront of the cloud computing industry and is recognized as one of the prominent technological companies, sometimes referred to as the Big Five, with Apple, Google, Facebook, and Microsoft. The Amazon brand is well recognized for its extensive worldwide presence, rendering it highly esteemed and valuable. According to Forbes, the brand's worth

is estimated at \$97 billion, positioning it as the fourth most valuable brand in the World's Most Valuable Brands 2019 list. The success narrative of Amazon serves as a valuable resource for those seeking to gain insights from the expansion of a lucrative and pioneering international firm (Czinkota, 2021). The individual responsible for establishing and leading the organization, Jeff Bezos, had a formal education in programming. Prior to embarking on his entrepreneurial journey, Bezos through a series of professional transitions, including a tenure at DESCO on Wall Street. Upon seeing a report indicating a staggering 2300% increase in the population of Internet users within a single year, Bezos made the deliberate choice to relinquish his esteemed occupation, which provided a stable source of income, in order to go into an entirely novel sector. By the year 2023, he has achieved a position among the wealthiest individuals globally (Kumar, 2023).

The organizational framework of the enterprise is delineated by three distinct domains:

- The North America segment include the consolidation of retail sales pertaining to consumer items and subscriptions, which are facilitated by websites specifically designed for the North American market.
- The international category includes retail sales and subscriptions facilitated through international internet resources.
- Amazon Web Services (AWS) is a cloud computing platform that offers a wide range of services and solutions to individuals, businesses, and organizations. This section includes the worldwide sales of computer resources, storage systems, databases, and other service offerings. The Amazon Web Services (AWS) platform was introduced in 2002 and has been offering cloud computing services since March 2006.

Amazon encompasses a diverse array of sectors and divisions that contribute to the company's profitability in different capacities. Amazon also engages in the purchase of other firms that fall under a shared holding structure. Noteworthy among Amazon's acquisitions are the following, as highlighted by the researcher:

- IMDb is an online database dedicated to cataloging information on films, television shows, and video content. The platform has expanded its operations to include the facilitation of DVD purchases.
- Alexa functions as a purveyor of analytical data, distinct from Amazon's digital assistant using the same appellation. The aforementioned acquisition facilitated the storage and analysis of purchase data, enabling the provision of personalized product recommendations to customers.
- Zappos, a prominent enterprise specializing in footwear and clothes, marked a significant milestone in Amazon's retail development by being among its first ventures outside the realm of books and CDs.
- Kiva Systems is a manufacturer of robotic systems that provide assistance for the logistical operations of a corporation, which now utilizes a workforce of 100,000 robots.
- Twitch is a prominent platform for live streaming video games, which has significantly broadened Amazon's presence in the streaming sector.
- Whole Foods Market is a prominent network of organic food shops, recognized as the most substantial purchase in terms of financial value.
- Pill Pack Inc. is an e-commerce enterprise specializing in pharmaceutical services, whose purchase facilitated Amazon's expansion into the nationwide distribution of prescription medications inside the United States.

At this juncture of the thesis, the researcher intends to go towards the practical analysis and application of the acquired knowledge and previously offered material.

## **4.2 Financial Position and Performance of the Companies**

### **4.2.1 Financial Position**

The very first part of the diploma thesis containing empirical contribution to the studied subject is entirely dedicated to the analysis of two important domains of finance – financial position and financial performance. The very first step taken in this subchapter is represented by the analysis of balance sheets of the companies.

**Table 1, Ozon: Assets (2018-2022)**

	<i>million USD</i>				
	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
<i>Money and Highly Liquid Securities</i>	\$ 39	\$ 48	\$ 1,402	\$ 1,681	\$ 1,287
<i>Debtors</i>	\$ 20	\$ 44	\$ 46	\$ 88	\$ 168
<i>Gross Debtors</i>	\$ 21	\$ 45	\$ 57	\$ 89	\$ 171
<i>Doubtful Accounts</i>	\$ -1	\$ -1	\$ -1	\$ -1	\$ -3
<i>Inventories</i>	\$ 90	\$ 171	\$ 207	\$ 351	\$ 474
<b><i>Total Short-Term Assets</i></b>	<b>\$ 167</b>	<b>\$ 304</b>	<b>\$ 1,687</b>	<b>\$ 2,221</b>	<b>\$ 2,122</b>
<i>Net Long-Term Tangible Property</i>	\$ 62	\$ 265	\$ 358	\$ 932	\$ 1,701
<i>Gross Long-Term Tangible Property</i>	\$ 80	\$ 298	\$ 408	\$ 1,018	\$ 1,874
<i>Accumulated Depreciation</i>	\$ 18	\$ 33	\$ 50	\$ 86	\$ 173
<i>Total Investments</i>	\$ 17	\$ 18	\$ 15	\$ 47	\$ 53
<i>Other Intangible Assets</i>	\$ 3	\$ 2	\$ 4	\$ 16	\$ 9
<b><i>Total Long-Term Assets</i></b>	<b>\$ 94</b>	<b>\$ 315</b>	<b>\$ 403</b>	<b>\$ 997</b>	<b>\$ 1,780</b>
<b><i>Total Assets</i></b>	<b>\$ 261</b>	<b>\$ 619</b>	<b>\$ 2,090</b>	<b>\$ 3,218</b>	<b>\$ 3,902</b>

Source: processed by the researcher based on the financial statements

The very first aspect that is worth being noted about the assets of Ozon (see Table 1) is the fact that compared to the majority of international companies specializing in the domain of online retail, Ozon's financial position is not represented by enormous figures. This can be explained by the fact that Ozon is based in Russia, the country that experiences a relatively quick annual depreciation, thus potentially leading to the accounting or translation exposure. Nevertheless, it is important to implement the first technique to the assets of the company, which will be the horizontal analysis (see Table 2).

**Table 2, Ozon: Trend Analysis of Assets (2018-2022)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Money and Highly Liquid Securities</i>	23.08%	3494.87%	4210.26%	3200.00%
<i>Net Debtors</i>	120.00%	130.00%	340.00%	740.00%
<i>Gross Debtors</i>	114.29%	171.43%	323.81%	714.29%
<i>Doubtful Accounts</i>	0.00%	0.00%	0.00%	-400.00%
<i>Inventories</i>	90.00%	130.00%	290.00%	426.67%
<b>Total Short-Term Assets</b>	<b>82.04%</b>	<b>910.18%</b>	<b>1229.94%</b>	<b>1170.66%</b>
<i>Net Long-Term Tangible Property</i>	327.42%	477.42%	1403.23%	2643.55%
<i>Gross Long-Term Tangible Property</i>	272.50%	410.00%	1172.50%	2242.50%
<i>Accumulated Depreciation</i>	83.33%	177.78%	377.78%	861.11%
<i>Total Investments</i>	5.88%	-11.76%	176.47%	211.76%
<i>Other Intangible Assets</i>	-33.33%	33.33%	433.33%	200.00%
<b>Total Long-Term Assets</b>	<b>235.11%</b>	<b>328.72%</b>	<b>960.64%</b>	<b>1793.62%</b>
<b>Total Assets</b>	<b>137.16%</b>	<b>700.77%</b>	<b>1132.95%</b>	<b>1395.02%</b>

Source: processed by the researcher based on the financial statements

With the percentual increases from the base year of 2018 marked with a green color and decreases marked with a red color and zero change with a blue color, it is possible to come up to the conclusion that the majority of the accounts from the balance sheet have faced an increment over the course of the analyzed time period. What is quite interesting to note is that the increase in cash in 2020 was enormous – 3494.87% compared to 2018 and it went even further than that – 4210.26% in 2021. This is quite clearly a consequence of the pandemic, when the company decided to increase its liquidity in order to stay solvent. At the same time, such a sharp increase is likely to indicate that the company’s liquidity prior to the events of the pandemic crisis was far from being perfect.

On the other hand, the increase in the net receivables looks downright concerning – 740% increase in 2022 compared to 2018. However, pretty low figures for the doubtful accounts indicate that the company does not have problems with collecting its debts. On the other hand, having a lot of cash allocated in receivables is definitely not a good situation, especially when the company is seemingly suffering from problems with its liquidity.

A quick increase in the value of inventories for a company specializing in retail is quite a common situation, which might indicate that there was no problem with the demand for merchandise sold by Ozon. The increase in the value of inventories reached 714.29% by the end of 2022 compared to 2018, which is a very huge leap forward for the company, potentially indicating a growing demand for the products sold by Ozon. Overall, the company significantly increased its liquidity in 2020, 2021 and 2022 – the overall increase by the end of 2022 in the value of current assets reached 1170.66% compared to the base year of 2018. On one hand, this is a good sign indicating that the company became significantly more liquid, but it raises concerns about the funding used for this increase in liquidity and also indicates that the management of working capital had not been so good prior to 2020, otherwise the company would have not experienced such drastic increments in the value of assets.

Continuing to the long-term section of assets, it is important to note that the value of both net and gross property was rapidly increasing – 2643% for the net property and 2242% for the gross kind of property. However, it is essential to pay attention to the contra-asset associated with property – accumulated depreciation. Accumulated depreciation was inevitably rising, which is a pretty common situation due to the very nature of the contra-asset. Yet, the increase in the contra-asset was significantly smaller than the increase in the gross property – 861.11% by the end of 2022 compared to 2643%, which is a good sign that results in the accumulation of capital stock for the company.

The company's attitude towards investments has changed in 2020, when the value of the asset decreased, but when recalling the situation that was faced by literally all companies around the globe with the pandemic of COVID-19, this should not surprise analysts much. On the other hand, the company focused on investing during the recovery-period from the pandemic, which is especially visible by the base index for the element in 2022, indicating a 211.76% increase compared to the base year of 2018, which can definitely be viewed as something quite positive. Overall, the increase in the value of the long-term assets was even bigger than the increase in the current assets – 1793%, which is more superior than 1170% identified for the current assets of the company. Overall, the total value of Ozon's assets rose by 1395% compared to 2018, which is a good indicator that can potentially suggest that the company's book value went up. However, before concluding this, it would be still vital to

pay attention to the company's liabilities. Yet, it is essential to perform another kind of analysis on the company's assets – the vertical one. The vertical analysis of Ozon's assets can be found below (see Table 3).

**Table 3, Ozon: Share Analysis of Assets (2018-2022)**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Money and Highly Liquid Securities</i>	14.94%	7.75%	67.08%	52.24%	32.98%
<i>Debtors</i>	7.66%	7.11%	2.20%	2.73%	4.31%
<i>Inventories</i>	34.48%	27.63%	9.90%	10.91%	12.15%
<b>Total Short-Term Assets</b>	<b>63.98%</b>	<b>49.11%</b>	<b>80.72%</b>	<b>69.02%</b>	<b>54.38%</b>
<i>Net Long-Term Tangible Property</i>	23.75%	42.81%	17.13%	28.96%	43.59%
<i>Total Investments</i>	6.51%	2.91%	0.72%	1.46%	1.36%
<i>Other Intangible Assets</i>	1.15%	0.32%	0.19%	0.50%	0.23%
<b>Total Long-Term Assets</b>	<b>36.02%</b>	<b>50.89%</b>	<b>19.28%</b>	<b>30.98%</b>	<b>45.62%</b>

Source: processed by the researcher based on the financial statements

The vertical analysis is important from the point of view of understanding where the most of the company's assets are allocated. In 2018, the majority of assets of the company were allocated in the current section of the assets with almost 64% of the total figure represented by liquid assets. In 2019, the situation changed slightly, which might be a consequence of a series of ongoing capital projects by Ozon that resulted in the increase in the value of total long-term assets that became slightly larger than the total for current assets – 50.89% of total assets were allocated in the long-term section of the assets.

However, the year 2020 indicated a fundamental change, when the current assets represented 80.72% of the total assets, which was almost surely influenced by the ongoing pandemic. However, the magnitude with which the company increase its current assets is still concerning as it must have almost certainly led to expensive borrowing during the period. The recovery from the pandemic seemingly started in 2021, when the company's value of liquid assets started to go down a bit – it represented 69.02%, while the rest was allocated to the long-term assets. The year 2022 potentially marks almost a full recovery from the pandemic of COVID-19, when the company's long-term assets started to approach the figures of 50%, potentially meaning that the company resumed investment. Yet, it is important to recall the fact that the company is specialized in retail, so it is bound to have

quite a lot of assets allocated in inventory accounts. Overall, the situation with the company's assets does not seem to be quite favorable as the company had to quickly intervene and make corrections, which was on one hand pretty common during the crisis, but the company's actions resemble a somewhat hectic pattern of intervention. The subsequent passage (see Table 4) presents the summary of Ozon's liabilities and equity (L&E) accounts during the analyzed period of time.

**Table 4, Ozon: L&E (2018-2022)**

	<i>million USD</i>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Current Debt</i>	\$ 3	\$ 93	\$ 140	\$ 256	\$ 922
<i>Payables</i>	\$ 169	\$ 301	\$ 575	\$ 1,190	\$ 1,298
<i>Income Tax</i>	\$ 1	\$ 3	\$ 11	\$ 14	\$ 23
<b><i>Total Short-Term Liabilities</i></b>	<b>\$ 206</b>	<b>\$ 475</b>	<b>\$ 814</b>	<b>\$ 1,652</b>	<b>\$ 2,670</b>
<i>Non-Current Debt</i>	\$ 4	\$ 128	\$ 197	\$ 1,138	\$ 1,412
<i>Other Non-Current Debt</i>	\$ 4	\$ 3	\$ 8	\$ 19	\$ 48
<b><i>Total Long-Term Liabilities</i></b>	<b>\$ 8</b>	<b>\$ 131</b>	<b>\$ 205</b>	<b>\$ 1,157</b>	<b>\$ 1,460</b>
<b><i>Total Liabilities</i></b>	<b>\$ 214</b>	<b>\$ 606</b>	<b>\$ 1,019</b>	<b>\$ 2,809</b>	<b>\$ 4,130</b>
<i>Paid-In Capital</i>	\$ 223	\$ 516	\$ 1,804	\$ 1,799	\$ 1,856
<i>Retained Earnings</i>	\$ -182	\$ -529	\$ -748	\$ -1,495	\$ -2,333
<i>Reserves</i>	\$ 5	\$ 26	\$ 16	\$ 104	\$ 248
<b><i>Total Equity</i></b>	<b>\$ 47</b>	<b>\$ 13</b>	<b>\$ 1,072</b>	<b>\$ 408</b>	<b>\$ -228</b>

Source: processed by the researcher based on the financial statements

The very first aspect that is worth mentioning is the fact that the company's value of equity for 2022 became negative, which indicates that borrowing exceeded the total value of assets, and that the company's degree of indebtedness raises serious concerns. Apart from that, the company has seemingly used all of its retained earnings even prior to the pandemic, resulting in negative values for the element. Nevertheless, the same approach will be applied to the company's liabilities (see Table 5).



**Table 5, Ozon: Trend Analysis of L&E (2018-2022)**

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
<i>Current Debt</i>	3000.00%	4566.67%	8433.33%	30633.33%
<i>Payables</i>	78.11%	240.24%	604.14%	668.05%
<i>Income Tax</i>	200.00%	1000.00%	1300.00%	2200.00%
<b><i>Total Short-Term Liabilities</i></b>	<b>130.58%</b>	<b>295.15%</b>	<b>701.94%</b>	<b>1196.12%</b>
<i>Non-Current Debt</i>	3100.00%	4825.00%	28350.00%	35200.00%
<i>Other Non-Current Debt</i>	-25.00%	100.00%	375.00%	1100.00%
<b><i>Total Long-Term Liabilities</i></b>	<b>1537.50%</b>	<b>2462.50%</b>	<b>14362.50%</b>	<b>18150.00%</b>
<b><i>Total Liabilities</i></b>	<b>183.18%</b>	<b>376.17%</b>	<b>1212.62%</b>	<b>1829.91%</b>
<i>Paid-In Capital</i>	131.39%	708.97%	706.73%	732.29%
<i>Retained Earnings</i>	-390.66%	-510.99%	-921.43%	-1381.87%
<i>Reserves</i>	420.00%	220.00%	1980.00%	4860.00%
<b><i>Total Equity</i></b>	<b>-72.34%</b>	<b>2180.85%</b>	<b>768.09%</b>	<b>-585.11%</b>

Source: processed by the researcher based on the financial statements

As it was assumed earlier, the company had to also increase its liabilities, where the figures for the short-term debt look downright frightening and concerning – an increase of 30633.33% in 2022 compared to 2018 is a serious burden that raises serious concerns about the company’s solvency and generally the ability to stay afloat. Payables have also increased, but it is almost certainly associated with more operations and higher demand for the company’s products that is certainly accompanied by cooperation with collaborators and suppliers. Furthermore, the company’s income tax to be paid to tax authorities has also risen by enormous figures. Overall, the increase in the total current liabilities in 2022 accounted for almost 1200%, which is a very huge increase that potentially raises concerns about the company’s degree of solvency.

The long-term debt, which is traditionally used for funding long-term capital projects has also risen and the magnitude of the increase is significantly higher than the magnitude of the increase in the total current liabilities – 18150%. This is a sign of the fact that the company has almost certainly been investing during the troubled period, but it does not add any good credit when considering that the degree of indebtedness was already high enough.

However, the absolute worst situation is identified in the company’s equity, which became negative for the year 2022. However, even in the period prior to the value of debt

overwhelming the company's assets, the situation was not favorable at all mainly due to the negative value of retained earnings, indicating that the company has exceeded its ability to get any benefit from their accumulated earnings. Overall, the situation with the company's liabilities and equity is very concerning. The next step will be looking at the vertical analysis of the same part of the balance sheet (see Table 6).

**Table 6, Ozon: Share Analysis of L&E (2018-2022)**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Current Debt</i>	1.40%	15.35%	13.74%	9.11%	22.32%
<i>Payables</i>	78.97%	49.67%	56.43%	42.36%	31.43%
<i>Income Tax</i>	0.47%	0.50%	1.08%	0.50%	0.56%
<b><i>Total Short-Term Liabilities</i></b>	<b>96.26%</b>	<b>78.38%</b>	<b>79.88%</b>	<b>58.81%</b>	<b>64.65%</b>
<i>Non-Current Debt</i>	1.87%	21.12%	19.33%	40.51%	34.19%
<i>Other Non-Current Debt</i>	1.87%	0.50%	0.79%	0.68%	1.16%
<b><i>Total Long-Term Liabilities</i></b>	<b>3.74%</b>	<b>21.62%</b>	<b>20.12%</b>	<b>41.19%</b>	<b>35.35%</b>

Source: processed by the researcher based on the financial statements

By looking at the company's vertical analysis, where the value of equity is excluded due to zero value to the analysis because of negative values, it is apparent that the company is mainly concerned with the short-term borrowing that is likely to support their daily operations, indicating a very concerning tendency. On one hand, borrowing is not good at all due to potential problems with liquidity, but when this borrowing is used to fund long-term projects that are likely to generate cash-flows, the factor of borrowing can be discounted, and the situation could be characterized as positive. However, the case of Ozon is very concerning because as of the analysis of the financial position of the company, it seems that the company's collapse is imminent.

After addressing all issues identified for Ozon, it is the time to focus on the second company – Alibaba group, whose assets can be found below (see Table 7).

**Table 7, Alibaba: Assets (2019-2022)**

	<i>million HKD</i>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Money and Highly Liquid Securities</i>	\$ 237,511	\$ 410,225	\$ 613,026	\$ 605,406
<i>Debtors</i>	\$ 25,844	\$ 25,209	\$ 32,113	\$ 40,512
<i>Inventories</i>	\$ 9,969	\$ 16,237	\$ 33,041	\$ 37,146
<i>Expenses Paid Upfront</i>	\$ 8,234	\$ 8,247	\$ 21,980	\$ 22,102
<b><i>Total Short-Term Assets</i></b>	<b>\$ 313,385</b>	<b>\$ 503,668</b>	<b>\$ 759,129</b>	<b>\$ 783,523</b>
<i>Net Long-Term Tangible Property</i>	\$ 116,429	\$ 154,677	\$ 263,484	\$ 312,919
<i>Gross Long-Term Tangible Property</i>	\$ 156,081	\$ 211,493	\$ 350,755	\$ 428,673
<i>Accumulated Depreciation</i>	\$ 39,652	\$ 56,816	\$ 87,271	\$ 115,754
<i>Total Investments</i>	\$ 382,537	\$ 383,508	\$ 518,783	\$ 547,255
<i>Other Intangible Assets</i>	\$ 389,228	\$ 369,049	\$ 431,247	\$ 405,962
<b><i>Total Long-Term Assets</i></b>	<b>\$ 813,990</b>	<b>\$ 931,136</b>	<b>\$ 1,245,582</b>	<b>\$ 1,309,919</b>
<b><i>Total Assets</i></b>	<b>\$ 1,127,375</b>	<b>\$ 1,434,804</b>	<b>\$ 2,004,711</b>	<b>\$ 2,093,442</b>

Source: processed by the researcher based on the financial statements

Before continuing with the analysis of the financial position of the company, it is downright essential to specify that due to problems encountered during the data collection process and unavailability of data for the company's case, the time period covers just 4 years (2018 is excluded) and the elements are presented in different currency – Hong Kong dollar. Visibly, the company's assets were rapidly increasing, which might be a good sign. Overall, the horizontal analysis of Alibaba's assets is presented in the passage below (see Table 8).

**Table 8, Alibaba: Trend Analysis of Assets (2019-2022)**

	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Money and Highly Liquid Securities</i>	72.72%	158.10%	154.90%
<i>Debtors</i>	-2.46%	24.26%	56.76%
<i>Inventories</i>	62.87%	231.44%	272.62%
<i>Expenses Paid Upfront</i>	0.16%	166.94%	168.42%
<b>Total Short-Term Assets</b>	<b>60.72%</b>	<b>142.24%</b>	<b>150.02%</b>
<i>Net Long-Term Tangible Property</i>	32.85%	126.30%	168.76%
<i>Gross Long-Term Tangible Property</i>	35.50%	124.73%	174.65%
<i>Accumulated Depreciation</i>	43.29%	120.09%	191.92%
<i>Total Investments</i>	0.25%	35.62%	43.06%
<i>Other Intangible Assets</i>	-5.18%	10.80%	4.30%
<b>Total Long-Term Assets</b>	<b>14.39%</b>	<b>53.02%</b>	<b>60.93%</b>
<b>Total Assets</b>	<b>27.27%</b>	<b>77.82%</b>	<b>85.69%</b>

Source: processed by the researcher based on the financial statements

Quite evidently, the horizontal analysis does also cover a reduced number of years. Overall, the situation of Alibaba does seem to indicate that the company was following a particular strategy since the accumulation of assets was not as chaotic as it was for the case of Ozon. The company's cash and its equivalents increased in 2020, 2021 and 2022, but the increase is quite logical and show a progressive pattern, where the value of cash was 154.9% higher in 2022 than in 2019.

The company's receivables decreased in 2020, which can be tied to the change in the policy of debt collection during the troubled period of the pandemic. Alternatively, this can indicate that the company had to increase the value of doubtful accounts since many companies became insolvent during the pandemic. However, the situation returned back to normality in 2022 with the increase in receivables by 56.76% that can be viewed as something quite adequate and steep.

Such a sharp increase in inventories does not seem to be concerning for one of the world's biggest online retailers and quite alternatively, it is likely to indicate that the demand for the company's merchandise and products has risen – 272.62% increase in 2022 compared

to 2019, which is a very good sign. Additionally, the company must have certainly changed its policy towards expenses since the value of prepaid expenses has seen a huge increase – 168.42%. Presumably, the pandemic led the company to cover their expenses instantly in order to focus on operations and internal processes in a more sophisticated way. Overall, the company’s liquidity increased by 150.02% by the end of 2022, which is a very good and quite logical result. The pandemic does not seem to have significantly hit the company’s liquidity, but it almost certainly forced the company to focus on the accumulation of liquid assets.

The situation with the company’s long-term assets is not so good because the pace at which the accumulated depreciation was increasing was higher than the pace of the increment in the gross property – 191% for the contra-asset. Apart from this fact, it is important to pay attention to the total investments, where the situation in Alibaba was quite similar to Ozon – the company was hesitating to invest during the whole 2020, but as the recovery started, the company quickly returned back to active investment – 43.06% in 2022 compared to 2019, which is likely to yield positive results in the future. The increase in the non-current assets was smaller than the one for liquid ones – 60.93% by the end of 2022 compared to 150.02% for the current assets, but this is still a good sign when discounting the pandemic factor. Overall, the total increase in the company’s assets by the end of 2022 was 85.69% compared to 2019, which totals an almost two-fold increase from the figures of 2019. The next step replicates the procedure done earlier for Ozon (see Table 9).

**Table 9, Alibaba: Share Analysis of Assets (2019-2022)**

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
<i>Money and Highly Liquid Securities</i>	21.07%	28.59%	30.58%	28.92%
<i>Debtors</i>	2.29%	1.76%	1.60%	1.94%
<i>Inventories</i>	0.88%	1.13%	1.65%	1.77%
<i>Expenses Paid Upfront</i>	0.73%	0.57%	1.10%	1.06%
<b><i>Total Short-Term Assets</i></b>	<b>27.80%</b>	<b>35.10%</b>	<b>37.87%</b>	<b>37.43%</b>
<i>Net Long-Term Tangible Property</i>	10.33%	10.78%	13.14%	14.95%
<i>Gross Long-Term Tangible Property</i>	13.84%	14.74%	17.50%	20.48%
<i>Accumulated Depreciation</i>	3.52%	3.96%	4.35%	5.53%
<i>Total Investments</i>	33.93%	26.73%	25.88%	26.14%
<i>Other Intangible Assets</i>	34.53%	25.72%	21.51%	19.39%
<b><i>Total Long-Term Assets</i></b>	<b>72.20%</b>	<b>64.90%</b>	<b>62.13%</b>	<b>62.57%</b>

Source: processed by the researcher based on the financial statements

The company's assets are mainly represented by the long-term section of the balance sheet, where the share of those assets was always higher than the share of liquid assets of Alibaba group. However, there was a structural change in 2020, when the company had to stop accumulating long-term assets due to lower investment activity arising from the pandemic that in fact started in the country where Alibaba is based. However, the recent figures indicate that the company is still hesitating to conduct major investment projects since the share of long-term assets does not raise up to the level of 70% identified at the beginning of the analyzed financial period. Overall, the situation of Alibaba with assets is much better than the one of Ozon, which is pretty evident. The next step would be dedicated to taking a look at the sources of financing for Alibaba (see Table 10).

**Table 10, Alibaba: L&E (2019-2022)**

	<i>million HKD</i>			
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
<i>Current Debt</i>	\$26,243	\$8,654	\$20,763	\$17,081
<i>Payables</i>	-	\$6,592	\$13,151	\$16,169
<i>Income Tax</i>	\$20,658	\$22,062	\$29,997	\$26,857
<b><i>Total Short-Term Liabilities</i></b>	<b>\$242,581</b>	<b>\$264,303</b>	<b>\$447,559</b>	<b>\$473,834</b>
<i>Non-Current Debt</i>	\$130,635	\$152,292	\$194,430	\$200,951
<i>Deferred Taxes</i>	\$23,344	\$39,675	\$57,590	\$58,313
<b><i>Total Long-Term Liabilities</i></b>	<b>\$165,878</b>	<b>\$209,218</b>	<b>\$271,870</b>	<b>\$283,440</b>
<b><i>Total Liabilities</i></b>	<b>\$408,459</b>	<b>\$473,521</b>	<b>\$719,429</b>	<b>\$757,274</b>
<i>Paid-In Capital</i>	\$270,749	\$375,582	\$467,663	\$506,824
<i>Retained Earnings</i>	\$301,240	\$443,965	\$658,158	\$695,786
<i>Reserves</i>	\$5,807	\$6,666	\$8,714	\$12,148
<b><i>Total Equity</i></b>	<b>\$575,069</b>	<b>\$825,511</b>	<b>\$1,111,927</b>	<b>\$1,171,080</b>

Source: processed by the researcher based on the financial statements

The values for elements are once more presented in million Hong King dollars. Compared to the first case considered in the analysis – Ozon, the situation with Alibaba’s liabilities and equity is much more adequate and stable – equity is positive, indicating that the company’s total assets are higher than the total liabilities and equity is rapidly increasing. Liabilities does also increase, which is pretty normal, but the financing of Alibaba does seem to be balanced – no particular emphasis is being put on either of the two sources. Nevertheless, it is still important to rely on the same methodology as before – the horizontal analysis (see Table 11).

**Table 11, Alibaba: Trend Analysis of L&E (2019-2022)**

	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Current Debt</i>	-67.02%	-20.88%	-34.91%
<i>Payables</i>	-	99.50%	145.28%
<i>Income Tax</i>	6.80%	45.21%	30.01%
<b>Total Short-Term Liabilities</b>	<b>8.95%</b>	<b>84.50%</b>	<b>95.33%</b>
<i>Non-Current Debt</i>	16.58%	48.83%	53.83%
<i>Deferred Taxes</i>	69.96%	146.70%	149.80%
<b>Total Long-Term Liabilities</b>	<b>26.13%</b>	<b>63.90%</b>	<b>70.87%</b>
<b>Total Liabilities</b>	<b>15.93%</b>	<b>76.13%</b>	<b>85.40%</b>
<i>Paid-In Capital</i>	38.72%	72.73%	87.19%
<i>Retained Earnings</i>	47.38%	118.48%	130.97%
<i>Reserves</i>	14.79%	50.06%	109.20%
<b>Total Equity</b>	<b>43.55%</b>	<b>93.36%</b>	<b>103.64%</b>

Source: processed by the researcher based on the financial statements

Contrary to the first case, Alibaba did not rely so much on the short-term type of financing due to the fact that the short-term debt was rapidly diminishing, which might potentially be tied to historically high interest rates and reluctance of the company to pay higher interests, so they potentially switched to the equity financing instead that does not entail any interest to be paid out.

On the other hand, the company had to bear costs of operations, which resulted in the rapid increase in the total value of payables that first increased by almost 100% in 2021 compared to 2019, and then by 145.28% in 2022, compared to 2019 once more. Overall, this is quite a common situation for a company specializing in the retail of different merchandise. The income tax initially surged in 2021, but the company seemingly managed to quickly pay a portion of the debt so that the increase in 2022 compared to 2019 was seemingly lower than the one identified for the previous year. Overall, the company's total current liabilities increased by 8.95% in 2020, which is a sign that the company did not want to put additional pressure on its solvency during the pandemic, then by 84.5% in 2021 and by almost 100% in 2022. Presumably, this indicates an interesting strategy of Alibaba that does not borrow during uncertain times. In other words, the suggestion is that the company was uncertain about the demand for its products given the pandemic, so they were hesitating to borrow and relied on the equity financing in 2020 instead, but when the company realized that the



commerce industry is still alive, it decided to borrow since the degree of uncertainty was gradually reduced.

The non-current liabilities of Alibaba also experienced a gradual increase, which is likely to be tied to the company's desire to still move forward with some of its long-term projects. However, the magnitude of the increase is not really strong. Overall, despite the assumed reluctance to borrow, the company's total liabilities still managed to increase in 2022 by 85.4%, compared to 2019. However, the main suggestion here is that this is a somewhat natural process, when the company's liabilities increase alongside other parts of the balance sheet rather than the strategy of borrowing.

The situation with the company's equity almost entirely indicates that the company is focused on the equity financing – literally all accounts experienced a sharp increase over time, where the most important one is the increase in the value of retained earnings. Retained earnings of Alibaba increased by 130.97% in 2022 compared to 2019, which is a very good sign allowing the company to continue potentially relying on the equity-type of financing. Overall, the increase in the equity value is slightly higher than the increase in liabilities – 103.64% in 2022 compared to 84.40% in 2022 for liabilities accounts. Finally, the vertical analysis is presented below (see Table 12).

**Table 12, Alibaba: Share Analysis of L&E (2019-2022)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Current Debt</i>	6.42%	1.83%	2.89%	2.26%
<i>Payables</i>	-	1.39%	1.83%	2.14%
<i>Income Tax</i>	5.06%	4.66%	4.17%	3.55%
<b><i>Total Short-Term Liabilities</i></b>	<b>59.39%</b>	<b>55.82%</b>	<b>62.21%</b>	<b>62.57%</b>
<i>Non-Current Debt</i>	31.98%	32.16%	27.03%	26.54%
<i>Deferred Taxes</i>	5.72%	8.38%	8.00%	7.70%
<b><i>Total Long-Term Liabilities</i></b>	<b>40.61%</b>	<b>44.18%</b>	<b>37.79%</b>	<b>37.43%</b>

Source: processed by the researcher based on the financial statements

The shares for liabilities represent the percentage of total liabilities allocated to each element. The biggest share of liabilities of Alibaba is allocated in the long-term debt, which is mainly represented by long-term bank borrowings used for capital projects, which is quite a good situation. Overall, the company's current debt has a higher share allocated to it than

the long-term debt for almost all years – approximately 60% for the current debt compared to 40% for the long-term liabilities, which is almost entirely represented by the long debt. Overall, the situation with Alibaba’s financial position is quite favorable and the company’s long-term financial planning does not raise any serious concerns as it was the case with Ozon. Finally, it is important to focus on the last company addressed in the analysis – Amazon, whose assets are presented in the passage below (see Table 13).

**Table 13, Amazon: Assets (2018-2022)**

	<i>million USD</i>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Money and Highly Liquid Securities</i>	\$ 41,676.00	\$ 55,342.00	\$ 85,653.00	\$ 96,309.00	\$ 70,391.00
<i>Net Debtors</i>	\$ 12,174.00	\$ 20,495.00	\$ 24,285.00	\$ 32,631.00	\$ 41,995.00
<i>Gross Debtors</i>	\$ 12,669.00	\$ 21,213.00	\$ 25,385.00	\$ 33,371.00	\$ 43,395.00
<i>Doubtful Accounts</i>	\$ -495.00	\$ -718.00	\$ -1,100.00	\$ -1,100.00	\$ -1,400.00
<i>Inventories</i>	\$ 17,174.00	\$ 20,497.00	\$ 23,795.00	\$ 32,640.00	\$ 34,405.00
<b><i>Total Short-Term Assets</i></b>	<b>\$ 75,101.00</b>	<b>\$ 96,334.00</b>	<b>\$ 132,733.00</b>	<b>\$ 161,580.00</b>	<b>\$ 146,791.00</b>
<i>Net Long-Term Tangible Property</i>	\$ 61,797.00	\$ 97,846.00	\$ 150,667.00	\$ 216,363.00	\$ 252,838.00
<i>Gross Long-Term Tangible Property</i>	\$ 95,770.00	\$ 144,821.00	\$ 211,101.00	\$ 294,882.00	\$ 349,853.00
<i>Accumulated Depreciation</i>	\$ 33,973.00	\$ 46,975.00	\$ 60,434.00	\$ 78,519.00	\$ 97,015.00
<i>Total Investments</i>	\$ 1,517.00	\$ 711.00	\$ 3,022.00	\$ 3,415.00	\$ 2,107.00
<i>Other Intangible Assets</i>	\$ 18,658.00	\$ 18,803.00	\$ 19,998.00	\$ 20,478.00	\$ 26,385.00
<b><i>Total Long-Term Assets</i></b>	<b>\$ 87,547.00</b>	<b>\$ 128,914.00</b>	<b>\$ 188,462.00</b>	<b>\$ 258,969.00</b>	<b>\$ 315,884.00</b>
<b><i>Total Assets</i></b>	<b>\$ 162,648.00</b>	<b>\$ 225,248.00</b>	<b>\$ 321,195.00</b>	<b>\$ 420,549.00</b>	<b>\$ 462,675.00</b>

Source: processed by the researcher based on the financial statements

Amazon, compared to the case with the first company has values for literally all of its asset accounts significantly exceeding the first case of Ozon that also used the USD as the main monetary unit. Overall, enormous values of Amazon’s asset accounts was rapidly changing, so it is important to proceed to the horizontal analysis right away, which can be found in the subsequent paragraph (see Table 14).

**Table 14, Amazon: Trend Analysis of Assets (2018-2022)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Money and Highly Liquid Securities</i>	32.79%	105.52%	131.09%	68.90%
<i>Net Debtors</i>	68.35%	99.48%	168.04%	244.96%
<i>Gross Debtors</i>	67.44%	100.37%	163.41%	242.53%
<i>Doubtful Accounts</i>	-245.05%	-322.22%	-322.22%	-382.83%
<i>Inventories</i>	19.35%	38.55%	90.05%	100.33%
<b>Total Short-Term Assets</b>	<b>28.27%</b>	<b>76.74%</b>	<b>115.15%</b>	<b>95.46%</b>
<i>Net Long-Term Tangible Property</i>	58.33%	143.81%	250.12%	309.14%
<i>Gross Long-Term Tangible Property</i>	51.22%	120.42%	207.91%	265.31%
<i>Accumulated Depreciation</i>	38.27%	77.89%	131.12%	185.57%
<i>Total Investments</i>	-53.13%	99.21%	125.12%	38.89%
<i>Other Intangible Assets</i>	0.78%	7.18%	9.75%	41.41%
<b>Total Long-Term Assets</b>	<b>47.25%</b>	<b>115.27%</b>	<b>195.81%</b>	<b>260.82%</b>
<b>Total Assets</b>	<b>38.49%</b>	<b>97.48%</b>	<b>158.56%</b>	<b>184.46%</b>

Source: processed by the researcher based on the financial statements

The company's cash, just as in the first two cases, faced a serious increment in 2020, when it increased by more than 100% compared to the base year of 2018. The accumulation of cash for liquidity purposes continued even further, in 2021 the company's cash reached its maximum on the analyzed time period – 131.09% increase compared to the value of 2018. In 2022, the situation with the business environment improved as the pandemic has finally finished, so the company got rid of a part of its liquidity by lowering it to just 68.9% higher values by the end of 2022 than in 2018.

Receivables was rapidly increasing, which, on one hand, is a good sign, but it raises concerns of whether the company will be able to properly collect all of its debt. As it becomes quite evident by looking at the doubtful accounts of Amazon, the company does face some problems since the value of doubtful accounts was quite quickly rising. If during the pandemic this was seen as a natural situation because many companies faced financial difficulties, there is no logical explanation for the fact that the increase did not stop there and went even further in 2022 by reaching 382.83% higher values than in 2018.

Inventories increased by almost twice, which was also the case of Alibaba with almost identical percentual increase in the value of inventories. Therefore, it is possible to suggest that the situation with the industry in 2021-2022 was characterized by higher demand for online-ordered goods since both biggest international retailers had to increase their inventories by almost twice in 2022 compared to 2018.

Overall, the current assets of the company reached its maximum in 2021, when the increase compared to 2018 reached 115.15%, but as the company reduced some of its cash reserved, the increase compared to 2018 became slightly lower than 100% - just 95.46%. The situation is quite identical to what has been identified prior for the case of Alibaba, but the magnitude is slightly lower.

The company's net property was gradually increasing, which is seen as an indicator that the company managed to address the problem of depreciation quite effectively since the capital stock increased. What is interesting to note in the long-term section of Amazon's assets is the situation with the total investments that saw their minimum in 2019, which had happened even prior to the pandemic of coronavirus. There is no explanation as of now of why the company stopped investing in 2019 apart from potential reason lying in historically high level of investments in 2018, which might potentially be the reason behind such a drastic decrease. The company did not stop investing during the pandemic, which is a good sign indicating the fact that the company had enough of cash to do so. All in all, the pace at which the non-current assets were increasing is higher than the pace of increase in the current assets – 260.82% compared to 95.46%. The company's total assets increased by almost 200% by the end of 2022 – 184.46% compared to 2018. Presumably, there is enough of evidence to believe that the pandemic did not disrupt the company's operations much apart from the evident increase in the current assets in the period between 2020-2021. The next step is the vertical analysis of assets (see Table 15).

**Table 15, Amazon: Share Analysis of Assets (2018-2022)**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Money and Highly Liquid Securities</i>	25.62%	24.57%	26.67%	22.90%	15.21%
<i>debtors</i>	7.48%	9.10%	7.56%	7.76%	9.08%
<i>Inventories</i>	10.56%	9.10%	7.41%	7.76%	7.44%
<b>Total Short-Term Assets</b>	<b>46.17%</b>	<b>42.77%</b>	<b>41.32%</b>	<b>38.42%</b>	<b>31.73%</b>
<i>Net Long-Term Tangible Property</i>	37.99%	43.44%	46.91%	51.45%	54.65%
<i>Total Investments</i>	0.93%	0.32%	0.94%	0.81%	0.46%
<i>Other Intangible Assets</i>	11.47%	8.35%	6.23%	4.87%	5.70%
<b>Total Long-Term Assets</b>	<b>53.83%</b>	<b>57.23%</b>	<b>58.68%</b>	<b>61.58%</b>	<b>68.27%</b>

Source: processed by the researcher based on the financial statements

The company made a slight correction in the asset management during the pandemic of coronavirus, when it seriously focused on the long-term planning and investment, resulting in the fact that the share of long-term assets prevailed over the current ones. If at the beginning of the studied period, the shares were somewhat identical with just a minor prevalence of long-term assets, as the company entered into the pandemic, the situation changed drastically. In 2021, the share exceeded 60% for the first time during the 5 analyzed years and then it eventually reached 68.27% that is approaching the boundary of 70% itself. This is not a bad sign at all, but it does surely indicate that the company has changed its attitude towards managing assets and it is presumably related to many ambitious projects that Amazon is planning to make come true. Table 16 presents the overview of Amazon's liabilities and equity.

**Table 16, Amazon: L&E (2018-2022)**

	<i>million USD</i>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Current Debt</i>	\$ 9,502.00	\$ 14,330.00	\$ 16,115.00	\$ 15,923.00	\$ 14,854.00
<i>Payables</i>	\$ 38,192.00	\$ 47,183.00	\$ 72,539.00	\$ 78,664.00	\$ 79,600.00
<i>Other Current Debt</i>	\$ 20,697.00	\$ 26,299.00	\$ 37,731.00	\$ 47,679.00	\$ 60,939.00
<b><i>Total Short-Term Liabilities</i></b>	<b>\$ 68,391.00</b>	<b>\$ 87,812.00</b>	<b>\$ 126,385.00</b>	<b>\$ 142,266.00</b>	<b>\$ 155,393.00</b>
<i>Non-Current Debt</i>	\$ 39,787.00	\$ 63,205.00	\$ 84,389.00	\$ 116,395.00	\$ 140,118.00
<i>Other Non-Current Debt</i>	\$ 8,535.00	\$ 12,171.00	\$ 17,017.00	\$ 23,643.00	\$ 21,121.00
<b><i>Total Long-Term Liabilities</i></b>	<b>\$ 50,708.00</b>	<b>\$ 75,376.00</b>	<b>\$ 101,406.00</b>	<b>\$ 140,038.00</b>	<b>\$ 161,239.00</b>
<b><i>Total Liabilities</i></b>	<b>\$ 119,099.00</b>	<b>\$ 163,188.00</b>	<b>\$ 227,791.00</b>	<b>\$ 282,304.00</b>	<b>\$ 316,632.00</b>
<i>Paid-In Capital</i>	\$ 26,791.00	\$ 33,658.00	\$ 42,865.00	\$ 55,538.00	\$ 75,066.00
<i>Retained Earnings</i>	\$ 19,625.00	\$ 31,220.00	\$ 52,551.00	\$ 85,915.00	\$ 83,193.00
<i>Reserves</i>	\$ -1,035.00	\$ -986.00	\$ -180.00	\$ -1,376.00	\$ -4,487.00
<b><i>Total Equity</i></b>	<b>\$ 43,549.00</b>	<b>\$ 62,060.00</b>	<b>\$ 93,404.00</b>	<b>\$ 138,245.00</b>	<b>\$ 146,043.00</b>

Source: processed by the researcher based on the financial statements

As it stands now, the company is mainly focused on the debt-type of financing due to the prevalence of liabilities over equity for literally all analyzed years. Yet, both segments were rapidly developing over time, so it is essential to proceed to the horizontal type of analysis (see Table 17).

**Table 17, Amazon: Trend Analysis of L&E (2018-2022)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Current Debt</i>	50.81%	69.60%	67.58%	56.32%
<i>Payables</i>	23.54%	89.93%	105.97%	108.42%
<i>Other Current Debt</i>	27.07%	82.30%	130.37%	194.43%
<b><i>Total Current Liabilities</i></b>	<b>28.40%</b>	<b>84.80%</b>	<b>108.02%</b>	<b>127.21%</b>
<i>Non-Current Debt</i>	58.86%	112.10%	192.55%	252.17%
<i>Other Non-Current Debt</i>	42.60%	99.38%	177.01%	147.46%
<b><i>Total Long-Term Liabilities</i></b>	<b>48.65%</b>	<b>99.98%</b>	<b>176.17%</b>	<b>217.98%</b>
<b><i>Total Liabilities</i></b>	<b>37.02%</b>	<b>91.26%</b>	<b>137.03%</b>	<b>165.86%</b>
<i>Paid-In Capital</i>	25.63%	60.00%	107.30%	180.19%
<i>Retained Earnings</i>	59.08%	167.78%	337.78%	323.91%
<i>Reserves</i>	-4.73%	82.61%	-32.95%	-533.53%
<b><i>Total Equity</i></b>	<b>42.51%</b>	<b>114.48%</b>	<b>217.45%</b>	<b>235.35%</b>

Source: processed by the researcher based on the financial statements

The company saw a slow increase in almost all of the elements presented in Table 17. The short-term debt of Amazon was quickly increasing, but the increase cannot be categorized as a sharp or rapid one – rather an adequate accumulation of the short-term debt to cover some of its problems with liquidity. Payables was one of the elements that experienced the highest increase, but payables are traditionally associated with business processes, meaning that whenever the degree of business activity goes up, presumably from a higher demand for products and services, companies expand their activities and more actively buy supplies from other companies. Therefore, it is fair to assume that the business activity of Amazon increased by almost 2 times by the end of 2022 compared to 2018, which is a pretty normal and logical process. Overall, the total current liabilities of Amazon increased by 127.21% by the end of 2022, which was mainly driven by an increase in payables of the company.

The long-term debt was also quite logically increasing and the pace at which it was increasing significantly exceeds all elements from the short-term section. Recalling the fact that the company was especially active in the domain of long-term investment, this is not seen as something extraordinary. Therefore, the situation with liabilities is not concerning, but the company should be careful with its accumulation of debt since it is uncertain of whether their commercial projects will bring the expected results. The bottom line is that the increase in the total liabilities in 2022 reached 165.86% compared to 2018, which is mainly driven by active investment and research and development.

Equity accounts were also increasing, where it is the most important to note that retained earnings increased by incredibly high amounts in 2021 and 2022 compared to 2018 – 337.78% and 323.91%, respectively. When it comes to the total figure of equity, the pace of increase is equal to 235.35% by the end of 2022, which is slightly above the increase in liabilities. If the same dynamic will persist for the future periods of time, it is possible that the company's share of equity will prevail over liabilities, if no extraordinary situation happens. Finally, it is essential to take a look at the very final piece of analysis dedicated to balance sheets – the vertical analysis of Amazon's liabilities and equity section (see Table 18).

**Table 18, Amazon: Share Analysis of L&E (2018-2022)**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Current Debt</i>	7.98%	8.78%	7.07%	5.64%	4.69%
<i>Payables</i>	32.07%	28.91%	31.84%	27.86%	25.14%
<i>Income Tax</i>	17.38%	16.12%	16.56%	16.89%	19.25%
<b><i>Total Short-Term Liabilities</i></b>	<b>57.42%</b>	<b>53.81%</b>	<b>55.48%</b>	<b>50.39%</b>	<b>49.08%</b>
<i>Non-Current Debt</i>	33.41%	38.73%	37.05%	41.23%	44.25%
<i>Other Non-Current Debt</i>	7.17%	7.46%	7.47%	8.38%	6.67%
<b><i>Total Long-Term Liabilities</i></b>	<b>42.58%</b>	<b>46.19%</b>	<b>44.52%</b>	<b>49.61%</b>	<b>50.92%</b>

Source: processed by the researcher based on the financial statements

The company, based on the vertical analysis, did change its attitude towards managing debt. If at the beginning of the studied period, the overwhelming portion of liabilities were allocated in the short-term section, the situation started to change in 2021-2021, when the share of long-term liabilities finally prevailed over the short-term ones. This is an important insight that indicates a huge emphasis that was put by Amazon on its capital projects involving supermarkets and expansion in new international environments. Overall, the financial position of Amazon does not really raise any concerns as of 2022-2023, but the future position of Amazon can be potentially hit if the company's projects will not turn out to be as successful as they plan.

#### **4.2.2 Financial Performance**

After addressing financial position of all companies with regard to assets, liabilities and equity, it is important to continue to one of the most important domains covering the financial performance. For this purpose, the narrative will return back to Ozon, whose income statement with already calculated vertical ratios is presented in the passage below (see Table 19).



**Table 19, Ozon: Statement of Earnings (2018-2022)**

	<i>million USD</i>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Earnings</i>	\$ 592	\$ 929	\$ 1,442	\$ 2,418	\$ 3,963
<i>Costs of Goods Sold</i>	\$ 448	\$ 795	\$ 1,076	\$ 1,661	\$ 2,020
<b>Gross Income</b>	<b>144</b>	<b>134</b>	<b>366</b>	<b>757</b>	<b>1,943</b>
<b>Gross Margin</b>	<b>24.32%</b>	<b>14.42%</b>	<b>25.38%</b>	<b>31.31%</b>	<b>49.03%</b>
<i>Operating Expenses</i>	\$ 238	\$ 422	\$ 606	\$ 1,556	\$ 2,429
<b>EBIT</b>	<b>-94</b>	<b>-288</b>	<b>-240</b>	<b>-799</b>	<b>-486</b>
<b>EBIT Margin</b>	<b>-15.88%</b>	<b>-31.00%</b>	<b>-16.64%</b>	<b>-33.04%</b>	<b>-12.26%</b>
<i>Unusual Expenses</i>	\$ -	\$ -	\$ 14	\$ -86	\$ 266
<i>Non-operating income/expenses</i>	\$ 1	\$ -3	\$ -28	\$ -2	\$ 59
<i>Non-operating interest income</i>	\$ 3	\$ 2	\$ 4	\$ 20	\$ 41
<i>Interest expense</i>	\$ 1	\$ 15	\$ 29	\$ 79	\$ 170
<b>EBT</b>	<b>-90</b>	<b>-303</b>	<b>-306</b>	<b>-773</b>	<b>-822</b>
<b>EBT Margin</b>	<b>-15.20%</b>	<b>-32.62%</b>	<b>-21.22%</b>	<b>-31.97%</b>	<b>-20.74%</b>
<i>Tax</i>	\$ 1	\$ -3	\$ 3	\$ -	\$ 15
<b>Net Income</b>	<b>-90</b>	<b>-299</b>	<b>-308</b>	<b>-770</b>	<b>-832</b>
<b>Net Margin</b>	<b>-15.20%</b>	<b>-32.19%</b>	<b>-21.36%</b>	<b>-31.84%</b>	<b>-20.99%</b>
<i>EPS</i>	\$ -0.5	\$ -2	\$ -2	\$ -4	\$ -4

Source: processed by the researcher based on the financial statements

Given the fact that Table 19 represents the vertical analysis (represented by profitability ratios), they will be addressed first, while the development of elements in time will be addressed in more detail during the horizontal analysis of the income statement. Gross margin of Ozon was positive, which was anticipated, otherwise the company would have not definitely survived for those 5 years. At the same time, the margin is really low, especially in 2019, which already hints that the company is quite likely to have a negative net income.

In fact, the negative side of the narrative starts already from the EBIT segment of the financial statement, which is negative for literally all studied years. What is surprising is the fact that the company's profitability was already negative during the period prior to the pandemic. Yet, the temporary lockdown seemingly helped the company to increase its earnings, but it still did not stop the company from incurring a net loss for the period. In 2021, the situation became even worse from the profitability point of view despite an increase in earnings. The situation with the EBT margin is somewhat similar to the EBIT,

so it is vital to proceed directly to the net margin of the company. The net margin of Ozon was negative throughout the whole analyzed period, where the absolute worst situation is identified in 2019, when it reached the bottom of negative 32.19%. Of course, the situations when companies face a net loss are common in the financial world, but having a net loss of 32.19% can be seen as a critical situation demanding a serious intervention from the company or change in the operations. The situation did not get any better in 2021 and 2022, when the pandemic lost its grip, but there is enough of evidence to support the assumption that the performance of Ozon was even better during the pandemic due to the lockdown that had people locked in their houses thus ordering goods and groceries online. All in all, according to the profitability ratios of Ozon, the company is not likely to survive any longer if no intervention will be made on the part of the management of the company. The next step is the horizontal analysis of the company's income statement (see Table 20).

**Table 20, Ozon: Trend Analysis of the Statement of Earnings (2018-2022)**

	2019	2020	2021	2022
<i>Earnings</i>	56.93%	143.58%	308.45%	569.43%
<i>Costs of Goods Sold</i>	77.46%	140.18%	270.76%	350.89%
<b>Gross Income</b>	<b>-6.94%</b>	<b>154.17%</b>	<b>425.69%</b>	<b>1249.31%</b>
<b>Gross Margin</b>	<b>-40.70%</b>	<b>4.35%</b>	<b>28.71%</b>	<b>101.56%</b>
<i>Operating Expenses</i>	77.31%	154.62%	553.78%	920.59%
<b>EBIT</b>	<b>-206.38%</b>	<b>-155.32%</b>	<b>-750.00%</b>	<b>-417.02%</b>
<b>EBIT Margin</b>	<b>-95.24%</b>	<b>-4.82%</b>	<b>-108.11%</b>	<b>22.77%</b>
<i>Unusual Expenses</i>	-	-	-714.29%	409.30%
<i>Non-operating income/expenses</i>	-400.00%	-2900.00%	-300.00%	5800.00%
<i>Non-operating interest income</i>	-33.33%	33.33%	566.67%	1266.67%
<i>Interest expense</i>	1400.00%	2800.00%	7800.00%	16900.00%
<b>EBT</b>	<b>-236.67%</b>	<b>-240.00%</b>	<b>-758.89%</b>	<b>-813.33%</b>
<b>EBT Margin</b>	<b>-114.54%</b>	<b>-39.58%</b>	<b>-110.28%</b>	<b>-36.44%</b>
<i>Tax</i>	-400.00%	200.00%	-100.00%	-
<b>Net Income</b>	<b>-232.22%</b>	<b>-242.22%</b>	<b>-755.56%</b>	<b>-824.44%</b>
<b>Net Margin</b>	<b>-111.71%</b>	<b>-40.50%</b>	<b>-109.47%</b>	<b>-38.10%</b>
<i>EPS</i>	<b>-230.61%</b>	<b>-281.63%</b>	<b>-655.10%</b>	<b>-714.29%</b>

Source: processed by the researcher based on the financial statements

The company's earnings were rapidly increasing and the increase in earnings was accompanied by an increase in the value of COGS, which was slightly lower resulting in the increase in the gross income with the exception of 2019, when the pace of increase in COGS

exceeded the increase in earnings and resulted in the decrease in both gross income and gross margin. However, the biggest problem that causes the company to experience a net loss are operating expenses that constantly increase over time. The increase in operating expenses in 2021 and 2022 became even worse than in 2019-2022 thus reaching 920.59%. Presumably, this is tied to the series of financial sanctions imposed on the Russian Federation, where Ozon is based, but such a sharp magnitude is still pretty uncommon and unhealthy from the financial perspective.

The interest expense was rapidly increasing, which is likely to have been influenced by higher interest rates in Russia that especially soared in 2022. Overall, the situation with the company's financial performance is pretty critical – the net income decreased by 824.44% in 2022 compared to 2018. When considering that in 2018, the company was already facing a net loss, this is a very critical and complicated situation for the company that puts its very existence under question. The next part of the narrative is dedicated to the study of the statement of earnings of Alibaba, the overview of which can be found in Table 21 with already calculated profitability margin ratios.

**Table 21, Alibaba: Statement of Earnings (2019-2022)**

	<i>million HKD</i>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Earnings</i>	\$ 440,328	\$ 571,884	\$ 820,205	\$ 1,034,800
<i>Costs of Goods Sold</i>	\$ 251,001	\$ 327,872	\$ 493,919	\$ 667,600
<b><i>Gross Income</i></b>	<b>\$ 189,327</b>	<b>\$ 244,012</b>	<b>\$ 326,286</b>	<b>\$ 367,200</b>
<b><i>Gross Margin</i></b>	<b>43.00%</b>	<b>42.67%</b>	<b>39.78%</b>	<b>35.49%</b>
<i>Operating Expenses</i>	\$ 119,305	\$ 136,825	\$ 221,811	\$ 251,325
<b><i>EBIT</i></b>	<b>\$ 70,022</b>	<b>\$ 107,187</b>	<b>\$ 104,475</b>	<b>\$ 115,875</b>
<b><i>EBIT Margin</i></b>	<b>15.90%</b>	<b>18.74%</b>	<b>12.74%</b>	<b>11.20%</b>
<i>Unusual Expense</i>	\$ 3,322	\$ 4,605	\$ 1,930	\$ 31,401
<i>Non-Operating Income/Expense</i>	\$ 258	\$ 8,346	\$ 8,670	\$ -6,282
<i>Interest Income</i>	\$ 51,536	\$ 81,855	\$ 83,238	\$ -
<i>Interest Expense</i>	\$ 6,064	\$ 5,812	\$ 5,118	\$ 5,955
<b><i>EBT</i></b>	<b>\$ 112,431</b>	<b>\$ 186,972</b>	<b>\$ 189,335</b>	<b>\$ 72,237</b>
<b><i>EBT Margin</i></b>	<b>25.53%</b>	<b>32.69%</b>	<b>23.08%</b>	<b>6.98%</b>
<i>Tax</i>	\$ 19,342	\$ 23,070	\$ 33,479	\$ 32,528
<b><i>Net Income</i></b>	<b>\$ 102,357</b>	<b>\$ 167,470</b>	<b>\$ 171,874</b>	<b>\$ 75,159</b>
<b><i>Net Margin</i></b>	<b>23.25%</b>	<b>29.28%</b>	<b>20.96%</b>	<b>7.26%</b>
<i>EPS</i>	\$ 5	\$ 8	\$ 8	\$ 3

Source: processed by the researcher based on the financial statements

Contrary to the first case, Alibaba is a company that yields profit to its owners and shareholders, which is visible from both the net margin of the company that is positive and also the positive figures for the EPS. Evidently, the company's gross margin is also not so high and what is more, it is rapidly decreasing even despite an increase in earnings, which is likely influenced by the period of historically high inflation all over the world. Notably, the increase in the production expenses has a higher magnitude than the company's revenues, so it might suggest that the company is likely to increase its sale margin in order to keep up with the increase in production expenses.

The situation with the EBIT, on the other hand, was quite good in 2019-2020 since the margin increased during the pandemic, but quickly fallen down to 12.74% in 2021 and 11.20% in 2022, which is not a good sign. Yet, contrary to the negative situation in the first

part of the statement of earnings, the company's non-operating income drives the profitability up, which is especially visible when looking at the EBT margins in the period between 2019-2022, when it was fluctuating between 23.08% and 32.69%. However, the non-operating income has fallen in 2022 which resulted in the lowest profitability for the period. Consequently, this had its own implications on the company's net profitability, which decreased from figures approximately equal to 20% to just 7.26% in 2022. Therefore, it is possible to indicate that the company is still profitable but compared to its previous performance from the studied period, the last year was not really so profitable and successful for the company. The next step is the horizontal analysis (see Table 22).

**Table 22, Alibaba: Trend Analysis of the Statement of earnings (2019-2022)**

	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Earnings</i>	29.88%	86.27%	135.01%
<i>Costs of Goods Sold</i>	30.63%	96.78%	165.98%
<b>Gross Income</b>	<b>28.88%</b>	<b>72.34%</b>	<b>93.95%</b>
<b>Gross Margin</b>	<b>-0.76%</b>	<b>-7.48%</b>	<b>-17.47%</b>
<i>Operating Expenses</i>	14.69%	85.92%	110.66%
<b>EBIT</b>	<b>53.08%</b>	<b>49.20%</b>	<b>65.48%</b>
<b>EBIT Margin</b>	<b>17.86%</b>	<b>-19.90%</b>	<b>-29.58%</b>
<i>Unusual Expense</i>	38.62%	-41.90%	845.24%
<i>Non-Operating Income/Expense</i>	3134.88%	3260.47%	-2534.88%
<i>Interest Income</i>	58.83%	61.51%	-100.00%
<i>Interest Expense</i>	-4.16%	-15.60%	-1.80%
<b>EBT</b>	<b>66.30%</b>	<b>68.40%</b>	<b>-35.75%</b>
<b>EBT Margin</b>	<b>28.04%</b>	<b>-9.59%</b>	<b>-72.66%</b>
<i>Tax</i>	19.27%	73.09%	68.17%
<b>Net Income</b>	<b>63.61%</b>	<b>67.92%</b>	<b>-26.57%</b>
<b>Net Margin</b>	<b>25.98%</b>	<b>-9.85%</b>	<b>-68.75%</b>
<i>EPS</i>	60.69%	60.28%	-29.64%

Source: processed by the researcher based on the financial statements

The gross income of Alibaba was rapidly increasing over time, but the gross margin was decreasing, as it was already mentioned earlier. Quite similar situation is also identified with the company's EBIT and EBIT margin that were diminishing. Non-operating income improved the situation in 2020 and 2021, but when the company exhausted this particular source of income and was unable to get the same level of revenue from its non-operating

sources in 2022, the profitability fell drastically resulting in the decrease in literally all indicators of profitability, where the damage inflicted to the net income, net margin and EPS was especially serious, potentially resulting in a higher figure for the P/E ratio and lower investment attractiveness of the company. Overall, as it was mentioned earlier, the financial performance of Alibaba is not bad at all and it is even positive, but the company had to change its business model by putting a larger emphasis on the operating income because there is no guarantee that non-operating sources of income will not experience a huge slump, as it happened in 2022 resulting in lower profitability of the company. The final company is Amazon, whose statement of earnings with already calculated profitability margins is presented below (see Table 23).

**Table 23, Amazon: Statement of Earnings (2018-2022)**

	<i>million USD</i>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Earnings</i>	\$ 232,887.00	\$ 280,522.00	\$ 386,064.00	\$ 469,822.00	\$ 513,983.00
<i>Costs of Goods Sold</i>	\$ 139,156.00	\$ 165,536.00	\$ 233,307.00	\$ 272,344.00	\$ 288,831.00
<b>Gross Income</b>	<b>93,731</b>	<b>114,986</b>	<b>152,757</b>	<b>197,478</b>	<b>225,152</b>
<b>Gross Margin</b>	<b>40.25%</b>	<b>40.99%</b>	<b>39.57%</b>	<b>42.03%</b>	<b>43.81%</b>
<i>Operating Expenses</i>	\$ 81,014.00	\$ 100,244.00	\$ 129,933.00	\$ 172,537.00	\$ 211,641.00
<b>EBIT</b>	<b>12,717</b>	<b>14,742</b>	<b>22,824</b>	<b>24,941</b>	<b>13,511</b>
<b>EBIT Margin</b>	<b>5.46%</b>	<b>5.26%</b>	<b>5.91%</b>	<b>5.31%</b>	<b>2.63%</b>
<i>Unusual Expense</i>	\$ 131.00	\$ -11.00	\$ 1,500.00	\$ -12,841.00	\$ 16,002.00
<i>Non-Operating Income/Expense</i>	\$ -348.00	\$ -9.00	\$ 946.00	\$ 1,730.00	\$ 2,067.00
<i>Non-Operating Interest Income</i>	\$ 440.00	\$ 834.00	\$ 555.00	\$ 448.00	\$ 989.00
<i>Interest Expense</i>	\$ 1,417.00	\$ 1,600.00	\$ 1,647.00	\$ 1,809.00	\$ 2,367.00
<b>EBT</b>	<b>11,261</b>	<b>13,976</b>	<b>24,178</b>	<b>38,151</b>	<b>-5,936</b>
<b>EBT Margin</b>	<b>4.84%</b>	<b>4.98%</b>	<b>6.26%</b>	<b>8.12%</b>	<b>-1.15%</b>
<i>Tax</i>	\$ -1,197.00	\$ 2,374.00	\$ 2,863.00	\$ 4,791.00	\$ -3,217.00
<b>Net Income</b>	<b>10,073</b>	<b>11,588</b>	<b>21,331</b>	<b>33,364</b>	<b>-2,722</b>
<b>Net Margin</b>	<b>4.33%</b>	<b>4.13%</b>	<b>5.53%</b>	<b>7.10%</b>	<b>-0.53%</b>
<i>EPS</i>	\$ 1.01	\$ 1.15	\$ 2.09	\$ 3.24	\$ -0.27

Source: processed by the researcher based on the financial statements

Amazon's situation does definitely resemble more the situation of Alibaba rather than the one identified for Ozon. The company's profitability was rather high, when judging by its gross income and gross margin, that were both increasing over time. On the contrary to that, the EBIT margin's value was significantly lower – just approximately 5%. Furthermore, the company took a series blow in 2022, when the EBIT margin dropped to just 2.63%. The drop in the EBIT margin had its implications on the EBT of the company, as well as on the EBT margin that for the first time during the analyzed period became negative. Furthermore, the blow becomes even more serious when realizing that in 2021, the company's EBT was the highest on the studied time period. Overall, the company's performance prior to 2021 was quite favorable as there is an evident upward-sloping trend in the value of all margins. However, the year 2022 marked the first year on the analyzed time span when the company faced an annual net loss of 0.53%, which is not a good sign for the company. Overall, the situation is somewhat similar to Alibaba that can face the same situation with the net loss in the second year if no decisive action will be done on the part of the management. The final step is the horizontal analysis of Amazon's statement of earnings (see Table 24).

**Table 24, Amazon: Trend Analysis of the Statement of Earnings (2018-2022)**

	2019	2020	2021	2022
<i>Earnings</i>	20.45%	65.77%	101.74%	120.70%
<i>Costs of Goods Sold</i>	18.96%	67.66%	95.71%	107.56%
<b><i>Gross Income</i></b>	<b>22.68%</b>	<b>62.97%</b>	<b>110.69%</b>	<b>140.21%</b>
<b><i>Gross Margin</i></b>	<b>1.85%</b>	<b>-1.69%</b>	<b>4.44%</b>	<b>8.84%</b>
<i>Operating Expenses</i>	23.74%	60.38%	112.97%	161.24%
<b><i>EBIT</i></b>	<b>15.92%</b>	<b>79.48%</b>	<b>96.12%</b>	<b>6.24%</b>
<b><i>EBIT Margin</i></b>	<b>-3.76%</b>	<b>8.27%</b>	<b>-2.78%</b>	<b>-51.86%</b>
<i>Unusual Expense</i>	-91.60%	1045.04%	-9902.29%	12115.27%
<i>Non-Operating Income/Expense</i>	97.41%	371.84%	597.13%	693.97%
<i>Non-Operating Interest Income</i>	89.55%	26.14%	1.82%	124.77%
<i>Interest Expense</i>	12.91%	16.23%	27.66%	67.04%
<b><i>EBT</i></b>	<b>24.11%</b>	<b>114.71%</b>	<b>238.79%</b>	<b>-152.71%</b>
<b><i>EBT Margin</i></b>	<b>3.03%</b>	<b>29.52%</b>	<b>67.93%</b>	<b>-123.88%</b>
<i>Tax</i>	98.33%	139.18%	300.25%	-368.76%
<b><i>Net Income</i></b>	<b>15.04%</b>	<b>111.76%</b>	<b>231.22%</b>	<b>-127.02%</b>
<b><i>Net Margin</i></b>	<b>-4.49%</b>	<b>27.74%</b>	<b>64.18%</b>	<b>-112.24%</b>
<i>EPS</i>	13.86%	106.93%	220.79%	-126.73%

Source: processed by the researcher based on the financial statements

Quite similar dynamic is identified during the horizontal analysis as during the vertical one – the company’s performance can be split into two periods – the period prior to 2022 and the period starting from 2022. Hopefully, the company will be able to address the problem with profitability already in the next year, but there is a need for decisive action on the part of the organization. The drop in the profitability is mainly explained by a sharp increase in the value of unusual expenses that reached 12115.27% in 2022 and led to a crisis with the company’s EBT. In addition to that, the situation was already obscured by a sharp increase in the value of operating expenses in 2022. Overall, the situation prior to 2022 was optimistic and quite good, but the performance in 2022 raises concerns and also suggests that the management of the company should intervene and make corrections in their current budget by presumably lowering the number of new projects being initiated.

### 4.2.3 Cash Flows

Cash flows present the information about company’s internal processes from a slightly different angle, so it is important to focus on the movement of cash within organizations as well. For this purpose, a compilation of cash-flows of all three companies is presented in Table 25.

**Table 25, Ozon, Alibaba, Amazon: Cash-Flows**

		<i>million USD</i>				
		<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Ozon</i>	<b>Operating</b>	-\$0.05	-\$0.22	\$0.09	-\$0.16	-\$0.23
	<b>Investing</b>	-\$0.05	-\$0.07	-\$0.10	-\$0.50	-\$0.27
	<b>Financing</b>	\$0.08	\$0.30	\$1.40	\$0.70	\$0.26
<i>Alibaba</i>	<b>Operating</b>	\$19,955.00	\$22,496.00	\$25,507.00	\$35,378.00	\$22,520.00
	<b>Investing</b>	-\$13,374.00	-\$22,509.00	-\$15,263.00	-\$37,271.00	-\$31,327.00
	<b>Financing</b>	\$3,246.00	-\$1,101.00	\$10,006.00	\$4,591.00	-\$10,167.00
<i>Amazon</i>	<b>Operating</b>	\$30,723.00	\$38,514.00	\$66,064.00	\$46,327.00	\$46,752.00
	<b>Investing</b>	-\$12,369.00	-\$24,281.00	-\$59,611.00	-\$58,154.00	-\$37,601.00
	<b>Financing</b>	-\$7,686.00	-\$10,066.00	\$1,104.00	\$6,291.00	\$9,718.00

Source: processed by the researcher based on the financial statements

When looking at different values, where Alibaba’s cash-flows were translated to US dollars for better visual representation, it becomes pretty evident that the scale of Ozon’s operations cannot anyhow be compared to the scale of Alibaba and Amazon’s operations.



Overall, the situation in Ozon gets even more concerning after looking at the operating cash-flow, which was negative for literally all years with the exception of 2020 that is influenced by an unusual magnitude of purchases during the lockdown. However, even despite facing negative operating cash-flow, the company still tends to invest, which is pretty unusual when considering its overall financial situation. Positive financing cash-flow is mainly attributed to the interest that the company is receiving from external institutions and companies.

Contrary to Ozon, the situation in Alibaba is much better – the company’s operating cash-flow is positive, and it was even increasing until 2021, which is a sign of internal stability and favorable financial conditions arising from proper business management. Investing cash-flow is negative and the company started to invest more and more by the end of the studied period, which was already noted earlier during the analysis of the financial position of the company. Financing cash-flow became strictly negative by the end of 2022, which is influenced by the need to pay interest on outstanding loans taken by Alibaba to fund their long-term projects and investments. Overall, the situation in Alibaba from the cash-flow point of view is quite favorable.

Amazon experienced quite a same what has been said about the case of Alibaba – the operating cash-flow is positive and was increasing until 2020. Investing cash-flow is negative and kept decreasing until 2021, indicating a period of rapid investment activity of Amazon and the fact that the company had enough of cash to do so. Finally, the financing cash-flow is positive even despite major outstanding obligations, so it can also be seen as a positive aspect of Amazon’s operations. Overall, it is possible to suggest that the situation in Amazon from the cash-flow point of view is favorable.

### **4.3 Financial Ratio Analysis**

The analysis from this subchapter is split into 4 different domains – liquidity, activity, stability and profitability. The first discussed segment is liquidity – the overview of liquidity ratios is presented below (see Table 26).

**Table 26, Ozon, Alibaba, Amazon: Liquidity**

		Liquidity				
		2018	2019	2020	2021	2022
Ozon	<i>Current</i>	81.07%	64.00%	207.25%	134.44%	79.48%
	<i>Cash</i>	18.93%	10.11%	172.24%	101.76%	48.20%
	<i>Quick</i>	37.38%	28.00%	181.82%	113.20%	61.72%
Alibaba	<i>Current</i>	-	129.19%	190.56%	169.62%	165.36%
	<i>Cash</i>	-	97.91%	155.21%	136.97%	127.77%
	<i>Quick</i>	-	125.08%	184.42%	162.23%	157.52%
Amazon	<i>Current</i>	109.81%	109.70%	105.02%	113.58%	94.46%
	<i>Cash</i>	60.94%	63.02%	67.77%	67.70%	45.30%
	<i>Quick</i>	84.70%	86.36%	86.20%	90.63%	72.32%

Source: processed by the researcher based on the financial statements

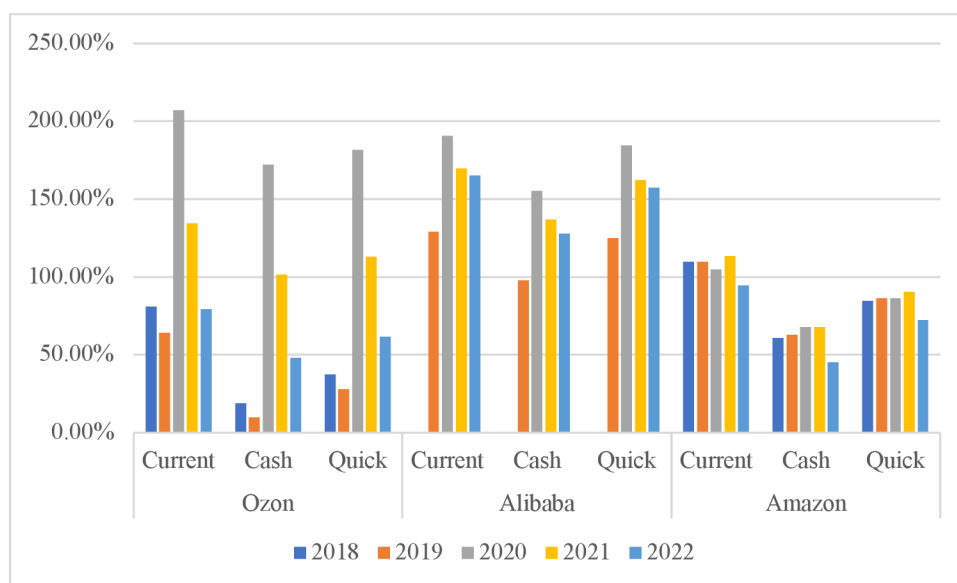
Ozon suffered from the period of low liquidity prior to 2020, but the situation changed in 2020, when the company made a huge effort through borrowing to increase its liquidity. On one hand, the company made a right choice, but it has certainly had implications on the company's solvency status. In the period that followed the pandemic, the company's liquidity quickly diminished and in 2022, the company has more or less the same situation with its liquidity as in 2018-2019. What is important to notice is that the company does not suffer from the problem of having too many liquid assets allocated in inventories, as it becomes evident by looking at the quick ratio. Despite this, the situation with liquidity is not as bad as the situation with other domains of its activity, but it is still far from being perfect.

Alibaba did also make an effort to increase its liquidity in 2020, which was a logical decision resulted in the company attaining all liquidity ratios above 100% indicating a safe haven. As the time passed from the pandemic, the excessive liquidity started to wear off and the company is slowly approaching the pre-pandemic levels. After all, having too much liquidity is also not good, especially when not all of its liquidity is allocated in inventories, which is evidently not the case of Alibaba, when judging based on its quick ratio that is just slightly lower than the current one.

Finally, Amazon's situation was quite good before the pandemic and remained to be so until approximately the end of the year 2022, when there was a huge blow taken by the company from the financial perspective. Furthermore, Amazon suffers from a typical

problem for retailers due to the fact that it has relatively a lot of current assets allocated in inventories, so when subtracting this value, this leads to the fact that the quick ratio is under 1, which is not a good sign at all. At last, a better visual overview of the situation in the liquidity domain is presented below (see Figure 4).

**Figure 4, liquidity analysis**



Source: processed by the researcher based on the financial statements

The overview of profitability ratios is presented consequently (see Table 27).

**Table 27, Ozon, Alibaba, Amazon: Profitability**

		Profitability				
		2018	2019	2020	2021	2022
Ozon	ROA	-34.48%	-48.30%	-14.74%	-23.93%	-21.32%
	ROE	-191.49%	-2300.00%	-28.73%	-188.73%	364.91%
	ROI	17.65%	11.11%	26.67%	42.55%	77.36%
Alibaba	ROA	-	9.08%	11.67%	8.57%	3.59%
	ROE	-	17.80%	20.29%	15.46%	6.42%
	ROI	-	13.47%	21.34%	16.04%	0.00%
Amazon	ROA	6.19%	5.14%	6.64%	7.93%	-0.59%
	ROE	23.13%	18.67%	22.84%	24.13%	-1.86%
	ROI	29.00%	117.30%	18.37%	13.12%	46.94%

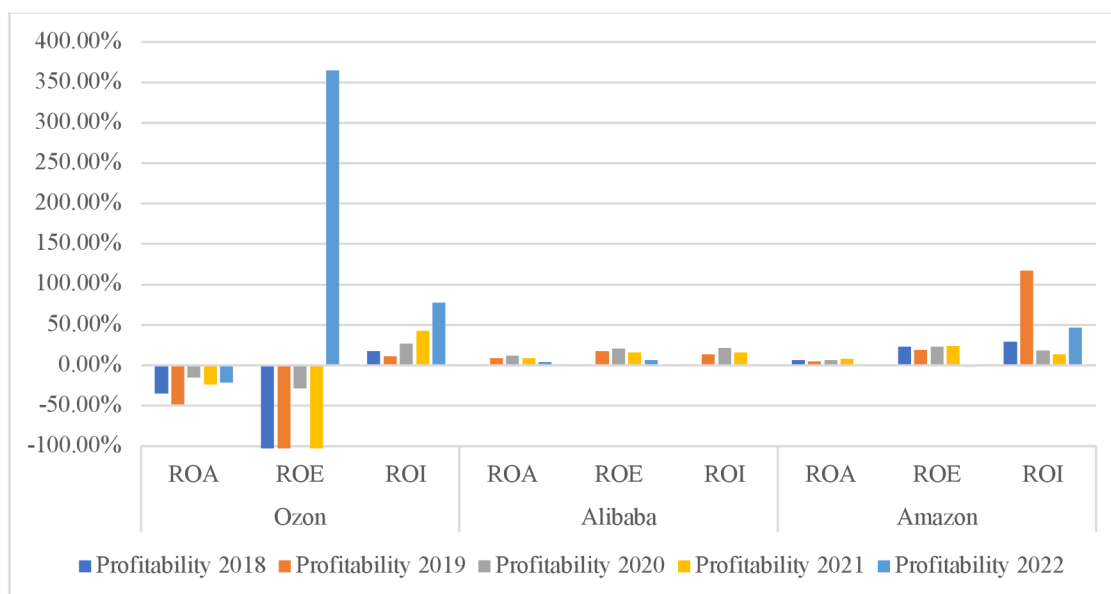
Source: processed by the researcher based on the financial statements

The profitability of Ozon can be addressed in quite a straightforward way – critically low and the situation is downright concerning. However, there is a beam of light in the obscure situation with the company’s financial performance and profitability – its return on investments which is quite high and keeps rising over time. Yet, if the company will not improve its operating segment of the business, it is quite likely that it will have to go under.

Profitability of Alibaba is remarkable – the company has positive figures for all years and all indicators, and it reached its peak of profitability in the period between 2019 and 2021. The situation in 2022 became less favorable from the profitability point of view and serious corrections are needed, otherwise Alibaba can face a problem with negative net income quite soon.

Amazon’s last year significantly worsened the whole picture. Until 2022, the performance of the company was quite good as its indicators of profitability were lying on quite a good level, especially the ROE and ROI. ROA is not so high, but it is mainly explained by the fact that the company possesses a lot of buildings and land, so it is pretty understandable. Overall, the situation stopped being favorable in 2022 and corrections from the financial management are needed. Figure 5 presents the visualization.

**Figure 5, profitability analysis**



Source: processed by the researcher based on the financial statements

The next step concerns the companies’ solvency ratios, which can be found in Table 28.

**Table 28, Ozon, Alibaba, Amazon: Solvency**

		Solvency				
		2018	2019	2020	2021	2022
Ozon	<i>Equity</i>	18.01%	2.10%	51.29%	12.68%	-5.84%
	<i>Debt to Equity</i>	455.32%	4661.54%	95.06%	688.48%	-1811.40%
	<i>Debt to Assets</i>	81.99%	97.90%	48.76%	87.29%	105.84%
Alibaba	<i>Equity</i>	-	51.01%	57.53%	55.47%	55.94%
	<i>Debt to Equity</i>	-	71.03%	57.36%	64.70%	64.66%
	<i>Debt to Assets</i>	-	36.23%	33.00%	35.89%	36.17%
Amazon	<i>Equity</i>	26.77%	27.55%	29.08%	32.87%	31.56%
	<i>Debt to Equity</i>	273.48%	262.95%	243.88%	204.21%	216.81%
	<i>Debt to Assets</i>	73.23%	72.45%	70.92%	67.13%	68.44%

Source: processed by the researcher based on the financial statements

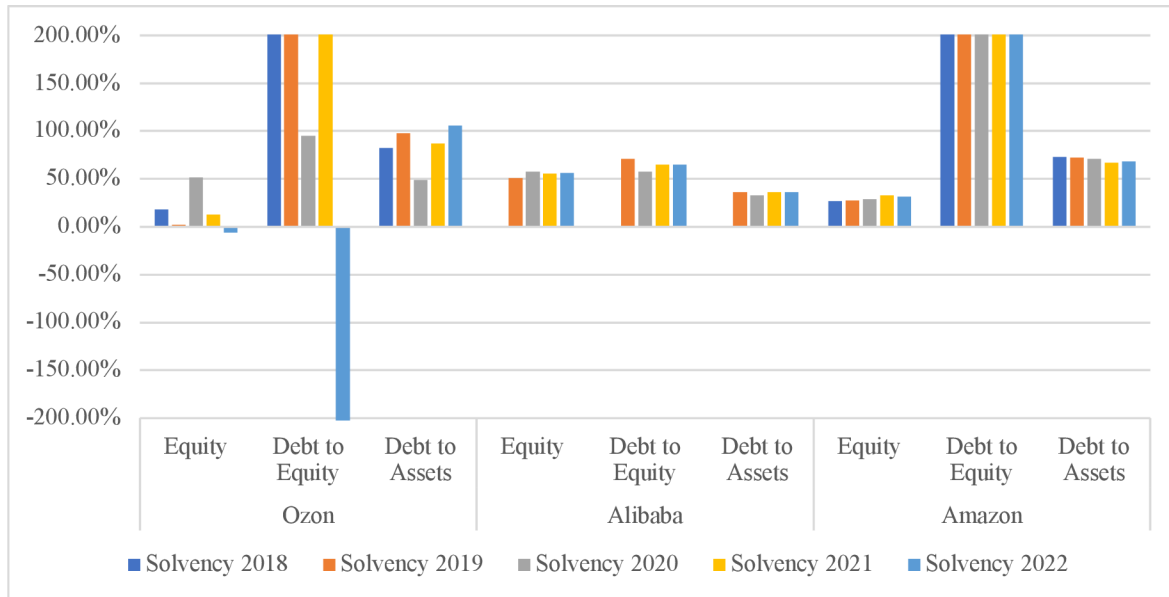
To begin with, it is important to note that Ozon was mainly funded through debt, which is not at all surprising, with the exception of 2020, when the company attempted to make corrections with its financing. The situation with solvency or stability of the company is absolutely critical – the company’s debts started to significantly prevail over assets in 2022 and were prevailing for a very long time over Ozon’s equity. All in all, there are serious concerns about Ozon’s future.

Alibaba has a very remarkable situation from the solvency point of view, where the company mainly funds its assets through the equity financing, based on the figures for the equity ratio above 50%. Debt does not prevail over equity and neither it prevails over the company’s assets, so it is possible to conclude that the situation with Alibaba’s solvency is very remarkable and positive.

Amazon has a somewhat interesting situation, because it is funded mainly through the debt financing, which is not so typical for American companies heavily relying on the equity financing, which arises from the ratios below 50% for the equity ratio. Yet, the company is slowly approaching the figure of 50%, so it can be seen as a local milestone to attain. The debt of the company does prevail over its equity, which is not a good sign, but there is an overall tendency of decreasing the share of debt in both assets and equity, which arises directly from the fact that both ratios are diminishing, indicating a good dynamic. Overall,

there are no concerns about Amazon’s solvency as of 2022-2023. The solvency ratios are presented consequently (see Figure 6).

**Figure 6, solvency analysis**



Source: processed by the researcher based on the financial statements

The final domain, which is the efficiency or activity one can be found in Table 29.

**Table 29, Ozon, Alibaba, Amazon: Activity**

		Activity				
		2018	2019	2020	2021	2022
Ozon	<i>Receivables Turnover</i>	29.60	21.11	31.35	27.48	23.59
	<i>Period</i>	12	17	12	13	15
	<i>Payables Turnover</i>	2.65	2.64	1.87	1.40	1.56
	<i>Period</i>	138	138	195	261	235
	<i>Inventory Turnover</i>	4.98	4.65	5.20	4.73	4.26
	<i>Period</i>	73	79	70	77	86
Alibaba	<i>Receivables Turnover</i>	-	17.04	22.69	25.54	25.54
	<i>Period</i>	-	21	16	14	14
	<i>Payables Turnover</i>	-	-	49.74	37.56	41.29
	<i>Period</i>	-	-	7	10	9
	<i>Inventory Turnover</i>	-	25.18	20.19	14.95	17.97
	<i>Period</i>	-	14	18	24	20
Amazon	<i>Receivables Turnover</i>	19.13	13.69	15.90	14.40	12.24
	<i>Period</i>	19	27	23	25	30
	<i>Payables Turnover</i>	3.64	3.51	3.22	3.46	3.63
	<i>Period</i>	100	104	113	105	101
	<i>Inventory Turnover</i>	8.10	8.08	9.80	8.34	8.40
	<i>Period</i>	45	45	37	44	43

Source: processed by the researcher based on the financial statements

Ozon is keen on quickly collecting debts from its customers – the frequency is fluctuating between 21.11 and 31.35 times per year, which results in the period between 12 and 17 days. Contrary to collecting debts, the company is not keen on paying its creditors quite quickly – just approximately 2 times per year, which results in astonishingly long periods between 138 and 261 days, which might be underpinned by rapidly deteriorating financial position of the company. Yet, there is a certain degree of stability in the way that the company replaces its inventory – between 5.20 and 4.26 times per year the company does so, resulting in the period between 70 and 86 days.

Alibaba has quite a similar tendency, where the average period for collecting debts is fluctuating between 14 and 21 days, indicating that it is likely to be a common practice in the retail industry. Contrary to Ozon, Alibaba is actively paying its creditors more than 37.56 times per year and sometimes even reaching 49.74 times per year, resulting in the period

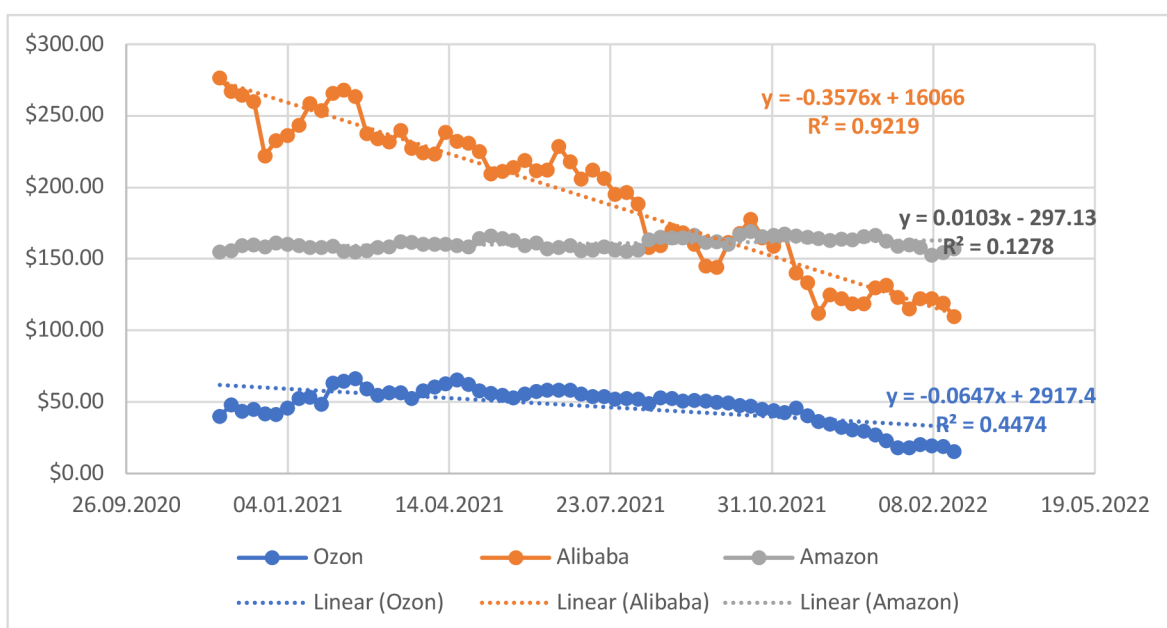
between 7 and 10 days. Also, the company more actively replaces its inventory, which might be a consequence of the fact that they sell goods substantially quicker than Ozon – between 14.95 and 25.18 times per year, resulting in the period between 14 and 24 days.

Amazon follows in the footsteps of Alibaba by collecting debts quite actively – between 12.24 and 19.13 times per year, resulting in the period between 19 and 30 days. However, the tendency of paying creditors is similar to what has been identified for the case of Ozon – just approximately 3 times per year they do so, resulting in the period between 100 and 113 days. Finally, the company does replace its inventory once in ever 37-45 days, which is a good tendency. There is no chart with the overview for this particular domain of financial ratios due to its complexity.

#### 4.4 Stock Market Technical Analysis

The final part of the analysis is dedicated to the market performance of the stocks of all three companies, where the selected period covers the time between the 23<sup>rd</sup> of November 2020 and 21<sup>st</sup> of February 2022 – the moment prior to the moment when Ozon’s stock was discarded from NASDAQ as a response to the invasion in Ukraine. The time series used for the analysis can be found in the list of appendices in Table 32. First, it is essential to pay attention to the development of all three stocks in time (see Figure 4).

**Figure 7, the chart of prices**



Source: processed by the researcher based on financial market data



According to all three trends, it is possible to say that the only one company that experienced a positive period of financial performance and did not lose its capitalization was Amazon, whose stock price was somewhat stationary. Overall, there was a 0.0103\$ average increase in the price of Amazon's stock per week, which is not a lot and contributes further to its stationary nature. Presumably, unfavorable performance of the stock was something that resulted in the net loss for 2022.

The market performance of Alibaba is not favorable because the company experienced a period of diminishing stock price that started in the end of 2020 and lasted until the final observation included in the analysis. Overall, the weekly decrement in the price of the company accounted for 0.3576\$, which is a very unfavorable result that does not anyhow correlate with the financial performance and position of the company.

Ozon's situation and the subsequent demise in financial markets by the end of the studied period is heavily influenced by the depreciation of the Russian ruble that was diminishing quicker and quicker with each subsequent year. Overall, the weekly decrement in the price of Ozon accounted for 0.06\$, which is not a lot, but it is definitely not a sign of a strong financial market performance. Overall, the situation with all three companies is far from being perfect. Now, it is vital to focus on the descriptive analysis of the prices (see Table 30).

**Table 30, the descriptive analysis of prices of Ozon, Alibaba and Amazon**

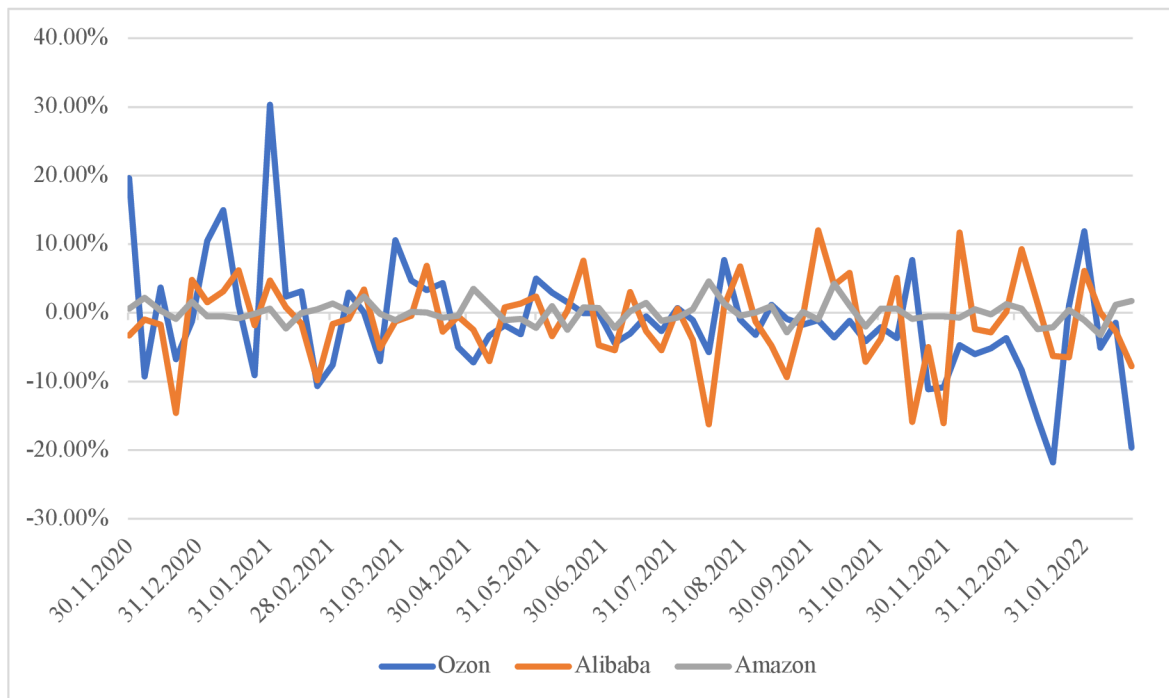
	<i>Ozon</i>	<i>Alibaba</i>	<i>Amazon</i>
<i>Average</i>	\$47.16	\$192.91	\$160.66
<i>Minimum</i>	\$15.23	\$109.72	\$152.86
<i>Maximum</i>	\$66.48	\$276.48	\$169.00
<i>Range</i>	\$51.25	\$166.76	\$16.14
<i>Volatility</i>	<b>27.55%</b>	<b>25.95%</b>	<b>2.41%</b>

Source: processed by the researcher based on financial market data

The average price of Ozon during the analyzed period of time was 47.15\$, the average price of Alibaba was 192.91\$ and the price of Amazon stock was 160.66\$. Alibaba is evidently the leading company here, but given the diminishing nature of the stock price, the tendency might change quite soon. The absolute low of Ozon was 15.23\$, which is clearly the lowest value out of the three companies. Effectively, Alibaba's lowest figure is

significantly lower than the one identified for Amazon, which does indicate that the position of Alibaba is somewhat weaker than the position of Amazon. The range of Ozon is very high – 51.25\$ and the same applied to Alibaba – 166.76\$. However, the range of Amazon is not high at all – just 16.14\$, indicating a very strong and stable market position of the company. Additionally, it is especially evident after looking at coefficients of variations – Ozon is the most volatile company with 27.55% volatility, followed by Alibaba with 25.95%. Amazon is not volatile and risky at all since it has the volatility of just 2.41% - this is a very good indicator. The next step is the analysis of returns, which is based on Table 33 from the list of appendices. The chart with returns for all companies' stocks is presented consequently (see Figure 5).

**Figure 8, the chart of returns**



Source: processed by the researcher based on financial market data

Quite expectedly, Alibaba and Ozon both have higher returns than Amazon, which arises from higher volatility for both companies. Returns of Amazon seem to be quite stationary, which should be views as a positive aspect for risk-averse investors planning to sacrifice their capital in exchange for Amazon stocks. Additionally, it is vital to take a look at descriptive statistics of all three companies (see Table 31).

**Table 31, the descriptive analysis of returns of Ozon, Alibaba and Amazon**

	<i>Ozon</i>	<i>Alibaba</i>	<i>Amazon</i>
<i>Average</i>	<b>-1.15%</b>	<b>-1.23%</b>	<b>0.03%</b>
<i>Minimum</i>	<b>-21.80%</b>	<b>-16.25%</b>	<b>-3.24%</b>
<i>Maximum</i>	30.31%	12.01%	4.57%
<i>Range</i>	52.10%	28.27%	7.81%
<i>Geometric</i>	<b>-1.47%</b>	<b>-1.41%</b>	<b>0.02%</b>

Source: processed by the researcher based on financial market data

The average return, just as it was expected, of Ozon and Alibaba is negative, indicating that investors made a net loss after investing in either of the companies, while the return of Amazon was slightly above 0, which is overall a good sign. The lowest return of Ozon was -21.8%, the lowest return of Alibaba was -16.25% and the lowest return of Amazon was just -3.24%. Overall, it is pretty apparent that both Ozon and Amazon were not good investment options when looking at the value of geometric returns, which is even lower for those cases, while the geometric return of Amazon is still positive, indicating that the performance of Amazon was significantly better than the one of Ozon and Alibaba.

## **5 Results and Discussion**

### **5.1 Financial Position of the Companies: Overview**

When it comes to the very first dimension of financial activity addressed in the diploma thesis, it is essential to highlight that the original list of 3 companies can be split into two categories, where the first one will represent companies suffering from serious problems with their financial position and the second one will be represented by those who do not suffer from such problems. The only company whose financial position is not classified as favorable or positive is Ozon – the company has a negative equity, debt significantly overwhelming assets and no consistency when it comes to financial management. The situation with the financial position of Ozon raises serious concerns of whether the company will be able to stay afloat during the upcoming years – the company has very serious problems with solvency, which is especially highlighted by the tendency to pay creditors just once a year – and the period increases with each single year. If no corrections will be made, the company will simply become bankrupt by defaulting on their current obligations due to inability to meet the payment conditions of creditors.

Amazon and Alibaba both belong to the second group of companies, whose situation with the financial position can be classified as optimistic and positive, since both companies are highly liquid (Amazon performs a bit worse in this domain) and highly solvent. However, the financial position of Alibaba is slightly better mainly due to the tendency of relying on the equity financing, which resulted in the company's better solvency and higher liquidity – Amazon does partially suffer from the problem with indebtedness, but there are no concerns about its long-term solvency. Furthermore, the management recently adopted a strategy focused at decreasing the burden of debt and increasing equity, so if no major economic problems will manifest themselves in the nearest future, Amazon can turn to the equity financing entirely.

## **5.2 Financial Performance of the Companies: Overview**

With regard to financial performance, the situation is far from being perfect for literally all analyzed organizations. However, the situation in Ozon is incomparable with the situation in Amazon and Alibaba. Ozon has been suffering from the annual net loss as early as from 2018 and the tendency did not change for literally a single year – the company has not been earning any profit and it even had negative operating cash-flow, which is a tragical circumstance indicating that the company can soon become bankrupt.

Amazon and Alibaba both experienced quite favorable circumstances until 2021-2022 even despite the pandemic of coronavirus. Both companies' net income was positive, and it still is for Alibaba, while Amazon experienced a net loss for the year 2022. One of the biggest problems that companies experience is the increase in operating expenses and also in the costs of goods sold, so companies have to increase their margins to keep up with the ongoing inflation. Both companies are leading ones in their parts of the world, so it is not likely that the demand for their products is elastic due to the absence of huge competitors. As of 2023, both companies cannot be classified as competitors to each other due to their limited specification – Alibaba on Asia and Middle East and Amazon on developed countries from the Western Hemisphere. Overall, if companies will manage to improve their financial results by the end of 2023 and 2024, it can be suggested that the previous period of time was rather favorable for both of them from all points of view. However, as matters stand now, the financial performance is not the strongest point of both companies and neither it is a strong point of Ozon.

## **5.3 Determinants of the Companies' Profit**

Interestingly, Ozon faces quite the same phenomenon as Alibaba – both are subjects to the so-called translation exposure, when the companies' financial position is subject to depreciation due to the depreciation of the currencies of countries where they are based. The case of Ozon is surely much worse due to the fact that the whole Russian stock market was nearly eliminated as a consequence of the financial sanctions applied in 2022 on the country, resulting in the fact that all Russian companies were taken off from NASDAQ and they quickly depreciated. When considering that Ozon's situation with both performance and position had already been quite weak prior to the events of February 2022, what happened

after does indicate that the fall of the company becomes somewhat imminent, since now the company has to bear higher costs of management and merchandise, resulting in further diminishing profits that have not turned to be positive even for a single year. Therefore, Ozon's profit is mainly influenced by exogenous factors related mostly to the country where the company is based.

Surprisingly, Alibaba's situation does also resemble something similar – as more and more controversy started to surround China with its zero COVID-19 policy disrupting local business and potential invasion to Taiwan, the company started to trade at a quickly diminishing price thus resulting in decreased capitalization of Alibaba and less options for selling shares and financing its operations through this type of financing, which is critical for Alibaba since they mainly fund their assets through equity. Additionally, both companies identify that one of the biggest ongoing concerns are exchange rates and access to international markets, which fully underpin what has been indicated in this subchapter.

Amazon is not bounded by any of political or similar factor, which is good for the company. However, the company has recently entered in too many different industries – streaming, physical retail and even movie production. This quite evidently increased the value of expenses that the company incurs, but the ongoing projects do not really yield expecting results mainly due to the fact that Amazon entered in the markets highly saturated with competitors – Apple, Netflix and many other companies. The original assumption of Amazon was that a few years will past until the company will establish itself a firm ground and will become more successful in newly entered domains, but if this will not be the case and the company will continue to invest more and more, as it is currently doing, the company can follow in the footsteps of Ozon, who has been suffering from the net loss for a very long time.

#### **5.4 Overview of the Potential Obstacles**

To conclude, the biggest financial problems of Ozon are low liquidity, high degree of indebtedness resulting in low solvency and always expanding period of paying their creditors and constant expenses associated with their operations and financials arising from rapidly diminishing exchange rates and complications for conducting all business operations worldwide caused by the international sanctions.

Alibaba does not really have any serious financial problems as of 2023, but the diminishing profitability can be a pretty concerning sign that indicates that the company has to approach the problem of relying too much on non-operating income, otherwise the company's performance will not be as good as it had been during the previous period of time.

Amazon's biggest financial problem is its reliance on debt for funding the entry to new markets and constantly increasing degree of operating expenses, which have to be addressed. The company has to return back to its roots and at least not to put so much money in industries that have not so far yielded any lucrative results or considerable commercial successes.

## 6 Conclusion

The goal of this diploma thesis was to assess and compare the financial position and performance of the top three chosen companies operating in the retail industry by analyzing the companies' financial statements with focus on the representation and changes of the reported assets, liabilities, expenses, revenues and cash-flow for a chosen period and to identify the potential financial problems and the most significant factors influencing the profit from the companies and the industry point of view. Additionally, the diploma thesis was also concerned with the comparison of the financial performance and position of Ozon (the Russian Federation), Alibaba (China) and Amazon (the United States of America).

It is concluded that both Alibaba and Amazon have a very good financial position with high solvency, high liquidity, high efficiency and relatively good profitability. The book values of both companies are positive. The situation in Ozon is very concerning as the company becomes more and more indebted – the solvency of the company is very low, liquidity is not at all favorable and the company becomes less and less efficient over time. There are serious concerns that indicate that the fall of Ozon is imminent.

With regard to financial position, all companies are far from being perfect, but the case of Ozon is incomparable with what is being experienced by Alibaba and Amazon since the latter companies have been striking with pretty good profitability until the year 2022, when Alibaba faced a serious decrement in the value of net income and Amazon in turn suffered a net loss. Ozon has not been earning any profit for the last 5 years and this very situation raises additional concerns about the company's future since its operations do not at all seem to yield any considerable result, which potentially arises from the expansion of the company's competitors, such as Wildberries and Alibaba, who quite recently became quite popular in the Russian Federation.

Overall, it is suggested to both Amazon and Alibaba to focus on the increase in the value of their revenues in the nearest future by potentially increasing margins. More specifically, it is suggested that Amazon should reconsider their long-term projects and focus explicitly on the retail industry without exploring new industries such as the movie production one. When it comes to the recommendation to Ozon, the best that the company



can do is to attempt a rebranding, significantly decrease their expenses by potentially laying off employees and closing some of their departments. If this does not turn out to be successful, then the company should better consider a merger with any of major Russian players in the retail industry, such as Wildberries.

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### 8.3 Abbreviations

<b>USD</b>	United Stated Dollar
<b>US</b>	United States
<b>HKD</b>	Hong Kong Dollar
<b>EBIT</b>	Earnings before Interest and Taxes
<b>EBT</b>	Earnings before Taxes
<b>EPS</b>	Earnings per Share
<b>CZK</b>	Czech Crown
<b>ROA</b>	Return on Assets
<b>ROE</b>	Return on Equity
<b>ROI</b>	Return on Investment
<b>EDI</b>	Electronic Data Interchange

<b>AI</b>	Artificial intelligence
<b>RMB</b>	Renminbi
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>IAS</b>	International Accounting System
<b>IPO</b>	Initial Public Offering
<b>NYSE</b>	New York Stock Exchange
<b>LLC</b>	Limited Liability Company

# List of Appendices

## Financial Statements

**Figure 9, Amazon's statement of earnings**

	Year Ended December 31,		
	2020	2021	2022
Net product sales	\$ 215,915	\$ 241,787	\$ 242,901
Net service sales	170,149	228,035	271,082
Total net sales	386,064	469,822	513,983
Operating expenses:			
Cost of sales	233,307	272,344	288,831
Fulfillment	58,517	75,111	84,299
Technology and content	42,740	56,052	73,213
Sales and marketing	22,008	32,551	42,238
General and administrative	6,668	8,823	11,891
Other operating expense (income), net	(75)	62	1,263
Total operating expenses	363,165	444,943	501,735
Operating income	22,899	24,879	12,248
Interest income	555	448	989
Interest expense	(1,647)	(1,809)	(2,367)
Other income (expense), net	2,371	14,633	(16,806)
Total non-operating income (expense)	1,279	13,272	(18,184)
Income (loss) before income taxes	24,178	38,151	(5,936)
Benefit (provision) for income taxes	(2,863)	(4,791)	3,217
Equity-method investment activity, net of tax	16	4	(3)
Net income (loss)	\$ 21,331	\$ 33,364	\$ (2,722)
Basic earnings per share	\$ 2.13	\$ 3.30	\$ (0.27)
Diluted earnings per share	\$ 2.09	\$ 3.24	\$ (0.27)
Weighted-average shares used in computation of earnings per share:			
Basic	10,005	10,117	10,189
Diluted	10,198	10,296	10,189

Source: Amazon, 2023

**Figure 10, Amazon's statement of cash-flows**

	Year Ended December 31,		
	2020	2021	2022
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD	\$ 36,410	\$ 42,377	\$ 36,477
OPERATING ACTIVITIES:			
Net income (loss)	21,331	33,364	(2,722)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation and amortization of property and equipment and capitalized content costs, operating lease assets, and other	25,180	34,433	41,921
Stock-based compensation	9,208	12,757	19,621
Other expense (income), net	(2,582)	(14,306)	16,966
Deferred income taxes	(554)	(310)	(8,148)
Changes in operating assets and liabilities:			
Inventories	(2,849)	(9,487)	(2,592)
Accounts receivable, net and other	(8,169)	(18,163)	(21,897)
Accounts payable	17,480	3,602	2,945
Accrued expenses and other	5,754	2,123	(1,558)
Unearned revenue	1,265	2,314	2,216
Net cash provided by (used in) operating activities	<u>66,064</u>	<u>46,327</u>	<u>46,752</u>
INVESTING ACTIVITIES:			
Purchases of property and equipment	(40,140)	(61,053)	(63,645)
Proceeds from property and equipment sales and incentives	5,096	5,657	5,324
Acquisitions, net of cash acquired, and other	(2,325)	(1,985)	(8,316)
Sales and maturities of marketable securities	50,237	59,384	31,601
Purchases of marketable securities	(72,479)	(60,157)	(2,565)
Net cash provided by (used in) investing activities	<u>(59,611)</u>	<u>(58,154)</u>	<u>(37,601)</u>
FINANCING ACTIVITIES:			
Common stock repurchased	—	—	(6,000)
Proceeds from short-term debt, and other	6,796	7,956	41,553
Repayments of short-term debt, and other	(6,177)	(7,753)	(37,554)
Proceeds from long-term debt	10,525	19,003	21,166
Repayments of long-term debt	(1,553)	(1,590)	(1,258)
Principal repayments of finance leases	(10,642)	(11,163)	(7,941)
Principal repayments of financing obligations	(53)	(162)	(248)
Net cash provided by (used in) financing activities	<u>(1,104)</u>	<u>6,291</u>	<u>9,718</u>
Foreign currency effect on cash, cash equivalents, and restricted cash	618	(364)	(1,093)
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>5,967</u>	<u>(5,900)</u>	<u>17,776</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	<u>\$ 42,377</u>	<u>\$ 36,477</u>	<u>\$ 54,253</u>

Source: Amazon, 2023

**Figure 11, Alibaba's statement of earnings**

	Year ended March 31,			
	2020	2021	2022	
	RMB	RMB	RMB	US\$
	<i>(in millions)</i>			
Cost of revenue	(282,367)	(421,205)	<b>(539,450)</b>	<b>(85,096)</b>
Product development expenses	(43,080)	(57,236)	<b>(55,465)</b>	<b>(8,749)</b>
Sales and marketing expenses	(50,673)	(81,519)	<b>(119,799)</b>	<b>(18,898)</b>
General and administrative expenses	(28,197)	(55,224)	<b>(31,922)</b>	<b>(5,036)</b>
Amortization and impairment of intangible assets	(13,388)	(12,427)	<b>(11,647)</b>	<b>(1,837)</b>
Impairment of goodwill	(576)	-	<b>(25,141)</b>	<b>(3,966)</b>
Income from operations	91,430	89,678	<b>69,638</b>	<b>10,985</b>
Interest and investment income, net	72,956	72,794	<b>(15,702)</b>	<b>(2,477)</b>
Interest expense	(5,180)	(4,476)	<b>(4,909)</b>	<b>(774)</b>
Other income, net	7,439	7,582	<b>10,523</b>	<b>1,660</b>
Income before income tax and share of results of equity method investees	166,645	165,578	<b>59,550</b>	<b>9,394</b>
Income tax expenses	(20,562)	(29,278)	<b>(26,815)</b>	<b>(4,230)</b>
Share of results of equity method investees	(5,733)	6,984	<b>14,344</b>	<b>2,263</b>
Net income	140,350	143,284	<b>47,079</b>	<b>7,427</b>
Net loss attributable to noncontrolling interests	9,083	7,294	<b>15,170</b>	<b>2,393</b>
Net income attributable to Alibaba Group Holding Limited	149,433	150,578	<b>62,249</b>	<b>9,820</b>
Accretion of mezzanine equity	(170)	(270)	<b>(290)</b>	<b>(46)</b>
Net income attributable to ordinary shareholders	149,263	150,308	<b>61,959</b>	<b>9,774</b>
Earnings per share attributable to ordinary shareholders: <sup>(2)</sup>				
Basic	7.10	6.95	<b>2.87</b>	<b>0.45</b>
Diluted	6.99	6.84	<b>2.84</b>	<b>0.45</b>
Earnings per ADS attributable to ordinary shareholders: <sup>(2)</sup>				
Basic	56.82	55.63	<b>22.99</b>	<b>3.63</b>
Diluted	55.93	54.70	<b>22.74</b>	<b>3.59</b>

Source: Alibaba, 2023

**Figure 12, Ozon's statement of earnings**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
(in millions of Russian Rubles, unless otherwise stated)

	Notes	2022	2021	2020
<b>Revenue:</b>				
Sales of goods		135,278	120,792	81,414
Service revenue		141,837	57,423	22,936
<b>Total revenue</b>	4	<b>277,115</b>	<b>178,215</b>	<b>104,350</b>
<b>Operating expenses:</b>				
Cost of sales		(121,475)	(112,548)	(72,859)
Fulfillment and delivery	6	(122,518)	(76,240)	(30,676)
Sales and marketing	7	(24,508)	(23,535)	(10,015)
Technology and content	8	(22,851)	(12,862)	(4,394)
General and administrative	9	(19,747)	(11,886)	(3,729)
Losses related to the fire incident	10	(10,165)	—	—
<b>Total operating expenses</b>		<b>(321,264)</b>	<b>(237,071)</b>	<b>(121,673)</b>
<b>Operating loss</b>		<b>(44,149)</b>	<b>(58,856)</b>	<b>(17,323)</b>
Loss on convertible bonds	25	(8,567)	—	—
Expected credit losses on financial assets		(348)	—	—
Loss on disposal of non-current assets		(824)	(33)	(35)
Interest expense		(11,860)	(5,802)	(2,115)
Interest income		2,869	1,484	311
Net gain on revaluation of financial instruments at fair value through profit or loss	11	726	6,341	—
Share of profit of an associate	12	289	197	112
Impairment of non-financial assets		(255)	—	—
Foreign currency exchange gain / (loss), net		4,963	(108)	(1,984)
Other non-operating expenses	13	(6)	—	(1,000)
<b>Total non-operating (expense) / income</b>		<b>(13,013)</b>	<b>2,079</b>	<b>(4,711)</b>
<b>Loss before income tax</b>		<b>(57,162)</b>	<b>(56,777)</b>	<b>(22,034)</b>
Income tax expense	14	(1,025)	(2)	(230)
<b>Loss for the year</b>		<b>(58,187)</b>	<b>(56,779)</b>	<b>(22,264)</b>
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified to profit or loss (net of tax):</b>				
Exchange differences on translation of foreign operations		(67)	(3)	—
<b>Net other comprehensive loss that may be reclassified to profit or loss</b>		<b>(67)</b>	<b>(3)</b>	<b>—</b>
Other comprehensive income, net of tax		(67)	(3)	—
<b>Total comprehensive income for the year</b>		<b>(58,254)</b>	<b>(56,782)</b>	<b>(22,264)</b>
Basic and diluted loss per share attributable to ordinary equity holders of the parent, RUB	15	(278.7)	(276.1)	(135.1)
Basic and diluted weighted average number of ordinary shares	15	208,752,123	205,619,832	164,605,952

Source: Ozon, 2023

**Stock Performance**

**Table 32, the table with stock prices**

<i>Date</i>	<i>Ozon</i>	<i>Alibaba</i>	<i>Amazon</i>
23.11.2020	\$40.00	\$276.48	\$154.92
30.11.2020	\$47.85	\$267.25	\$155.90
07.12.2020	\$43.41	\$264.54	\$159.25
14.12.2020	\$45.00	\$260.00	\$159.77
21.12.2020	\$41.96	\$222.00	\$158.40
28.12.2020	\$41.41	\$232.73	\$161.00
04.01.2021	\$45.75	\$236.19	\$160.18
11.01.2021	\$52.61	\$243.46	\$159.34
18.01.2021	\$53.19	\$258.62	\$158.13
25.01.2021	\$48.34	\$253.83	\$157.90

01.02.2021	\$62.99	\$265.67	\$158.86
08.02.2021	\$64.49	\$267.85	\$155.21
15.02.2021	\$66.48	\$263.59	\$155.07
22.02.2021	\$59.35	\$237.76	\$155.82
01.03.2021	\$54.82	\$233.89	\$157.85
08.03.2021	\$56.41	\$231.87	\$158.26
15.03.2021	\$56.41	\$239.79	\$162.05
22.03.2021	\$52.44	\$227.26	\$161.80
29.03.2021	\$58.00	\$224.36	\$160.08
05.04.2021	\$60.73	\$223.31	\$160.31
12.04.2021	\$62.75	\$238.69	\$160.33
19.04.2021	\$65.47	\$232.08	\$159.26
26.04.2021	\$62.19	\$230.95	\$158.63
03.05.2021	\$57.72	\$225.31	\$164.20
10.05.2021	\$55.83	\$209.51	\$166.10
17.05.2021	\$54.79	\$211.06	\$164.29
24.05.2021	\$53.07	\$213.96	\$162.85
31.05.2021	\$55.72	\$219.02	\$159.33
07.06.2021	\$57.37	\$211.64	\$160.93
14.06.2021	\$58.24	\$212.30	\$156.92
21.06.2021	\$58.22	\$228.50	\$158.11
28.06.2021	\$58.18	\$217.75	\$159.13
05.07.2021	\$55.60	\$205.94	\$155.71
12.07.2021	\$53.90	\$212.10	\$156.04
19.07.2021	\$53.63	\$206.53	\$158.29
26.07.2021	\$52.21	\$195.19	\$156.37
02.08.2021	\$52.58	\$196.39	\$155.21
09.08.2021	\$51.99	\$188.62	\$156.04
16.08.2021	\$49.01	\$157.96	\$163.17
23.08.2021	\$52.79	\$159.47	\$165.35
30.08.2021	\$52.27	\$170.30	\$164.61
06.09.2021	\$50.59	\$168.10	\$164.70
13.09.2021	\$51.18	\$160.05	\$166.31
20.09.2021	\$50.70	\$145.08	\$161.63
27.09.2021	\$49.82	\$144.20	\$161.88
04.10.2021	\$49.26	\$161.52	\$160.31
11.10.2021	\$47.49	\$168.00	\$167.14
18.10.2021	\$46.95	\$177.70	\$169.00
25.10.2021	\$45.00	\$164.94	\$165.63
01.11.2021	\$44.07	\$158.73	\$166.55
08.11.2021	\$42.46	\$166.81	\$167.61

15.11.2021	\$45.72	\$140.34	\$166.15
22.11.2021	\$40.62	\$133.35	\$165.25
29.11.2021	\$36.21	\$111.96	\$164.33
06.12.2021	\$34.49	\$125.06	\$163.11
13.12.2021	\$32.43	\$122.10	\$163.89
20.12.2021	\$30.74	\$118.66	\$163.45
27.12.2021	\$29.61	\$118.79	\$165.43
03.01.2022	\$27.13	\$129.81	\$166.41
10.01.2022	\$22.94	\$131.57	\$162.49
17.01.2022	\$17.94	\$123.23	\$159.04
24.01.2022	\$18.11	\$115.23	\$159.73
31.01.2022	\$20.26	\$122.22	\$157.98
07.02.2022	\$19.23	\$122.25	\$152.86
14.02.2022	\$18.95	\$118.99	\$154.65
21.02.2022	\$15.23	\$109.72	\$157.31

Source: Yahoo Finance, 2023

**Table 33, the table with returns**

<i>Date</i>	<i>Ozon</i>	<i>Calculation 1</i>	<i>Alibaba</i>	<i>Calculation 2</i>	<i>Amazon</i>	<i>Calculation 3</i>
30.11.2020	19.62%	119.62%	-3.34%	96.66%	0.63%	100.63%
07.12.2020	-9.28%	90.72%	-1.01%	98.99%	2.15%	102.15%
14.12.2020	3.66%	103.66%	-1.72%	98.28%	0.32%	100.32%
21.12.2020	-6.76%	93.24%	-14.62%	85.38%	-0.85%	99.15%
28.12.2020	-1.31%	98.69%	4.83%	104.83%	1.64%	101.64%
04.01.2021	10.48%	110.48%	1.49%	101.49%	-0.51%	99.49%
11.01.2021	14.99%	114.99%	3.08%	103.08%	-0.52%	99.48%
18.01.2021	1.10%	101.10%	6.23%	106.23%	-0.76%	99.24%
25.01.2021	-9.12%	90.88%	-1.85%	98.15%	-0.14%	99.86%
01.02.2021	30.31%	130.31%	4.66%	104.66%	0.61%	100.61%
08.02.2021	2.38%	102.38%	0.82%	100.82%	-2.30%	97.70%
15.02.2021	3.09%	103.09%	-1.59%	98.41%	-0.09%	99.91%
22.02.2021	-10.73%	89.27%	-9.80%	90.20%	0.48%	100.48%
01.03.2021	-7.63%	92.37%	-1.63%	98.37%	1.30%	101.30%
08.03.2021	2.90%	102.90%	-0.86%	99.14%	0.26%	100.26%
15.03.2021	0.00%	100.00%	3.42%	103.42%	2.40%	102.40%
22.03.2021	-7.04%	92.96%	-5.23%	94.77%	-0.15%	99.85%
29.03.2021	10.60%	110.60%	-1.28%	98.72%	-1.06%	98.94%
05.04.2021	4.71%	104.71%	-0.47%	99.53%	0.14%	100.14%
12.04.2021	3.33%	103.33%	6.89%	106.89%	0.01%	100.01%
19.04.2021	4.33%	104.33%	-2.77%	97.23%	-0.66%	99.34%
26.04.2021	-5.01%	94.99%	-0.49%	99.51%	-0.39%	99.61%



03.05.2021	-7.19%	92.81%	-2.44%	97.56%	3.51%	103.51%
10.05.2021	-3.27%	96.73%	-7.01%	92.99%	1.16%	101.16%
17.05.2021	-1.86%	98.14%	0.74%	100.74%	-1.09%	98.91%
24.05.2021	-3.14%	96.86%	1.37%	101.37%	-0.88%	99.12%
31.05.2021	4.99%	104.99%	2.36%	102.36%	-2.16%	97.84%
07.06.2021	2.96%	102.96%	-3.37%	96.63%	1.00%	101.00%
14.06.2021	1.52%	101.52%	0.31%	100.31%	-2.49%	97.51%
21.06.2021	-0.03%	99.97%	7.63%	107.63%	0.76%	100.76%
28.06.2021	-0.07%	99.93%	-4.70%	95.30%	0.65%	100.65%
05.07.2021	-4.44%	95.56%	-5.42%	94.58%	-2.15%	97.85%
12.07.2021	-3.05%	96.95%	2.99%	102.99%	0.21%	100.21%
19.07.2021	-0.50%	99.50%	-2.63%	97.37%	1.44%	101.44%
26.07.2021	-2.65%	97.35%	-5.49%	94.51%	-1.21%	98.79%
02.08.2021	0.71%	100.71%	0.61%	100.61%	-0.74%	99.26%
09.08.2021	-1.12%	98.88%	-3.96%	96.04%	0.53%	100.53%
16.08.2021	-5.73%	94.27%	-16.25%	83.75%	4.57%	104.57%
23.08.2021	7.71%	107.71%	0.96%	100.96%	1.34%	101.34%
30.08.2021	-0.99%	99.01%	6.79%	106.79%	-0.45%	99.55%
06.09.2021	-3.21%	96.79%	-1.29%	98.71%	0.05%	100.05%
13.09.2021	1.17%	101.17%	-4.79%	95.21%	0.98%	100.98%
20.09.2021	-0.94%	99.06%	-9.35%	90.65%	-2.81%	97.19%
27.09.2021	-1.74%	98.26%	-0.61%	99.39%	0.16%	100.16%
04.10.2021	-1.12%	98.88%	12.01%	112.01%	-0.97%	99.03%
11.10.2021	-3.59%	96.41%	4.01%	104.01%	4.26%	104.26%
18.10.2021	-1.14%	98.86%	5.77%	105.77%	1.11%	101.11%
25.10.2021	-4.15%	95.85%	-7.18%	92.82%	-2.00%	98.00%
01.11.2021	-2.07%	97.93%	-3.77%	96.23%	0.56%	100.56%
08.11.2021	-3.65%	96.35%	5.09%	105.09%	0.63%	100.63%
15.11.2021	7.68%	107.68%	-15.87%	84.13%	-0.87%	99.13%
22.11.2021	-11.15%	88.85%	-4.98%	95.02%	-0.54%	99.46%
29.11.2021	-10.86%	89.14%	-16.04%	83.96%	-0.56%	99.44%
06.12.2021	-4.75%	95.25%	11.70%	111.70%	-0.74%	99.26%
13.12.2021	-5.97%	94.03%	-2.37%	97.63%	0.48%	100.48%
20.12.2021	-5.21%	94.79%	-2.82%	97.18%	-0.27%	99.73%
27.12.2021	-3.68%	96.32%	0.11%	100.11%	1.21%	101.21%
03.01.2022	-8.38%	91.62%	9.28%	109.28%	0.59%	100.59%
10.01.2022	-15.44%	84.56%	1.36%	101.36%	-2.35%	97.65%
17.01.2022	-21.80%	78.20%	-6.34%	93.66%	-2.13%	97.87%
24.01.2022	0.95%	100.95%	-6.49%	93.51%	0.43%	100.43%
31.01.2022	11.87%	111.87%	6.07%	106.07%	-1.09%	98.91%
07.02.2022	-5.08%	94.92%	0.02%	100.02%	-3.24%	96.76%

14.02.2022	-1.46%	98.54%	-2.67%	97.33%	1.17%	101.17%
21.02.2022	-19.63%	80.37%	-7.79%	92.21%	1.72%	101.72%

Source: processed by the researcher based on Yahoo Finance, 2023