

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

Economic analysis of selected advertising company

David Froněk

© 2016 CULS Prague

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

David Froněk

Economics and Management

Thesis title

Economic analysis of selected advertising company

Objectives of thesis

Goals

- 1) Evaluate position of this company in the advertising market
- 2) Evaluate weaknesses and strengths in the management and operation of the company
- 3) Optimize costs in the company

Subgoals

- 1) Collect data regarding funding of the whole company – find unnecessary items – optimization
- 2) Compare analyzed advertising company with other companies

Methodology

In the thesis, the following methods are used:

- 1) Data collection
- 2) Induction and extraction of text
- 3) Analysis methods – regression analysis, correlation analysis, descriptive analysis
- 4) Use financial indicators – performance, return on equity, balance sheet evaluation, numerical analysis

The proposed extent of the thesis

40

Keywords

marketing, financial performance, business plan, strategy, advertising

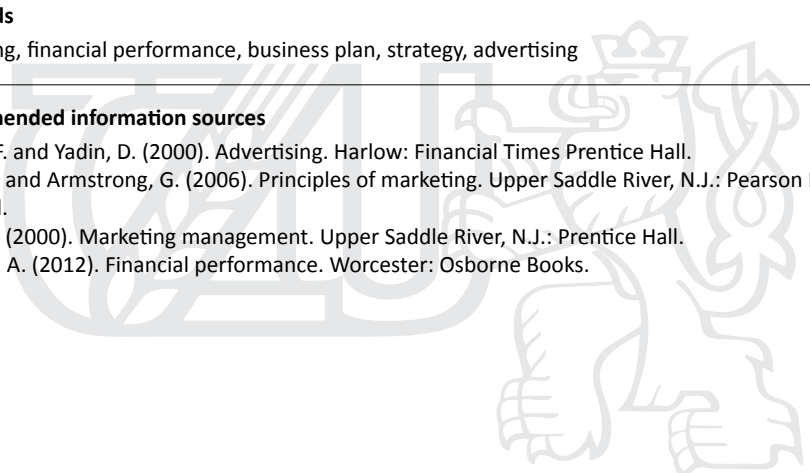
Recommended information sources

Jefkins, F. and Yadin, D. (2000). Advertising. Harlow: Financial Times Prentice Hall.

Kotler, P. and Armstrong, G. (2006). Principles of marketing. Upper Saddle River, N.J.: Pearson Prentice Hall.

Kotler, P. (2000). Marketing management. Upper Saddle River, N.J.: Prentice Hall.

Penning, A. (2012). Financial performance. Worcester: Osborne Books.



Expected date of thesis defence

2015/16 SS – FEM

The Bachelor Thesis Supervisor

Ing. Petr Procházka, Ph.D., MSc

Supervising department

Department of Economics

Electronic approval: 20. 11. 2015

prof. Ing. Miroslav Svatoš, CSc.

Head of department

Electronic approval: 20. 11. 2015

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 10. 03. 2016

Declaration

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

In Prague on 14.3. 2016

Acknowledgement

I would like to thank the supervisor of the thesis for his advice. Then i would like to thank for the support of my family and friends when writing this thesis. Special thank belongs to my mother for useful accountat advice.

Ekonomická analýza vybrané reklamní společnosti

Souhrn

Tato bakalářská práce zpracovává ekonomickou a marketingovou analýzu vybrané reklamní společnosti (F-mark s.r.o.). Používá k tomu reálná data získaná z účetního oddělení této společnosti v průběhu psaní této práce byly vybrané postupy, analýzy a jejich výsledky průběžně konzultovány se zakladatelem společnosti, jejím finančním ředitelem a účetním. Proto jsou v této práci použity postupy, které jsou adekvátní k analýze této společnosti.

Teoretická část popisuje a vysvětluje teorii, která je poté aplikována na reálná data, získaná ze společnosti. Marketingová analýza byla provedena za dohledu zakladatele společnosti a její vstupní informace byly získány z rozhovoru s tímto člověkem.

Originální dokumenty rozvaha a výsledovka byly detailně analyzovány a výstupy z nich byly zpracovány ve finanční analýze.

V závěru této práce jsou zaznamenány výsledky zkoumání a je zde popsáno a vysvětleno co tyto výsledky ovlivnilo nejvíce.

Klíčová slova: marketing, finanční výkon, business plan, strategie, reklama, analýza, firma, management

Economic analysis of selected advertising company

Summary

This bachelor thesis performed economical and marketing analysis of selected marketing company. It is using real data acquired from the company accounting department. During writing of this thesis were selected analysis and results consulted with the director and financing chief of the company. Therefore were selected methods for the most appropriate economical and marketing analysis the company.

The literature review explains the theory which is then applied on a real data from the company. The marketing analysis was performed with obtained info from the founder and his employees from the company.

The original balance sheet and income statement from the company were analysed in detail and data from these internal documents were used to perform financial analysis, the financial and valuation ratios analysis.

In the conclusion of the thesis are recorded obtained results and it is explained what affected these results the most.

Keywords: marketing, financial performance, business plan, strategy, advertising, analysis, firm, management

Table of Contents

1	Introduction	10
2	Objectives and Methodology	11
2.1	Objectives.....	11
2.2	Methodology.....	11
3	Literature review	12
3.1	The essential economical problem - Scarcity	12
3.1.1	Human wants.....	12
3.1.2	Goods and services.....	12
3.1.3	Factors of production.....	13
3.2	The market	14
3.2.1	Market system.....	14
3.3	The firm.....	15
3.3.1	The transaction costs of an entrepreneur.....	16
3.3.2	The horizontal growth of the firm.....	17
3.3.3	The vertical growth of the firm	17
3.3.4	Management and control of the firm.....	18
3.3.5	Management costs of the firm	18
3.3.6	Insourcing and outsourcing.....	19
3.3.7	Target of the firm.....	20
3.4	Marketing	21
3.4.1	Marketing management	22
3.4.2	The philosophy of marketing management.....	22
3.4.3	Strategic planning.....	25
3.5	Systems of financial ratios.....	29
3.5.1	Kralick Quick test.....	29
3.5.1.2	Time of debt repayment.....	30
3.5.1.3	Return on Assets.....	30
3.5.1.4	Cash-flow in revenues	31
3.6	Valuation ratios	31
3.6.1	Liquidity.....	31
3.6.2	Profitability	32
4	Practical part	34
4.1	Analyzed company : F-mark	34
4.1.1	Brief history of the company	34
4.1.2	Explanation of economical terms on F-mark	35
4.2	Marketing analysis of F-mark.....	36
4.2.1	The mission of F-mark.....	37
4.2.2	SWOT analysis of F-mark.....	38
4.3	Financial statements of F-mark	39
4.3.1	The balance sheet.....	40
4.3.2	Profit / Loss evaluation	41
4.4.1	Ratio of self financing	43
4.4.1	Time of debt repayment	44
4.4.1	Return on assets	44
4.5	Valuation ratios	45
4.5	Correlation analysis.....	45
5	Results	47

5.1 Conclusion	47
7 References.....	48
8 Appendix.....	49
9 List of tables	55
10 List of graphs	55

1 Introduction

This bachelor thesis will perform economical analysis of the selected marketing company.

The economic analysis looks at the enterprise as a whole . This unit will be analyzed using different tools. Like any analysis at first, the company will be described and defined to the reader. Thereafter, the whole decomposed into smaller parts that will be analyzed. As a basis will serve the tools of an economical analysis , financial analysis (part of economical analysis) and last but not least, the marketing analysis. The thesis will also focus on external and internal analysis of the company.

2 Objectives and Methodology

2.1 Objectives

The main objective of the work is to execute economical analysis of the existing company. This thesis is using real and up to date data collected from the company.

Goals

- 1) Evaluate position of this company in the advertising market
- 2) Evaluate weaknesses and strengths in the management and operation of the company
- 3) Optimize costs in the company

Subgoals

- 1) Collect data regarding funding of the whole company - find unnecessary items, optimization
- 2) Compare analyzed advertising company with other companies

2.2 Methodology

In the thesis following methods are used :

- 1) Data collection
- 2) Induction and extraction of text
- 3) Analysis methods – correlation analysis, descriptive analysis
- 4) Use financial indicators – performance, return on equity, balance sheet evaluation, numerical analysis

3 Literature review

3.1 The essential economical problem - Scarcity

At first, to understand the economical analysis, we have to focus how the basic economy principles works. Every human on the planet is engaged into economic activity. People are working in their jobs, selling goods or services, earning money, saving money, spending money for goods and services and paying taxes. Every state, every society have developed organized economic activity. What is the economic problem that these systems meet?

It is the law of scarcity. Every human on the planet need to satisfy their needs and wants. Needs are the basic elements for human to live - food, water, shelter, clothing etc. But these things are not just outside, that everyone who needs it, can take it. People must take part in the economic activity to satisfy these needs, and to live life. (Goldberg, 2000)

The law of scarcity consists of three main parts :

- 1) human wants
- 2) goods and services
- 3) factors of production

3.1.1 Human wants

Human wants are basically unlimited. It does not mean that you can drink 50 liters of water every day. It means that If people satisfy one want, they proceed to another. First want was to get rid of hunger, second want is transfer to work and another and another. People have a lot of wants and everybody is different. But people have limited capability to enjoy a different wants. (Goldberg, 2000)

3.1.2 Goods and services

These are the means that satisfy the human wants. Goods and services differ in that the goods are tangible and services are intangible things. Good can be some product that is used everyday for example a bottle of milk. The service, for example, the waiter in the

restaurant brings food to our table and his service and the service of the cook is satisfying human want. (Goldberg, 2000)

3.1.3 Factors of production

Factors of production are the elements that are changed, mixed, transformed so they can be used as a products o services. These factors are distinguished into 4 categories.

- 1) Land
- 2) Labor
- 3) Capital
- 4) Entrepreneurship (Goldberg, 2000)

3.1.3.1 Land

Into land factor of production belongs the natural resources that are obtainable from nature, from natural environment. It can be the land as itself, it can be in the land, under it and above it. Without anything changed this factor of production is incapable of satisfying human needs.

3.1.3.2 Labor

Labor is connected with human work. Labor in term human labor means an skill of human that is used to complete given tasks. There is no free or clean labor, nowadays only specialized labor exist. There is no human that has skills so he could perform 10 different jobs. Mostly one worker is trained to do only one specific job or work.

3.1.3.3. Capital

Capital is already transformed good that is used for creating other goods. It can be technology, money, buildings, cars and machinery. It does not provide satisfaction of the want or need as itself, but it helps to satisfy the want. For example car, as nonliving thing does not give any type of pleasure or satisfaction. But driving a car can, or the benefit, that people can drive anywhere and anytime they like.

3.1.3.4 Entrepreneurship

Entrepreneurship is a special form of capital. It can be described as an entrepreneurial skills, that are used in production process. Humans as entrepreneurs are

using land, land labor and capital to produce goods and satisfy human wants and needs. They have to invest in these factors of production and they risk their money. But they will do it to reach profit in their business. (Goldberg, 2000)

All of these factors of production have to face problem of scarcity. These factors of production occur only in limited amount. But as any other things these factors of production have alternatives that are used more nowadays. For example capital is not that important factor as labor in term of personal skills of a human. Information is very valuable commodity in nowadays businesses.

3.2 The market

The concept of shifts and relationships leads to concept of the market. The market is the set of the real and potential buyers of a certain product. These buyers have in common some need or want, that can be only satisfied with the help of shift or relationship. That is why the size of the market depends on the number of people that express their needs, they have the resources on becoming the part of the shift and they are willing to offer these resources in return for what they desire.

Originally the name market designated place, where the buyers and sellers met in in order to shift the goods, for example the city center. The economists uses this term for naming the group of the buyers and sellers, who trade with a certain class of products. Then it is market of living or grains for example. Marketing specialists perceives the sellers as creators of the branches and the buyers as creators of the market. (Kotler and Armstrong, 2005)

3.2.1 Market system

Buyers (market) and sellers (branches) can be imagined as 2 different cities. These 2 cities are connected with 4 roads or flows. The first road is used by the sellers. They send their goods and services to the buyers. The second road is used by the buyers to send money to the sellers. The third road is used by the sellers it send announcements to the buyers. And the last road, the fourth one is used by the buyers to send information to the sellers. So in conclusion the buyers send their goods, services and announcements to the market in exchange for the money and information from the buyers.

Modern economies work on the principle of the labor division, where every human specializes on the making of the concrete product. For that he gets reward - money, and for that money he buys everything he needs. Therefore modern economies have a lot of different markets. The goods manufactures use the source markets, where they can buy sources, then they change resources it into goods and services and these goods and services they sell to intermediaries, who resell them to the consumers. Consumers sell their labor, for which they receive income. With this income they pay goods and services that they buy. Government is another market which fulfills several tasks. Government buys goods on the market of resources, manufacturers and intermediaries and pays them. Government imposes taxes on these markets and for that provides public services. That is why every national economy and world economy is formed by interconnected system of the markets, that are connected with each other with the help of process of the shifts.

In developed societies the markets does not have to be concret physical places, where buyers and sellers meet. Thanks to modern communication a logistics, can dealer easily promote his product in television programme, accept thousands of orders and send them the goods next day. And all that is possible without physical contact with the customer. (Kotler and Armstrong, 2005)

3.3 The firm

Why are there companies on the market? Economical cooperation between people is performed by market shift and it is coordinated by price. What is the role of the firm on market? Considering 2 objects - firm and market, as objects of investigation, they are here 2 different systems of economical cooperation.

In the economy, the production factors are allocated by the „invisible hand of the market“. That means by the process of shifts, that no one guides, only the price. But in the firm, the allocation of the production factors is based on the decision of the director of the firm and price has no role here. How it is possible that these 2 different systems - firm and market, coexist together in some kind of symbiotical way?

In earlier times the economists looked on the firm as some kind of a black box in the economy, that is used to maximize the profit. There were introduced some technological theories that explained company as a result of technological processes, that were needed

for people cooperation. For example the car factory that builds and produce cars. The production in this factory will not work based on the market shift and change of goods and services for money between workers in this concrete factory. The factory needs some centralized management and centralized purchase of machinery and resources from the market. The technological theory explains the existence of the firm only in this specific example. But on the many different markets are many different firms : law offices with many lawyers, travel agencies, marketing firms and many others. There was a need for a universal theory to explain the existence of firms. (Holman, 2002)

3.3.1 The transaction costs of an entrepreneur

The theory that explained existence of the firms was introduced by Ronald Coase, famous economist from Chicago. The reason of the existence of the firm are the costs. An entrepreneur can perform his business without employees. If he needs IT specialists, he can buy his services, if he needs assistant, he can buy his services. If he needs a car, he can rent it. But no, he has a firm with employees, the IT specialist take care of his computers, he has assistant as an employee, he owns a car. So why?

All of this transactions - services and rent, requires costs. Costs for having the best reliable services at the lowest price. These costs are called the transaction costs of an entrepreneur. These costs are often time that was expended by an entrepreneur. And the firm eliminates the transaction costs. (Coase, 1937)

For example can be used a construction company owned by Mr John. John is a director of his company. He knows how time consuming would be to hire all services he needs to build something and rent all the machinery and cars. He offers the workers to work for him as an employees and he buys a building machinery and cars. In employment contracts he determines salary and working conditions for them. And then he only manages their work and send them to different work places, that he needs them to work on. Now with his employees he does not have to search for worker services on the labor markets.

Once Mr John has employees, he has a firm. And he finds out that he is eliminating a lot of transaction costs to him as an entrepreneur. (Holman, 2002)

3.3.2 The horizontal growth of the firm

An interesting phenomenon is connected with the appearance of the firms on the market. It is called the horizontal growth of the firm. This phenomenon is best explained on the example. Nearby a metro station, there are 5 fast food restaurants with similar range of products. These 5 stores have a few things in common. They need to buy food for their restaurants. They need to clean their restaurants. Also they need rent a place for their business. They have to pay their accountant to pay taxes to the government. But one day, an owner of the restaurant comes with idea, to bring together all of the fast foods into one firm. Not to eliminate the competition, but to save the transaction costs. Now there is one company with 5 shareholders - owners of the fast foods. The firm performs now one order of the food, one order of paper bags, napkins and so on. Also they can have lower prices from the suppliers because they buy more goods. The fast food restaurants save a lot of transaction costs. (Holman, 2002)

3.3.3 The vertical growth of the firm

The vertical growth of the firm is another phenomenon that occurs in the firms. It is also connected with the saving of the transaction costs, but in a different way. The best for the explanation will be the example. Mr Joe owns a firm for manufacturing a furniture. At the beginning the firm ordered most of the services from external suppliers. But as time went, Mr Joe found that will be more efficient to pull in some external services into his firm. He bought machines for drilling, so now he does not have to pay drilling company to make holes in his chairs. As he had more machinery he found that he can employ one repairman for the machines. Then it was better to employ electrician, not to hire electrician services from another firm. Because he has more employees, it is better to hire wage accountant. There were more and more orders of Mr. Joe's furniture so he opened a few stores and created marketing department in his firm to promote his products. Because of this growth the firm eliminates some transaction costs and changes former external services into employment relationships. (Holman, 2002)

3.3.4 Management and control of the firm

Management of the employees in the company is necessary part of doing business. Every employee has a working contract that specifies his job, but his work must be managed and controlled after some time. Employee can get additional tasks to his job specified in his contract. If an entrepreneur manages his employees directly, they cannot affect firm operations. Then it is not acceptable for the employees to participate on the risk. The entrepreneur must bear the risk only by himself. It is true that if the firm bankrupt, the employee will have to find a new job, but the entrepreneur bears the biggest risk. And he bears the risk of securing his employees. Because of the risk, the working contracts are conceived in that way employees has fixed wages, but the entrepreneur is the receiver of the residual money (the difference between income and costs). It may as profit as loss. This way the entrepreneur is becoming the main bearer of the risk in the firm. On the other way, the employees are not that interested in the profit of the company. They could perform poor quality job or try to avoid their job. Therefore the employer has to control his employees. The management and control (characteristical signs of the firm) are an integral parts of working contracts. (Holman, 2002)

3.3.5 Management costs of the firm

When entrepreneur was working only by himself he had a lot of transaction costs but no management costs. There was no one to manage. But with founding a firm, there comes the elimination of the transaction costs but the creation of the management costs. The entrepreneur has to manage his employees to perform a good working results. With vertical growth of the firm comes more and more employees. The entrepreneur has no time to manage all of the employees. He hire some managers to manage these employees for him and he manages and controls this managers, but he has of course created management costs of the firm. These managers have working contracts and they have higher salary than normal employees of the firm. They can have larger offices, some benefits, cars, computers etc. These are visible costs of the management. But there can also invisible costs of the management. And they can be much higher than the visible. It regards inefficiency,

resulting from information distortion. Sometimes the top management of the company or the director can receive distorted or incomplete information from their employees.

Because of this process, it leads to incorrect allocation of the resources in the firm. Every top manager can effectively manage only limited number of employees. Large firms must have more managing levels - top managers, middle class managers, lower managers and employees. Of course the problem of information distortion is here too, which causes troubles and loss.

Why does not firm expands to infinity? When firm expands, it is eliminating the transaction costs but it is also creating the management costs, including inefficiency. The entrepreneur can expand his firm if he is eliminating his transaction costs, but until the management costs exceeds the transaction costs. Optimal cost balance is reached when the transaction costs are balanced with the management costs. In case of marginal analysis : transaction limit costs are equal to management limit costs.

The firm can only grow until its optimal size, then the growth stops. The optimal size is described above.

How the entrepreneur finds that his firm has optimal size? Here it is used intuition and method of trial and error. An entrepreneur compares costs of a few options in his firm, and has to decide for external services or to use his employees. In order to reduce the costs he experiments, reorganizes and tries to reach cost optimum. (Holman, 2002)

3.3.6 Insourcing and outsourcing

Nowadays modern terms are insourcing and outsourcing. It does not mean anything different than retraction of the services into the firm (in order to reduce transaction costs) or on the other way, to earmarking of the services outside the firm (in order to reduce management costs). It can happen that firm has a lot of services done in it and it is not efficient. So the firm outsources its services to reach the optimal size.

Technical progress can have a big influence on the optimal size of the firm that it affects either transaction costs or management costs. For example inventing the computer and telephone reduced both, the transaction costs and management costs. Different invention is an internet. It reduced transaction costs in communication but increase management cost at the same time. (Holman, 2002)

3.3.7 Target of the firm

The target of the firm is to maximize the profit. Profit is the difference between cost and income. But what it means to maximize it? Every entrepreneur wants the longterm profit maximization. In order to reach this goal, he has to make decisions. Buy machinery this year or next year with the help of the bank loan? What is better for profit maximization?

On the profit maximization must be looked as an maximization of the flow of the future profit. Source of the profit for an entrepreneur is his firm. But the entrepreneur can have many firms in his business life. Maybe one day they he will get an idea of more profitable firm than he has now. So the target of the entrepreneur is maximal market value of the firm. It is another way how to express the profit maximization, because market value of the firm is measured with the flow of the expected profits in the future. (Holman, 2002)

How to calculate market value of the firm:

$$P = \frac{R_{E1}}{(1+r)} + \frac{R_{E2}}{(1+r)^2} + \dots + \frac{R_{En}}{(1+r)^n}$$

P = market value of the firm

R_E = expected profits of the firm in every future year n in the future

r = interest rate

With given interest rate the entrepreneur maximizes the market value of his firm, when he maximizes the flow of its future profits.

But it is very hard to estimate what decisions will maximize the flow of the future profits of the firm. The more it is in the future, the harder it is to estimate. Because of that, the profit maximization can not be understood as algorithym of planned steps. Doing business involves large doses of risk, intuition and experimentation with uncertain results. Human behavior in case of consumer or producer is rational only in that way, that human is using available resources and information and tries to learn from his mistakes.

Problem can occur when the director of the firm hires a manager that represents him in some activities of leading the firm. It is also described as the agency problem. When manager has fixed wage he is not interested in the profit maximization but only in his goals. So it is better to involve him into profit maximization to make him better manager. (Holman, 2002)

3.4. Marketing

Express the nature of marketing with one sentence is a very hard task, but it can be said that the nature of marketing is the effort to find the balance between customer interest and producer interest at the same time. The key point of every marketing reasoning and then marketing decision should be the customer.

Marketing can be perceived as a set of activities that are aiming to anticipate, detect, stimulate and satisfy customer needs and wants. Another important target in the conditions of the market economy is realization of reasonable profit. Successful business requires ability to adapt complicated and variable conditions of the market and to operate with the dynamical relationship between offer and demand. And to this goal are used marketing methods, principles and tools.

The nature of marketing express a lot of definitions, but they have a few same elements. These elements of marketing are :

- it is about complex of activities, complex process, not only fragments of separated activities,
- it is based on understanding problems of customers and finds solutions of this problems,
- marketing as a process starts with estimation of the customer needs formation of the product that could satisfy those needs and ends with delivering this product to the customer and finally fully satisfying those needs,
- satisfaction of the customer is projected into sales with profit, which is an attribute of successful business,
- marketing is connected with economical shift. (Boučková, 2003)

Marketing can be therefore defined as a process, in which individuals and groups are gaining through production and shift of the products and values what they demand. Content of this process is cognition, foreseeing, stimulating and in the final step satisfying needs of the customer with achieving goals of the organization at the same time. (Boučková, 2003)

3.4.1 Marketing management

Marketing management is defined as a science and art to choose target markets and build with them profitable relationships. That means to gain and to keep customers through communicating higher value for the customer. Marketing management involves management of the demand and management of the relationship with the customers.

(Kotler and Armstrong, 2005)

3.4.1.1 Demand management

Sometimes marketing management is explained as ability to find enough customers for present production of the organization, but this idea is very limited and only partial. Organization have some idea about ideal level of demand for their products. But in every moment may occur zero demand, irregular demand or excessively demand and marketing management has to find the way how to cope with these different conditions. Demand management deals with finding, increasing but even with decreasing or changing the demand. In case of excessive demand is used special type of demand management - the demarketing, which tries to temporarily or permanently decrease the demand. The goal is not to completely stop the demand but only decrease it or move it. Marketing management tries to affect the level of the demand, timing of the demand a type of the demand to help organization to fulfill its goals. For simplification can be said that marketing management is demand management. (Kotler and Armstrong, 2005)

3.4.2 The philosophy of marketing management

Marketing management is explained as activities leading to prepared shift on the target market. What philosophy should manage the marketing efforts? Which parts are more important? Organization targets, customer targets or society targets? Frequently these targets are in conflict. The philosophy of the marketing management always influences its approach to the buyers. There are 5 concepts, which are used by the firms for their marketing activities : production concept, product concept, selling concept, marketing concept and social marketing concept. (Kotler and Armstrong, 2005)

3.4.2.1 Production concept

The production concept is based on consumers choice. They are in favor in products that are cheap and widely available. Management should deal with more effective production and distribution. This concept is one of the oldest concepts in the philosophy of marketing management.

The production concept is useful in 2 types of situations. First one is, when demand for the product exceeds offer. Management should find a way how to increase the production. Second situation occurs, when production costs are too high and it is necessary to improve productivity. The companies are risking when they are focusing only on their working effectivity not on the product demand. Sometimes when the product is good, but very cheap, the consumer do not trust it and the will not buy it.

(Kotler and Armstrong, 2005)

3.4.2.2 Product concept

Another important concept is product concept. That is based on decision, that consumers will buy products with the highest quality, power and modern features. So the company should focus on constant improvement of their products. There are manufactures that believe if the improve simple things as a pen or book, their products will be very popular. But reality is very different. Buyer maybe want to write faster but they do not need better pen. Maybe they are searching for something completely different, portable computer for example. The product oriented concept can lead to obsession with technological improvement, because the managers believe, that technology is key to success. (Boučková, 2003)

3.4.2.3 Selling concept

Many firms are using selling concept, because they believe that consumers will buy products that widely promoted with advertising campaigns. This concept is often used with unpopular goods. The goods what customers would not buy normally. It can be for example modern window, that must be promoted. This branches have to find potential customers a convinced them about benefits of the product. The selling concept is widely used in nonprofitable area. For example political parties will promote their candidate before important elections. The candidate will be promoted as the kindest and the smartest man alive. He will be seen everywhere, in the television, on billboards, in public. The bad

attributes of the candidate are often hidden in front of the voters, because the target is to sell the product not to satisfy the customer.

Most of the companies are using selling concept when they have a surplus of capacities. The target is to sell what they produce, not what the market and customers want. This marketing concept is very risky. It is focused on short term selling transactions not on the long term more profitable relationships with the customers. It is assumed that the customers, that were convinced to buy it, will like this product. But this is wrong assumption because when the customer will not like this product, they will not buy another products from this producer. And this dissatisfied customer can tell his friends about wrong decision and share this information and it is likely to happen that people will not buy some products any more. (Kotler and Armstrong, 2005)

3.4.2.4. Marketing concept

Marketing concept is based on the assumption, that a firm can achieve set goals, if they can fully understand target markets needs and wants and to provide more satisfaction than the competition. The marketing concept can be imagined as a path that must lead through some points. The start is the market. Then the company must try to understand the needs and wants of the customer. Next point is the integrated marketing, that is well targeted on the potential customer, and it is likely he will buy this product. And the final point is the profit thanks to satisfaction of the customer. The company sold its product and customer is satisfied because he has the product that he wants or needs.

There is often exchanged the selling and the marketing concept. But the selling concept uses the perspective from inside-out. That means that the producer has already finished products and he needs to sell them. But the marketing concept is using perspective outside-in. That means the company analyzes the market and the customers needs and wants, then it manufactures a product. (Kotler and Armstrong, 2005)

3.4.2.5 Social marketing concept

The social marketing concept claims that a company should satisfy needs, wants and interests of the target markets. The required satisfaction should deliver better than the competition, in that way, to preserve satisfaction of the customer and whole society. The social marketing concept is the youngest from the five concepts of marketing.

Social marketing questions if the pure marketing conception in the age of ecological problems, global economical problems and social problems is the right tool to use. This concept asks if the firm, that finds, executes and satisfy certain wants, is really doing the best for their customers from the long term view. According to the social marketing concept, the pure marketing conception overlooks possible conflicts between short term wants of the customer and long term satisfaction. This concept wants that the marketing specialists, when creating marketing politics, to balance 3 main areas of marketing : customers and their satisfied wants, firm and its profits and society with longterm prosperity.

Nice example for this concept of marketing is a fast food restaurant. It delivers delicious food for reasonable price. But some groups of customers and ecological organizations shows worries. The food is delicious but on the other hand can be very unhealthy for the customer. Very often the food is packed into package that can be used only once. That is very nonecological.

At first many firms were established to make profit. Later they started to realize that the profit is also as important as the customer satisfaction and the society prosperity. Nowadays many firms starts to thin how their marketing decisions will affect society as a whole. Because the society expects firms to follow basic ethical and ecological norms and principles. (Kotler and Armstrong, 2005)

3.4.3 Strategic planning

Strategic planning has a few folders that are needed for analysing firms: mission of the firm, strategic targets, strategic audit, SWOT analysis. All of them comes out from the marketing plans while providing material for them. (Kotler and Armstrong, 2005)

3.4.3.1 Mission of the firm

The mission of the firm determines the purpose of the firm. When the firm is founded, the mission is often in the mind of the founder. When the firm grows and starts to dedicate to the new products and services, mission starts to disappear. It can be clear, but managers began to forget it.

Clear expression of the mission of the firm works as an invisible hand that regulates the workers of the firm, because every worker want to and tries to fulfill that

mission. The expression of the mission should come from the market where the firm operates.

What is my business?

Very good idea is to ask this question, when defining the firm. Every firm and its employees needs to know what do they do. Some companies are limited and produce only cars for example and its employees know it. Some financial group has a wide range of activities from banking to realties for example. This defining of business is very important when analyzing the firm.

Who are my customers?

Definition of customers is very important to fulfill the firms mission and to reach the profit. Firms must know for who they make their products and services and they can promote this products and services to the customers.

Why are we here?

That is complicated question but every firm should know the profit. Is the firm here only to make the profit? Is the firm here to satisfy the customers? Or the organization can be here for the longterm welfare of society.

What firm are we?

This question is the guide for building strategy and the structure of the firms and organizations. On the one side it can be firms that will have low costs, and want to be different than the competition. These firms are simple and effective organizations but they are anxiously watching their costs. On the other side can be firms that trying to reach higher profits with the technological improvement and distinctions from the others. Also there can be very specialized companies focusing on the small part of the market. And they are delivering the beste dervices on this small piece of the market. Very often these comapanies are very successfull, because they know their customers and know what to offer to them. Some firms can stay undefined, and they are somehow on the half of the way, somewhere in the middle. The mission should not be very narrow but also not very wide.

The mission should be at first realistic, concrete, based on qualities and motivating at the same time. (Kotler and Armstrong, 2005)

3.4.3.2 Strategic audit

Strategic audit deals with the collecting of the information. It is an intelligence activity leading to concrete targets and strategy of doing business.

„Knowledge is power“ said in the 16th century by the philosopher Francis Bacon. And in doing business it is real statement. The leader that do not want information is a bad leader and cannot win.

Audit is divided into external and internal audit. External audit of the marketing environment examines macroenvironment and the environment in which the firm fulfils its tasks. Internal audit examines every aspect of the firm. It examines primary activities, which defines the flow of the products and services of the company: entrance logistics, traffic, exiting logistics, sale, marketing and additional services. It is also looking on the supporting activities on which the primary activities depends. It can be: supply, technology improvement, management of human resources and infrastructure of the company. They are found beyond the boundaries of traditional marketing activities, but marketing strategy depends also on them. (Kotler and Armstrong, 2005)

3.4.3.2.1 Financial statements

The study of the financial statements is a basic method for understanding the condition of the firm and understanding of its development. The main types of the financial statements are balance sheet and income statement. The balance sheet involves the the actives, pasives and the net worth of the firm in given time. Greater importance has the income statement, also called profit and loss statement. It captures the sales revenues, costs of sold goods and other costs for given time preiod. Comparing income statements from different periods it is possible to reveal pozitivive or negative trends and make important descisions according to that finding.

The income statement contains many intems : gross revenues, net sales, costs of sold goods, net costs of sold goods, final state, total cost of sold goods, gross margin, othe costs, selling costs, administrative costs, overheads, discountss, total other costs and profit. (Kotler and Armstrong, 2005)

3.4.3.3 SWOT analysis

SWOT analysis shows on the findings of the strategic audit the strengths, weaknesses, opportunities and threats. Audit offers a lot of data of various importance and reliability. SWOT analysis processes this data and highlights key elements consequent from internal and external audit. Simplified, it is summary from the internal and external audits sorted according to different significance. The strengths and the weaknesses are the part of the analysed firm. On the other hand the opportunities and the threats come from the outside environment of the firm. (Kotler and Armstrong, 2005)

Strengths

Every strength is a success of a firm as a whole. There can be many strengths in the firm, it depends on type and size of the organization. Strength can be loyal and hardworking employees, modern technology, good geographic position of the headquarters of the firm. It can be unique product or some special service than it unique on the market. Biggest strengths are the experiences on the working field.

Weaknesses

The opposite of the strengths are the weaknesses. This can be things that are bad for the business and for the firm. It can be for example misunderstood marketing, bad advertising campaign with no effect, poor quality of resources and products, unsatisfactory control of the firm, poor communication

Opportunities

The opportunities bring benefits for the company. If the firm will use them in a good way, it can gain competition advantage, more customers, higher profit and many other things. Mainly they come from the outside of the firm. It can be new relationships with business partners, new markets, new opportunities for investment.

Threats

The threat can be a new firm on the market that creates competition and it will endanger the stability of the firm on the market. It can be unstable political situation where the firm is located or maybe natural disasters.

The analysis of strengths and weaknesses is analysis of a present condition of the firm, meanwhile the analysis of potential opportunities and strengths is analysis of possible future condition of the firm. (Newton and Bristol, 2013)

3.5. Systems of financial ratios

It is a test system consisting of the ratios. The main objective of system of ratios is to get from the analysis of selected financial ratios single number that explains the financial situation of the company. The disadvantage of systems ratios is because of the numerical evaluation of the company, it can not determine the cause of the financial situation, and therefore to find the cause needs be made detailed financial analysis.

(Higgins, 1997)

3.5.1 Kralick Quick test

Kralick Quick test or a rapid test is comprised of a system of financial ratios. This is a sticking test that uses financial statements provides various financial ratios and according to their values are assigned to each indicator points. These points evaluates the company from different perspectives, namely in terms of debt levels, the firm's ability to meet its obligations (ability to repay debts) and the effectiveness of the economy (profitability, value creation). It is appropriate to characterize each indicator just one of four parts of the financial analysis. Those parts are financial, liquidity, and yield profitable part. (Růčková, 2008)

The selected indicators are:

- the rate of self-financing
- time of debt repayment
- return on assets
- cash flow in revenues

3.5.1.1 Rate of self-financing

It is one of the most important ratios, which assesses the stability of the company. Its value is determined by the ratio of equity to total assets of the company. Multiplying by one hundred yields a percentage value. Indicator tells how much the assets are financed with equity. This value is primarily interested for investors and providers of long-term loans. The value of the coefficient of self-financing should, depending on the area and diameter of the business, move by Golden funding rules around 0.5, ie. 50%. The ratio between debt and equity, depending on the costs which are related to the acquisition of

resources - for foreign capital to pay interest, they are the price of foreign capital. Interest is higher, the longer the period for which the company acquired the source. (Růčková, 2008)

$$\text{Coefficient of self financing} = \frac{\text{equity}}{\text{total assets}} \times 100[\%]$$

3.5.1.2 Time of debt repayment

Indicator of the repayment of the debt indicates how many years the company was able at existing performance pay its short-term and long-term liabilities. For the calculation of this indicator is measured as operating cash flow, ie the real cash flows from operating activities, which may pay all obligations. The indicator value of the debt repayment period is required as low as possible, and this can be understood in the evaluation of the financial health of the company as a positive influence. The period of repayment of the debt for the financially healthy companies ranges from 3 to 8 years depending on the subject of business. (Růčková, 2008)

$$\text{Time of debt repayment} = \frac{\text{current fin. assets}}{\text{operating cash flow}}$$

3.5.1.3 Return on Assets

Profitability ratios measure the profit from doing business with the amount of resources that have been used to achieve it. The return on assets (ROA) is the share of profit after tax

(EAT) and total assets invested in the business regardless of the sources of financing (own, foreign, short-term or long-term sources). This indicator also expresses the company's ability to effectively use its assets to create value, this ability is also called power production company. This indicator would be for the financially healthy enterprise above 10%, but it is also necessary to value ROA compare with industry averages. (Růčková, 2008)

$$\text{ROA} = \frac{\text{EAT}}{\text{total assets}} \times 100[\%]$$

3.5.1.4 Cash-flow in revenues

Indicator of cash flow as a percentage of corporate performance is determined proportion of revenues to the cash flow. In Kralick quick test calculation is usef all the sales business (sales of goods, sales of own products and services and sales of long-term fixed assets) and cash flow get by adding depreciation to net profit. For financially healthy company is characterized by the highest value of this indicator. (Růčková, 2008)

$$\text{Cash flow in revenues} = \frac{\text{cash flow}}{\text{total revenues}} \times 100[\%]$$

3.6 Valuation ratios

Because the systems of financial ratios is only warning of an impending financial problems, there will be a more accurate to assess additional calculations in detail focusing on liquidity and profitability. It is better to gain realistic info about financial health of the firm. (Higgins, 1997)

3.6.1 Liquidity

Liquidity is the ability of a firm to convert their property to the media to a possible cover its liabilities. It also needs to distinguish the concept of solvency, ie the ability of the company to meet all its commitments to the specified date, the required amount, form and pre-named place. Liquidity indicators are divided into three types according to the liquidity of current assets. (Vosoba, 1998)

3.6.1.1 Current liquidity

Current liquidity ratio indicates how many times the enterprise is able to satisfy the creditor, if at that moment changed all of its current assets into cash. Recommended values for this indicator are from 1.5 to 2.5. (Grunwald, 2001)

$$\text{Common liquidity} = \frac{\text{current assets}}{\text{short term liabilities} + \text{short term loans}}$$

3.6.1.2 Quick liquidity

Quick liquidity of the second stage excludes from the current assets inventories, because their sales takes time and effort when sales accelerate to offer discounts, thereby undertaking on that undergoes. This indicator should not fall below 1, lower than 1 indicates too much inventory in the company's balance sheet, but their quick liquidation is a loss, in the banking sector values are below 1 seen as a sign of primary insolvency. (Grunwald, 2001)

$$\text{Quick liquidity} = \frac{\text{current assets} - \text{inventories}}{\text{short term liabilities} + \text{short term loans}}$$

3.5.1.3 Cash liquidity

Liquidity of the first instance, therefore, cash liquidity, measures by the most liquid assets of the company with its short-term liabilities. Recommended values for this indicator are from 0.2 to 0.5. Higher values than 0.5 are considered poor management of capital, company inefficiently managed to free funds. (Grunwald, 2001)

$$\text{Quick liquidity} = \frac{\text{current fin. assets}}{\text{short term liabilities} + \text{short term loans}}$$

3.6.2 Profitability

Profitability ratios measure the reported profit enterprise with the resources that were used to achieve them. They are simple, clear and understandable for the calculation. The recommended values are given information, it must be compared with the branch diameter to be more representative value. (Vosoba, 1998)

3.6.2.1 Return on investment (ROI)

ROI measures the profit before tax and interest expense with all the capital of the company, so it is appropriate to compare differently taxed and indebted company.

Indicates how many cents of operating profit from the venture reached CZK 1 invested. This indicator from 12% to 15% indicates good results, values above 15% are excellent. (Grunwald, 2001)

$$\text{Return on investment} = \frac{\text{EBIT}}{\text{capital}} \times 100[\%]$$

3.6.2.2 Return on assets (ROA)

This indicator shows how efficiently the company uses assets to create value, and this ability is called productive force. ROA measures the profit after tax to total assets of the company. Pointer values above 10% are good. (Grunwald, 2001)

$$\text{Return on assets} = \frac{\text{EAT}}{\text{assets}} \times 100[\%]$$

3.6.2.3 Return on equity (ROE)

Indicator measures profit after tax and determines how many cents of profit after tax attributable to owners invested CZK 1, a benefit for the owners invested CZK 1. This indicator should be at least several percentage points above the interest rate of long-term deposits, especially bonds, so investors were convinced to invest in riskier business than to certain bonds. (Grunwald, 2001)

$$\text{Return on equity} = \frac{\text{EAT}}{\text{equity}} \times 100[\%]$$

3.6.2.4 Return on sales

Return on sales measured by net profit after tax and all sales of the company. Indicates how many cents of profit after tax of the company has revenues of CZK 1, it refers to profit margins. ROS values should be above 6%. (Grunwald, 2001)

$$\text{Return on sales} = \frac{\text{EAT}}{\text{sales}} \times 100[\%]$$

4 Practical part

4.1 Analyzed company : F-mark

The F-mark is marketing company, with 6 employees and 2 owners (directors). This company was founded in 1997 in Prague by two brothers, Tomáš Froněk and Jiří Froněk. It seems that it is small company but with wide range of services : event management, product branding, web development and administration, social media campaigns, marketing campaigns, mobile and web application development, digital and offset printing, banners and stickers printing, car and shop branding, graphical and DTP services.

website : <http://www.f-mark.cz/>

company registration number : CZ 25111175

4.1.1 Brief history of the company

1996: 2 tradesmen started their own business in the garage. It is Tomáš and Jiří Froněk. Their first area of business is selling wine with modified labels. They buy wines from producers from Moravia, then they send it to the factory for sandblasting and finally sell it to consumers. First consumers were small companies that used this wines for gifts. Sandblasting was special technology that „printed,, names or pictures on the bottle or any glass objects.

1997: Tomáš and Jiří founded the F-mark company with first capital of 100 000 CZK. They rented offices in Prague and few rooms in printing house in Prague Uhřetěves, quite far away from their offices. They installed their first sandblasting machine there and hired one operator of this machine.

1999: The founders of F-mark decided to extend their services. Their services extended on selling customized corporate gifts, for example mugs, pens, umbrellas and so on.

2000: F-mark bought doing well on corporate gifts market. The founders need to hire one assistant for working with the orders and organizing meeting with the customers.

2002: F-mark started to cooperate with China market. They ordered goods from China, where it was much cheaper.

2004: F-mark bought a house with offices and printing office. Also they bought new machines for ironing logos, printing T-shirts and billboard printers. F-mark also hired a new employees - driver and another operator of the machines.

2006-8: After the world economical crisis the directors of F-mark realized that the market has changed. The corporate gifts are not that high profitable goods. F-mark changed from making the gifts into advertising the goods and with this is connected the event management.

2007: F-mark started to work with huge clients that distribute alcohol like Brown-forman (Jack Daniels, Martini, Bacardi, Finlandia...)

2010- now : F mark has now 6 employees. It has large but also small clients. The major profits comes from event management (christmas parties, congresses, launching new products). But the printing office is still working, even though it is not that profitable as it was in the past, it is good support for the company business.

4.1.2 Explanation of economical terms on F-mark

In the theoretical part of this thesis was explained why the firms are founded and how they coexist together with markets. It is because of the transaction costs of an entrepreneur.

4.1.2.1 Vertical growth of the F-mark

On the F-mark company can be comprehensibly explained the vertical growth of the firm. Because the F-mark founder wanted to save the transaction costs, they started to pull in some external services into the company. The history was above written to show the vertical growth of the company in years.

The first big milestone for the company was purchase of the machine for sandblasting in 1997. Now the founders do not have to order services of specialized sandblasting company, they can sandblast the bottles by themselves. And so they can take care of the new customers and despatch the orders, they hire an operator for this machine and only manage him.

The second biggest milestone for the owners and the company was in the year 2004. The F-mark bought new house for the company that became new headquarters and more machines for broader spectre of products and higher production. F-mark has pulled in even more services so now, it has to only buy resources and can easily produce their

products. Because the machines for production are literally in the house, employees can work almost 24 hours 7 days a week and satisfy the consumers demand for their products. F-mark has also built presentation room for presentations of new products and for meetings with customers. The location of the headquarters is about 10 km from Prague city center so it also helps for the expidition of the orders.

And the last milestone for present was in 2006 after the ececonomical crisis. The demand for corporate gifts decreased a lot and F-mark had to search for different area business otherwise it would bankrupt. Becasuse of good relationships with corporate customers, F-mark started to manage events like congresses, parties, tambuildings, tranings, family days and so on.

4.1.2.1 The market value of F-mark

For the calculation fo the market value is used this formula considering expected profits in the future :

$$P = \frac{R_{E1}}{(1+r)} + \frac{R_{E2}}{(1+r)^2} + \dots + \frac{R_{En}}{(1+r)^n}$$

Data from Income statement :

Profit in 2015 :	5 575 347 CZK
Interest rate :	4,6 %
Expected profit in 2016 :	4 500 000 CZK
Expected profit in 2017 :	5 000 000 CZK

The market value of the firm is 13 811 997,71 CZK. The market value is an important number if the owners want to sell the F-mark company. This data will be required from the future investors or buyers of the company.

4.2 Marketing analysis of F-mark

The marketing analysis on F-mark is using real data from the company, that were gained through interviews with the founders of the company.

4.2.1 The mission of F-mark

„Excellent firms don't believe in excellence - only in constant improvement and constant change.“

Tom Peters

The main purpose of the F-mark company is to provide marketing and advertising services and also services connected with marketing.

What is business of F-mark?

F-mark has a wide range of services connected with marketing. It is event management, product branding, marketing campaigns development and so on. Employees of F-mark know what F-mark does and they accept this mission and are trying to fulfill this mission, if they can.

Who are customers of F-mark?

The customers of this company can be big companies. If look at the history, it were big companies producing alcohol for example Brown forman, that represents a lot of brands like Finlandia, Jack Daniels, Bombay and so on. These big companies are always represented by a group of management people that F-mark works with.

But F-mark can also work with individuals such as taxi drivers that jus need to brand a car or print something.

Why is F-mark here?

The first idea of F-mark was to make profit. But after some time the founders determined mission: to perform affordable marketing for everyone and everytime.

What firm is F-mark?

F-mark is small company with few employees. It was established by 2 brothers, so it has kind of family nature. F-mark is not a firm but almost family. Coworkers know each other very well and help each other. The customers of F-mark feel that and they like to visit the company.

4.2.2 SWOT analysis of F-mark

This SWOT analysis will analyze the F-mark company in details. It will analyze its outside and inside environment and find its strengths, opportunities, weaknesses and threats.

Strengths

The first main strength of the F-mark is its size. It has just 6 employees. Someone could object that's a weakness but according to the founder it is a strength. Employees know each other very well. It is not a working team, it is family. They try to help each other and learn new things from each other. Of course that every employee has its role or function in the organization structure, but for example a graphic designer can learn the director simple graphic tasks, so the director could do them by himself. The family atmosphere is felt everywhere in the F-mark. The customers feel this atmosphere and they like to visit F-mark.

It may seem as an unimportant thing but F-mark has a really good coffee machine and buys good coffee beans from Italy. Everyone who tries coffee in F-mark likes it. Somebody said it is even better than in some cafeteria. The people are happy to return to F-mark and like to chat about working tasks but also private tasks. And for the F-mark is the best thing to know better their customers so they can do the very good marketing they need and they like.

Also mentioned in the history of F-mark, the company owns a house that is located close to the Prague centre. Most of the customers work in Prague centre. It is very beneficial that they do not have to travel long ways in car or public transport. By car or public transport it takes people to get to F-mark's headquarters only 10-15 minutes.

The F-mark has pulled in a lot of services and owns a specialized machinery for manufacturing corporate gifts, banners, stickers and many other products. If it is needed, employees can stay longer at work and finish the work for the customer. In bigger marketing companies it takes longer to perform the same amount of work, because of wrong and complicated organization structure. In F-mark the boss sends the material to the employee and he finishes the task as fast as he can do. The employee is communicating

with the customer so the customer knows who is working on his project and purpose changes in time when it is needed.

Weaknesses

The strength of the F-mark is also its weakness. Due to small size the F-mark has limited capacity of work and it is very hard to hire employees for given amount of work. Sometimes the F-mark has to refuse the working projects because of its capacity.

Opportunities

The opportunities of the F-mark are just a few, but they are some. The company can easily adapt to the new situation. The directors or managers can discover new possibilities on the market and F-mark can add services to its big range of services and products. From the beginning the F-mark was focused on different type of services than now. In the past it was mainly corporate gifts, now the main profits come from event management. Maybe there will appear some chance for a new type of services of product and F-mark will produce it.

Threats

The main threats for F-mark are of course the competitive companies, that can take over F-mark's job and customers. But F-mark cares of its customers and tries to keep them as long as it is possible. The big threat in past was the economical crisis because companies had to lower their marketing budgets especially on the corporate gifts. But the F-mark changed its main product to service - event management, that was not influenced by the crisis that much.

4.3 Financial statements of F-mark

The F-mark company provided following documents for financial analysis : the balance sheet documents and the income statement. These documents will be analyzed for gaining information about the financial condition of the firm from real data from the previous year - 2015.

The original documents are in the appendix of this bachelor thesis.

4.3.1 The balance sheet

Name of account	assets	liabilities and owners equity
buildings	5 558 693,60 CZK	
machinery	1 352 727,69 CZK	
cars	3 941 184,55 CZK	
inventories	113 300,00 CZK	
minor assets	245 480,92 CZK	
land in Prague	1 890 713,60 CZK	
basic assets		102 000,00 CZK
capital funds		237,39 CZK
reserve fund		20 000,00 CZK
undivided profit from prevoius years		7 792 294,38 CZK
undivided profit from 2014		1 703 166,11 CZK
liabilites to owners		1 828 382,74 CZK
liabilities from dividens		340 000,00 CZK
inventories	45 654,00 CZK	
cash CZK	8 555,00 CZK	
cash USD	8 900,46 CZK	
account EUR	111 089,10 CZK	
account USD	9 579,27 CZK	
bank liability		1 503 740,54 CZK
claims	9 336 613,30 CZK	
claims EUR	139 914,80 CZK	
claims 2014	20 568,30 CZK	
deposit	13 100,00 CZK	
deposit electricity	129 649,09 CZK	
deposit heat	122 539,00 CZK	
claims JISL company	2 500 000,00 CZK	
suppliers		748 823,00 CZK
suppliers EUR		-22 795,63 CZK
suppliers USD		-88 020,00 CZK
deposit on consumption		302 500,00 CZK
rent from company		17 000,00 CZK
paid tax		-52 500,00 CZK
Citi bank eouro card		51 454,53 CZK
employees		188 820,00 CZK

OSSZ		32 446,00 CZK
ZP		13 906,00 CZK
deposit DPPO 2015		53 300,00 CZK
tax from wages		12 343,00 CZK
tax from dividends		60 000,00 CZK
tax from obligation		271 308,00 CZK
autoleasing		68 113,00 CZK
surmise accounts		28 800,00 CZK
TOTALS	25 601 562,28 CZK	14 923 019,22 CZK
PROFIT		3 423 423,23 CZK

SUM **25 601 562,68 CZK** **18 346 442,45 CZK**

Table nr. 1: The balance sheet to date 30.6. 2015

Analyzing this balanced sheet gives a lot of valuable information about financial situation of the company. There is complete overview of companys assets and liabilities, that are very important for owner to calculate total assets and total liabilities.

4.3.2 Profit / Loss evaluation

Name of account	costs
consumption of fuel	251 949,51 CZK
office needs	134 910,24 CZK
minortiy assets	8 209,93 CZK
consumption of elcetricity,heat, water	-3 975,40 CZK
services - internetm phones	115 922,46 CZK
law, accountant services	148 685,00 CZK
repairs	213 677,21 CZK
travelling	26 023,85 CZK
representation	7 146,50 CZK
rent	18 000,00 CZK
other services	54 241,15 CZK
software	3 605,00 CZK
wages	783 791,00 CZK
health+social insurance	186 055,00 CZK
car insurance	3 455,00 CZK
multisport	18 960,00 CZK
pension insurance	17 500,00 CZK

tax from buuldings	9 892,00 CZK
traffic tax	24 175,00 CZK
fines	1 886,70 CZK
building insurance	111 859,00 CZK
rent	101 433,06 CZK
hal.r.	23,93 CZK
bank charge	39 194,11 CZK
exchange differnces	4 299,23 CZK
bank inerest	-22,07 CZK
interest	-3,06 CZK

TOTAL	2 151 923,23 CZK
PROFIT	3 423,23 CZK
SUM	5 575 346,46 CZK

Name of account	profit
costs on material	-1 976 057,57 CZK
change in inventories	-25 476,00 CZK
costs on services	-7 142 379,43 CZK
revenues for manufacturing	4 330 627,28 CZK
revenues for services	10 378 601,58 CZK
additional revenues	10 030,60 CZK

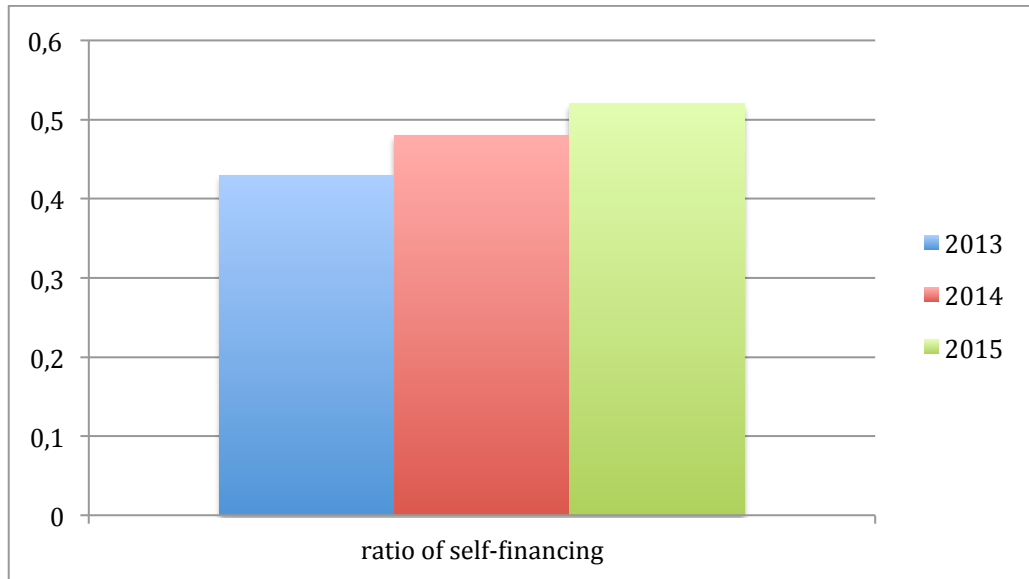
TOTAL	5 575 346,46 CZK
SUM	5 575 346,46 CZK

Table nr. 2 The income statement to date 30.6. 2015

This income statement shows in detail the firms costs and profits. That helps the owners of the F-mark company the find the main costs and maximize the profit. According to this document are the costs of the services, costs of the material and wages for employees. If the owners want to save money they can focus on these costs and analyze them more and save some unnecessary parts from them.

4.4 Financial ratios of F-mark

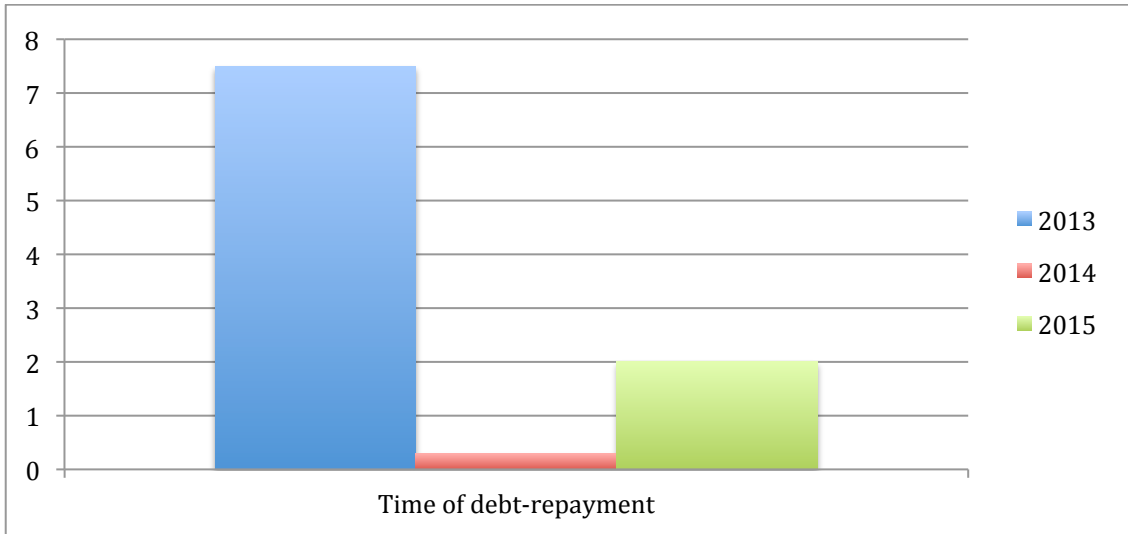
4.4.1 Ratio of self financing



Graph nr.1: Ratio of self-financing

According to the golden rule the value of the self-financing ratio should be around 0,5. In the last measured year 2015 this ratio is above this value. The value is rising in the analyzed period, that is good for the financial condition of the F-mark company. The company tries to have at least debts as possible.

4.4.1 Time of debt repayment



Graph nr.2: Time of debt repayment

The value of the time of debt repayment (in years) fluctuates through the years. It can be said the the worst measured year was the 2013, because the cash flow in this year was very low. On the other side, the next year 2014 was economically very strong year, because the F-mark company sold many products and the cash flow level was on its top.

4.4.1 Return on assets



Graph nr.3: Return on assets

The Return on assets fullfil therecommended value over 10% in year 2014 which was economically very strong year. But also year 2015 was succesfull. The low number in year 2013 is a result of bad management with assets and lower profits from business.

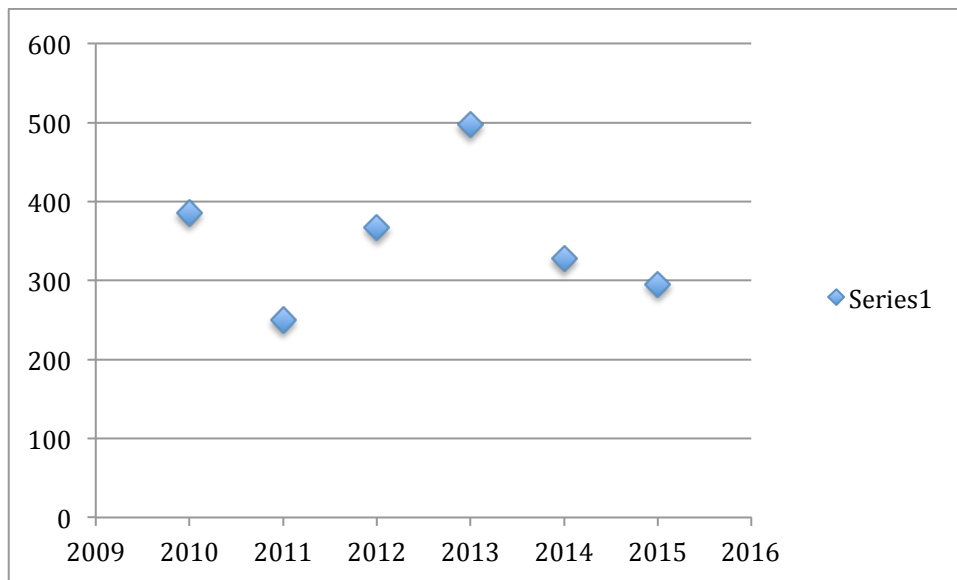
4.5 Valuation ratios

liquidity	2013	2014	2015	recommended values
current liquidity	0,95	1,85	1,4	1,5-2,5
quick liquidity	0,63	0,86	0,72	1
cash liquidity	0,01	0,17	0,1	0,2-0,5

Table nr. 3: Valuation ratios table

The pointer of liquidity have optimal values only in year 2014, which was a economically good and sucesfull year. Lower values of liquidity for the company more profitable, because do not owns funds in a bank account or in hand. However, the firm may have a problem with solvency.

4.5 Correlation analysis



Graph nr.3: Correlation analysis graph - scatterplot

year	issued invoices
2010	385
2011	250
2012	367
2013	497

2014	328
2015	295
Correlation	-0,053764773

Table nr.3: Correlation analysis table

The correlation analysis between the years and the issued invoices in the F-mark company shows the value of the correlation between these 2 variables. The value is - 0,053764773 and that indicates very low correlation. That means that the relationship between years and issued invoices in these years is weak or even no-exists.

5 Results

5.1 Conclusion

The example of the F-mark company shows how the economical theory works in real business. The phenomenon of vertical growth of the company is very common and happens often until the optimal size of the company is reached. F-mark is the real proof.

The performed SWOT analysis results shows the main strengths, opportunities, weaknesses and threats of the company. The F-mark company has good position on the marketing market. There are some insufficiencies. But they the benefits prevail.

In the analyzed balance sheet and income statement are no obvious unnecessary items. From an interview with one of the directors of the company, who is also the financial chief arised that the company is trying to save as much money as possible. They are producing products in China where it is cheaper to minimize the material costs. They are buying the cheaper but quality services for their business.

The performed analysis of financial ratios shows economically successful years and economically weak years. This fluctuation is caused by unstable demand for marketing products and services. The valuation ratios show the economical stability or instability of the company during the examined years. The analysis showed interesting results. The company had liquidity ratios around the recommended values only in year 2014. That warns management of the company how to use the financial assets of the company, to improve this and to prevent bankruptcy.

The correlation analysis between issued invoices and years they were invoiced, showed value close to 0. That means very weak relationship or even no relationship. Comparing the previous analysis of financial ratios and valuation ratios, with the correlation analysis, shows that the ratios are not depend on the number of issued invoices during the examined years.

7 References

1. GOLDBERG, Kalman. *An introduction to the market system*. Armonk, N.Y.: M.E. Sharpe, 2000. ISBN 0765605074
2. KOTLER, P. and ARMSTRONG, G. (2005). *Principles of marketing*. Upper Saddle River, N.J.: Pearson Prentice Hall.
3. HOLMAN, Robert. *Mikroekonomie, středně pokročilý kurz, 2. aktualizované vydání*. Praha: C. H. Beck, 2002. ISBN 978-80-7179-862-0
4. COASE, Ronald (1937). "The Nature of the Firm". *Economica* (Blackwell Publishing) 4
5. BOUČKOVÁ, J. (2003). *Marketing*. Praha: C.H. Beck. ISBN 80-7179-577-1
6. NEWTON, Paul. and BRISTOL, Helen (2013). *SWOT analysis*. ISBN 978-1-62620-951-0
7. HIGGINS, Robert C. *Analýza pro finanční management*. Vyd. 1. Praha: Grada, 1997. ISBN 80-7169-404-5.
8. RŮČKOVÁ, Petra. *Finanční analýza: metody, ukazatele, využití v praxi*. 2., aktualiz. vyd. Praha: Grada, 2008. Finanční řízení. ISBN 978-80-247-2481-2.
9. VOSOBA, Pavel. *Řízení firemních financí: aktivní využívání firemních zdrojů*. Vyd. 1. Praha: Ekopress, 1998. ISBN 80-86119-05-X
10. GRÜNWARD, Rolf. *Analýza finanční důvěryhodnosti podniku: uživatelská příručka s příklady : testujeme finanční důvěryhodnost svého obchodního partnera či klienta podle jeho účetních výkazů*. Vyd. 1. Praha: Ekopress, 2001. ISBN 80-86119-47-5

8 Appendix

List of attachments

Document nr. 1: The balance sheet - internal document

Document nr. 2: The balance sheet - for tax returns office

Document nr. 3: The income statement - internal document

Document nr. 4: The income statement - for tax returns office

Picture nr. 1: The website pages of the F-mark company

Picture nr. 2: The headquarters of the F-mark company

Document nr. 1: The balance sheet - internal document

MAJETKY

R O Z V A H A
Firma: F-MARK s.r.o. 2015
Ke dni 30.06.15

List: 1

Vypis porizen dne 01.08.15 v 13:45 hodin

Na data byl aplikovan nasledujici filtr:
Ucet Ne Rovno ?.????9

UCET	NAZEV UCTU	AKTIVA	PASIVA
0.02110	Stavby	5 558 693.60	---
0.02200	Stroje a zariz.nad 40 tis	1 352 727.69	---
0.02230	Dopravni prostredky	3 941 184.55	---
0.02250	Inventar	113 300.00	---
0.02810	Drobny hmotny majetek do 40tis	245 480.92	---
0.03110	Pozemky Obloukova	1 890 713.60	---
0.41100	Zakladni jmeni	---	102 000.00
0.41300	Ostatni kapitalove fondy	---	237.39
0.42100	Zakonny rezervni fond	---	20 000.00
0.42800	Nerozdeleny zisk min.let	---	7 793 294.38
0.43100	Nerozdeleny zisk 2014	---	1 703 166.11
0.*****		13 102 100.36	9 618 697.88
1.36520	Zavazky ke spolecnikum	---	1 828 382.74
1.36590	Zavazky z dividend	---	340 000.00
1.*****		0.00	1 216 8 382.74
2.13210	Zbozi na sklade	145 654.00	---
2.21110	Kasa CZK	8 555.00	---
2.21120	Kasa USD	8 900.46	---
2.22120	BU CSOB / EUR	111 089.10	---
2.22160	CSOB USD	9 579.27	---
2.23110	UVER CSCB	---	1 503 740.54
2.31110	Pohledavky CZK 2015	9 336 613.30	---
2.31120	Pohledavky EUR	139 914.80	---
2.31190	Pohledavky CZK 2014	20 568.30	---
2.31410	Zalohy cst	13 100.00	---
2.31420	Zaloha - el.en	129 649.09	---
2.31430	Zaloha - teplo	122 539.00	---
2.31510	Pohl JISL	2 500 000.00	---
2.32110	Dodavatele CZK	---	748 823.00
2.32120	Dodavatele EUR	---	-22 795.63
2.32130	Dodavatele USD	---	-88 020.00
2.32400	Zaloha od odber	---	302 500.00
2.32410	Prij.jistina najem ari	---	17 000.00
2.32411	Odvedene DPH ze zaloh	---	-52 500.00
2.32510	Eurocard citi	---	51 454.53
2.33110	Zamestnanci	---	188 820.00
2.33610	OSSZ	---	32 446.00
2.33710	ZP	---	13 906.00
2.34110	Zaloha DPPO 2015	53 300.00	---
2.34210	Dan ze mzdy	---	12 343.00
2.34220	Dan z dividend srazkova	---	60 000.00
2.34330	Dph povinosti	---	271 308.00
2.37910	Autoleasing	---	68 113.16
2.38910	Dohadne ucty pas	---	28 800.00
2.*****		12 499 462.32	3 135 938.60
SOUCTY		25 601 562.68	14 923 019.22
ZISK			3 423 423.23
CELKEM		25 601 562.68	18 346 442.45

Zpracovala firma QUINA s.r.o. programem KOMA plus 2.0

Zpracovala firma QUINA s.r.o. programem KOMA plus 2.0

Document nr. 2: The balance sheet - for tax returns office

Zpracováno v souladu s vyhláškou č. 500/2002
Sb.

ROZVAHA
ke dni **30.6.2015**
ve zjednodušeném rozsahu
v tis. Kč

Obchodní firma nebo jiný
název účetní jednotky

F-MARK s. r. o.

IČ
25111175

Sídlo, bydliště nebo místo
podnikání účetní jednotky
Oblouková 12
Praha 10
100 00

označ a	AKTIVA b	řád c	Běžné účetní období			Min.úč. období
			Brutto 1	Korekce 2	Netto 3	Netto 4
	AKTIVA CELKEM (ř. 02 + 03 + 07 + 12)	1	25 601	-7 255	18 346	19 697
B.	Dlouhodobý majetek (ř. 04 až 06)	2	13 102	-7 255	5 847	5 549
B. I.	Dlouhodobý nehmotný majetek	3	0	0	0	0
B. II.	Dlouhodobý hmotný majetek	4	13 102	-7 255	5 847	5 369
B. III.	Dlouhodobý finanční majetek	5	0	0	0	180
C.	Oběžná aktiva (ř. 08 až 11)	6	12 499	0	12 499	13 968
C. I.	Zásoby	7	46	0	46	71
C. II.	Dlouhodobé pohledávky	8	2 500	0	2 500	3 076
C. III.	Krátkodobé pohledávky	9	9 815	0	9 815	10 416
C. IV.	Krátkodobý finanční majetek	10	138	0	138	405
D. I.	Časové rozlišení	11	0	0	0	180

označ a	PASIVA b	řád c	Běžné účetní období 5	Minulé účetní období 6
	PASIVA CELKEM (ř. 14 + 20 + 25)	12	18 346	19 697
A.	Vlastní kapitál (ř. 15 až 19)	13	13 041	10 019
A. I.	Základní kapitál	14	102	102
A. III.	Rezervní fondy, nedělitelný fond a ostatní fondy ze zisku	15	20	20
A. IV.	Výsledek hospodaření minulých let	16	9 496	7 794
A. V.	Výsledek hospodaření běžného účetního období	17	3 423	2 103
B.	Cizí zdroje (ř. 21 až 24)	18	5 276	9 678
B. II.	Dlouhodobé závazky	19	0	76
B. III.	Krátkodobé závazky	20	3 772	9 452
B. IV.	Bankovní úvěry a výpomoci	21	1 504	150
C. V.	Časové rozlišení	22	29	0

Document nr. 3: The income statement - internal document

V Y S L E D O V K A

Firma: F-MARK s.r.o. 2015

Za období od 01.01.15 do 30.06.15

List: 1

Vypis porizen dne 01.08.15 v 13:36 hodin

UCEP	NAZEV UCTU	NAKLADY	UCEP	NAZEV UCTU	VYNOSY
5.50110	Spotreba materialu phm	251 949.51	4.50110	Naklady akce-material	-1 976 057.57
5.50120	Kancel.potr.drogerie	134 910.24	4.50490	Zmena stanu skladu	-25 476.00
5.50140	Drobny majetek 10-40 tis	32 053.93	4.50***		-2 001 533.57
5.50210	Spotreka elektrina-glyn-voda	-3 975.40	4.51010	Naklady na akce sluzby	-7 142 379.43
5.50***		464 978.28	4.60210	Trzby za sluzby dilna-ost	4 330 627.28
5.51010	Sluzby-internet,mobily,postevne	115 922.46	4.60220	Trzby za sluzby konference	10 378 601.58
5.51020	Pravni, ucetni sluzby	148 665.00	4.60230	Trzby za sluzby - priraska cs	11 030.60
5.51110	Opravy a udrzovani	213 677.21	4.60***		14 719 259.46
5.51110	Cestovne	26 023.85			
5.51110	* repre	7 146.50			
5.51110	Najem pruchod Oblozkova	18 000.00			
5.51010	Ostatni sluzby	54 242.15			
5.51030	Software	3 635.00			
5.51***		587 332.17			
5.52110	Mzdove naklady	783 731.00			
5.52410	Zakonne soc+zdrav.poj	186 055.00			
5.52710	Zakon poj odp kooperativa	3 455.00			
5.52310	* Ost soc nakl multispport	18 950.00			
5.52340	Penzijni poj	17 500.00			
5.52***		1 009 771.00			
5.53020	Dan z nemovitosti 2015	5 892.00			
5.53110	Stinichni dan + dazn.en	24 175.00			
5.53***		30 067.00			
5.54510	* pokuty, perale	1 886.70			
5.54710	Pojisteni aut-nemovitost	111 859.00			
5.54810	Hal.r.	23.93			
5.54***		113 769.63			
6.60220	Parking-najem garaze	-101 433.06			
6.60310	Popl banka	39 194.11			
6.60310	Kursove rozdily	4 299.23			
6.60***		43 493.34			
6.60010	Uroky CSOF	-22.07			
6.60210	Uroky	-3.06			
6.60***		-25.13			
SCUCTY		2 151 423.23			5 575 346.46
ZISK		3 423 423.23			
CELHEM		5 575 146.46			5 575 346.46

Zpracovala firma QUINA s.r.o. programem KOMA plus 2.0

Document nr. 4: The income statement - for tax returns office

Zpracováno v souladu s vyhláškou č.
500/2002 Sb.

VÝKAZ ZISKU A ZTRÁTY ke dni 30.6.2015

ve zjednodušeném rozsahu
(v tis. Kč)

IČ
251 11175

Obchodní firma nebo jiný název účetní
jednotky

F-MARK s. r. o.

Sídlo, bydliště nebo místo podnikání účetní
jednotky

Oblouková 12
Praha 10
130 00

Označení a	PL b	Číslo řádku c	Skutečnost v účetním období	
			sledovaném 1	minulém 2
+	Obchodní marže	1	0	1 273
II.	Výkony	2	14 820	21 000
B.	Výkonová spotřeba	3	10 196	16 988
+	Přidaná hodnota	4	4 624	5 285
C.	Osobní náklady	5	1 010	1 650
D.	Daně a poplatky	6	34	66
E.	Odpisy dlouhodobého nehmotného a hmotného majetku	7	0	1 091
III.	Tržby z prodeje dlouhodobého majetku a materiálu	8	0	314
F.	Zůstatková cena prodaného dlouhodobého majetku a materiálu	9	0	172
IV.	Ostatní provozní výnosy	10	0	0
H.	Ostatní provozní náklady	10	14	29
V.	Převod provozních výnosů	11	0	4
*	Provozní výsledek hospodaření	12	3 466	2 595
VI.	Tržby z prodeje cenných papírů a podílů	13	0	0
J.	Prodané cenné papíry a podíly	14	0	0
M.	Změna stavu rezerv a opravných položek ve finanční oblasti	15	0	-68
N.	Nákladové úroky	16	0	141
XI.	Ostatní finanční výnosy	17	0	9
O.	Ostatní finanční náklady	16	43	394
*	Finanční výsledek hospodaření	17	-43	-458
Q.	Daň z příjmů ze běžnou činností	18	0	133
**	Výsledek hospodaření za běžnou činností	19	3 423	2 103
XIII.	Mimořádné výnosy	20	0	99
*	Mimořádný výsledek hospodaření	21	0	99
***	Výsledek hospodaření za účetní období	21	3 423	2 202
Výsledek hospodaření před zdaněním			22	3 423
				2 236

Právní forma účetní jednotky :	společnost s ručením omezeným
Předmět podnikání nebo jiné činnosti :	reklamní činnost

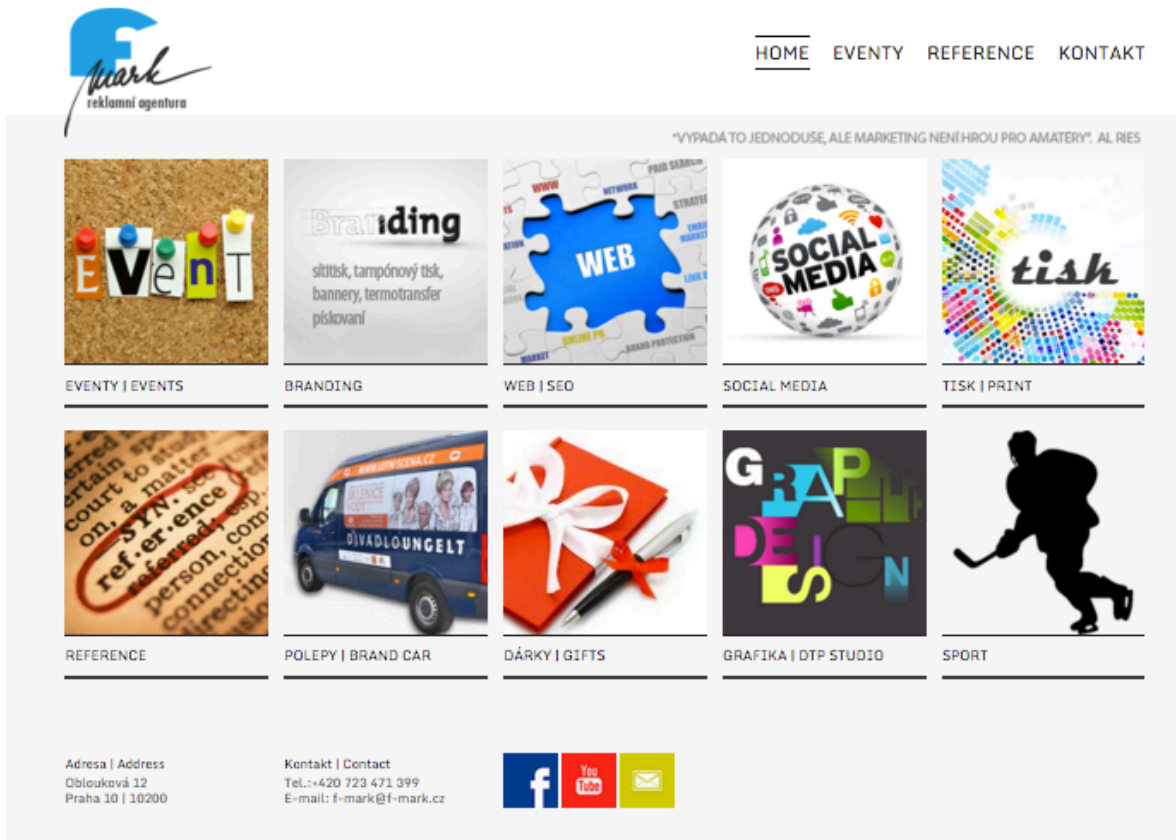
Osoba odpovědná za účetní závěrku
Monika Froňková

Podpis statutárního orgánu nebo fyzické osoby, která je účetní jednotkou:
Tomáš Froněk, jednatel

Datum sestavení: 3. srpna 2015

F-MARK s. r. o.
Oblouková 12, Praha 10
DIČ: CZ2511175

Picture nr. 1: The website pages of the F-mark company



Picture nr. 2: The headquarters of the F-mark company



9 List of tables

Table nr. 1: The balance sheet to date 30.6. 2015	40
Table nr. 2: The income statement to date 30.6. 2015	41
Table nr. 3: Valuation ratios table	44
Table nr. 4: Correlation analysis table	45

10 List of graphs

Graph nr.1: Ratio of self-financing	43
Graph nr.2: Time of debt repayment	43
Graph nr.3: Return on assets	44
Graph nr.4 Correlation analysis graph - scatterplot	45