

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

Financial Analysis of chocolate industry in Kazakhstan.

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Diana Yerezhepova

Economics and Management

Thesis title

Financial Analysis of Chocolate Industry in Kazakhstan

Objectives of thesis

The main goal of this bachelor's thesis is to evaluate the market situation and identify the financial and economic state of the chocolate industry in Kazakhstan. The evaluation will be based on the economic analysis of the "Rakhat" company using the selected economic indicators. Depending on the results of the financial analysis, the further suitable solution(s) for the development of "Rakhat" company and its products will be provided.

Methodology

The methodological part studies the theoretical foundations in accordance with the targets provided earlier. Based on a study in literature and other sources, an overview of financial analysis and its methods has been compiled, which will be applied in the practical part of the thesis. The practical part includes the financial analysis of a single chocolate manufacturer in Kazakhstan. In conclusion, on the basis of financial analysis methods, measures will be proposed to improve the general quality of products, increase the diversification of the market as well as to improve the current economic situation.

The proposed extent of the thesis

30 –40 stran

Keywords

Financial analysis, liquidity, profitability, ratio indexes, company, chocolate industry, Rakhat

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Declaration

I declare that I have worked on my bachelor thesis titled "Financial Analysis of chocolate industry in Kazakhstan" 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 19.03.2020

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Financial Analysis of chocolate industry in Kazakhstan

Abstract

This thesis discusses different theoretical models of assessment of the financial stability of the enterprise, apply this models on the real example of the Rakhat Joint-stock company - one of the largest manufacturers of confectionery products in Kazakhstan in order to asses the financial health of the company. The author studies the whole chocolate market industry in order to reach the level of the companies' compatibility on the market and provide the possible prospects of development, taking into account the forecast of prospects of development of market.

Keywords: financial analysis, liquidity, profitability, ratio indexes, company, chocolate industry, Kazakhstan, Rakhat

Finanční analýza čokoládového průmyslu v Kazachstánu

Abstrakt

Tato práce pojednává o různých teoretických modelech hodnocení finanční stability podniku, aplikuje tyto modely na skutečný příklad akciové společnosti Rakhat - jednoho z největších výrobců cukrářských výrobků v Kazachstánu za účelem posouzení finančního zdraví podniku společnosti. Autor studuje celé odvětví čokoládového trhu, aby dosáhl úrovně kompatibility společností na trhu a poskytl možné vyhlídky na vývoj, s přihlédnutím k prognóze vyhlídek na rozvoj trhu.

Klíčová slova: finanční analýza, likvidita, ziskovost, poměrové indexy, společnost, čokoládový průmysl, Kazachstán, Rakhat

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1 Introduction

Financial analysis is part of economic analysis and is a way of assessing and forecasting the financial condition of an object based on its financial statements. In the financial management and audit system financial analysis is one of the most essential elements that is used to make the financial decisions.

In modern business conditions, when increased attention is paid to the requirements of international standards, it is very important to use a clear methodology of financial analysis that meets the conditions of a market economy. Such a technique is needed to make an informed choice of a business partner, to determine the degree of financial stability of an enterprise, to assess business activity and the effectiveness of entrepreneurial activity.

The survival and development of the enterprise in modern conditions largely depends on the ability of a management to assess the financial condition of both enterprise and the potential competitors. Financial condition is the most important characteristic of the economic activity of an enterprise. It determines competitiveness, potential in business cooperation, assesses the degree to which the economic interests of the enterprise and its partners are guaranteed in financial and industrial terms.

Taking into consideration all mentioned above the importance of assessing the financial condition of the enterprise is seemed clearly. In general, the financial analysis of the enterprise allows:

- 1) to assess the overall financial situation of the enterprise and the influence of factors on the degree of change;
- 2) to study the correspondence between means and sources, the rationality of their distribution and efficiency of use;
- 3) to comply with financial, accounting and credit discipline; 4) to determine the solvency and financial stability of the enterprise; 5) to predict a longterm financial stability.

The main goal of financial analysis is to obtain a small number of key parameters that give an objective and accurate picture of the financial condition of an enterprise, its profits and losses, changes in the structure of assets and liabilities, in settlements with debtors and creditors.

2 Objectives and Methodology

2.1 Objectives

The aim of the work is to study methods for assessing the financial condition of an organization as a tool for making managerial decisions. To achieve this goal, the following tasks were set and solved:

1. to study the theoretical basis for assessing the financial condition of the enterprise;
2. to assess the financial condition of the enterprise;
3. to define and formulate measures to improve the financial condition.

The results of the assessment of the financial condition of the enterprise are extremely important. They create the basis for making high-quality decisions, both to the owners of the enterprise, and to creditors, and investors. The owners seek to increase the return on capital and ensure the stability of the position of the company, while the latter seek to minimize their risks on loans and deposits. The main goal of this bachelor's thesis is to evaluate the market situation and identify the financial and economic state of the chocolate industry in Kazakhstan. The evaluation will be based on the economic analysis of the "Rakhat" company using the selected economic indicators. Depending on the results of the financial analysis, the further suitable solution(s) for the development of "Rakhat" company and its products will be provided.

2.2 Methodology

The methodological part studies the theoretical foundations in accordance with the targets provided earlier. Based on a study in literature and other sources, an overview of financial analysis and its methods has been compiled, which will be applied in the practical part of the thesis. The practical part includes the financial analysis of a single chocolate manufacturer in Kazakhstan. In conclusion, on the basis

of financial analysis methods, measures will be proposed to improve the general quality of products, increase the diversification of the market as well as to improve the current economic situation.

3 The essence of the financial analysis of the enterprise

3.1 The value, objectives and indicators of assessing the financial condition of the enterprise

Finance is an economic category that reflects economic relations in the process of creating and using cash funds.

*“Corporate finance or business finance, this area of finance is concerned primarily with financial decision-making within a business entity. Financial management decisions include maintaining cash balances, extending credit, acquiring other firms, borrowing from banks, and issuing stocks and bonds.”*¹

Proceeding from this, financial activity at the enterprise, first of all, is aimed at creating financial resources for development, in order to ensure the growth of profitability, investment attractiveness, i.e. to improve the financial condition of the enterprise.

The financial condition in this case represents the ability of the enterprise to finance its activities. It is characterized by the availability of financial resources necessary for the normal functioning of the enterprise, the appropriateness of their location and efficient use, financial relationships with other legal and physical persons, solvency and financial stability.

The financial condition of the enterprise can be stable, unstable and crisis. The ability of the enterprise to make payments on time, to finance its activities on an expanded basis indicates its good financial condition. The financial condition of the enterprise depends on the results of its production, commercial and financial activities. If the production and financial plans are successfully implemented, then this positively affects the financial position of the company.

¹ PETERSON, P. P., FABOZZI, F. J., *Financial management & analysis* p.3

And, on the contrary, as a result of the under fulfillment of the plan for the production and sale of products, there is an increase in its cost, a decrease in revenue and the amount of profit and, as a result, a deterioration in the financial condition of the enterprise, its solvency.

A stable financial position, in turn, has a positive impact on the implementation of the plans of the enterprise and providing its needs with the necessary resources.

Therefore, the financial activity of the enterprise, as an integral part of economic activity, is aimed at ensuring the systematic receipt and expenditure of funds, the implementation of accounting discipline, achieving rational proportions of own and borrowed capital and its most efficient use.

The main goal of financial activity is to decide where, when and how to use financial resources for the effective development of the enterprise and maximizing profits. *“The financing decision includes not just raising cash today but also meeting obligations to banks, bondholders, and stockholders that contributed financing in the past.”*²

In order to survive in a market economy and prevent bankruptcy of an enterprise, it should be known well how to manage finances, what should be the capital structure according to the composition and sources of education, what share should be held by own funds, and which should be borrowed. The main goal of financial analysis is to timely identify and eliminate deficiencies in financial activities, to find reserves to improve the financial condition of the enterprise and its solvency.

The main functions of financial analysis are:

- an objective assessment of the financial condition, financial results, efficiency and business activity of the object of analysis;

- identification of factors and causes of the achieved state and the results obtained;

- preparation and justification of managerial decisions in the field of finance, etc. In the process of assessing the financial condition of the enterprise, it is necessary to solve the following tasks:

² BREALEY MYERS A. *Principles of Corporate Finance 10th edition, p. 2*

1. Based on the study of the causal relationship between various indicators of production, commercial and financial activities, evaluate the implementation of the plan for the receipt of financial resources and their use from the position of improving the financial condition of the enterprise.

2. Predict possible financial results, based on the real conditions of economic activity and the availability of own and borrowed resources, develop models of financial condition with various options for the use of resources.

3. To develop measures aimed at a more efficient use of financial resources and strengthening the financial condition of the enterprise.

To assess the financial condition of the enterprise, a whole system of indicators characterizing the changes is used based on the information sources of the enterprise.

Following the IFRS (International Financial Reporting Standards) the main financial statements include:

1. Statement of financial position - Balance Sheet
2. Statement of Comprehensive Income - Income Statement
3. Cash-flow Statement

The central place and the basis of the information support of financial analysis in the reporting comes to the balance sheet, which indicators make it possible to analyze and evaluate the financial condition of the organization at the date of its preparation. The balance sheet functions as a detailed display of so-called accounting equation:

The fundamental accounting equation:

$$\sum Assets = \sum Liabilities + \sum Equities \quad (1)$$

“The fundamental accounting equation captures two basic features of any company. The right side of the accounting equation indicates the claims on the company’s assets. These claims may be the claims of creditors (liabilities) or they may be the claims of owners (equity). The implication of the fundamental accounting equation is that what company owns (its assets) must always be equal to what it owes (its liabilities and equity).”³

3.1.1 Assets

In the Balance sheet assets indicates the increase of the organization value either coming from operations or from other sources, it is something that in future can generate a cash flow. Assets can be classified regarding their convertibility, physical existence or usage.

Types of assets in terms of their convertibility

1. Current assets

Current assets, also called liquid assets are assets that can be converted easily into cash or cash equivalents, the converted period usually counted as 1 year.

This type of assets includes:

- Cash
- Cash equivalents
- Short-term deposits
- Stock
- Marketable securities

2. Fixed assets

Fixed assets or long-term assets are assets that cannot be readily and fast converted into cash equivalents.

³ PETERSON, P. P., FABOZZI, F. J., *Financial management & analysis*, p. 128

This type of assets includes:

- Building
- Land
- Equipment
- Patents

Types of assets in terms of their physical existence

1. Tangible assets

Tangible assets are assets that have a physical form.

Examples of tangible assets include:

- Land
- Building
- Equipment
- Cash
- Office supplies
- Stock
- Marketable securities

2. Intangible assets

Intangible assets in contrary to tangible do not have a physical existence.

Examples of intangible assets include:

- Patents
- Brand

- Copyrights
- Trademarks
- Trade secrets
- Permits
- Corporate intellectual property

Types of assets in terms of their usage

1. Operating assets

Operating assets are assets that are required in the daily operation of a business. In other words, operating assets are used to generate revenue from a company's core business activities.

Examples of operating assets include:

- Cash
- Stock
- Building
- Machinery
- Equipment
- Patents
- Copyrights
- Goodwill

2. Non-operational assets

Non-operating assets are assets that are not required for daily business operations but can still generate revenue.

Examples of non-operating assets include:

- Short-term investments
- Marketable securities
- Vacant land

3.1.2 Liabilities

Liabilities of the company are formed as a result of arrears in it to suppliers, employees and the state, as well as due to the attraction of loans and borrowings. They are reflected in the balance sheet in descending order of their maturity and include:

1. Current Liabilities: debt payable within 12 months, including:

- Accounts Payable: Accounts payable to the budget, to suppliers and staff;
- Short / Current Long-Term Debt: Short-term bonded loans, bank loans and loans;
- Other Current Liabilities.

2. Non-Current Liabilities (Long-term liabilities): debt to maturity for a period of more than 12 months, including:

- Long Term Debt: Long-term bonded loans, bank loans and loans;
- Deferred Long Term Liability Charges: expenses incurred in the current period, but related to future reporting periods, for example, prepayment under a lease agreement, insurance payments;
- Minority Interest: Shares of company shareholders in affiliates and subsidiaries, not exceeding 50% and not giving them control rights;

- Negative Goodwill: The difference that arises when a company acquires (acquires) a price that exceeds the fair value of its net assets.

3.1.3 Equity

Equity in Balance sheet corresponds to the value attributable to the owners of a business.

According to the balance sheet, the following key indicators are established and evaluated: the composition, structure and dynamics of the asset and liability balance sheet data; availability of working capital; the amount of net assets of the organization; financial stability ratios; solvency and liquidity ratios, etc.

The balance sheet reflects the property status of the company and the state of its liabilities; however, it does not provide an answer to the question of where the results are coming from it. To find it out, there is a need to use information about the production and marketing of products, investment activities, organizational changes within the company, etc. Such information during financial analysis is not always available, as it belongs to the category of internal information constituting a trade secret.

The main form of expression of the business activity of an enterprise is the financial result of its activities. Information on the formation and use of profit is considered along with information on property status as the most significant part of the organization's accounting report. Income statement is structured in such a way that it separately reflects income and expenses in various areas of the organization.

The cash flow statement contains information on cash flows (receipt, disposal) in the context of the current, investment and financial activities of the organization and cash balances at the beginning and end of the reporting period.

The results of the financial analysis are based on the study of all three statements in total. Based on the results of the financial analysis, an assessment is made of the enterprise as a whole, specific factors that have a positive and negative impact on its results are established, and options are developed for making optimal management decisions for both the management of the company and its business partners.

The analysis of the financial condition is carried out not only by the managers and relevant services of the enterprise, but also by its founders, investors in order to study the efficient use of resources, banks to assess credit conditions and determine the degree of risk, suppliers to receive payments on time, and tax inspections to fulfill the revenue plan funds to the budget, etc. In accordance with this, analysis is divided into internal and external.

Internal analysis - carried out by the services of the enterprise, and its results are used to plan, control and forecast financial condition. Its aim is to establish a systematic flow of funds and locate own funds in such a way as to ensure the normal functioning of the enterprise, maximize profits and eliminate bankruptcy.

External analysis - carried out by investors, suppliers of material and financial resources, regulatory authorities on the basis of published reports. Its goal is to establish the opportunity to invest profitably in order to ensure maximum profit and eliminate the risk of loss.

However, the results of formalized procedures are not, or at least should not be, the sole criterion for the adoption of a management decision. The results of the analysis are the material basis of management decisions, the adoption of which is also based on intuition, logic, and experience, personal likes and dislikes of the person making these decisions.

It is believed that if the level of actual financial ratios is worse than the comparison base, then this indicates the most vulnerable places in the enterprise that need additional analysis. In fact, an additional analysis may not confirm a negative assessment due to the specificity of the conditions and characteristics of the business policy of the enterprise. In practice, there are various methods for assessing the financial condition of an enterprise; for this, various groups of ratios are used. In financial management, an important assessment is the assessment of property status, solvency, liquidity and financial stability, business activity and profitability of the enterprise.

3.2 The main methods, models and problems of assessing the financial condition of the enterprise

Different authors offer different methods and models of financial analysis. The procedural side of the methodology of financial analysis depends on the goals, as well as various factors of information, time, methodological and technical support. The logic of financial analysis involves a two-level structure: express analysis of financial condition; detailed analysis of financial condition.

Express analysis of the financial condition of the enterprise

Its purpose is a clear and simple assessment of financial well-being and the dynamics of the economic entity. This analysis is based either on the original statements, or on transformed statements, i.e. prepared for analysis. To get the overview of the company performance

The main stages of the rapid analysis of the financial condition of the enterprise:

- 1) View the report on formal grounds;
- 2) Familiarization with the report of the auditor;
- 3) Identification of vulnerable items in the statements and their assessment in dynamics (Retained Earnings of previous years and the reporting period; loans and borrowings outstanding on time; overdue payables; overdue bills issued; receipt losses for various types of activities);
- 4) Familiarization with key indicators;
- 5) Reading the analytical sections of the report;
- 6) General assessment of financial condition; 7) Conclusions from the analysis.

Often, in an express analysis of the financial condition of the enterprise, data are also given on certain shortcomings in the enterprise's work, in particular on problems with customers, namely:

-the proportion of overdue receivables in total;

-overdue bills received, as well as receivables debited to the financial result.

In general, the express analysis is based practically on the financial statements of the enterprise.

The most common method of the express analysis is a combination of the vertical and horizontal analysis of the financial statements of the enterprise.

Horizontal analysis

It refers to the comparison of several years of financial data of a company. This analysis is also known as 'dynamic' or 'trend' analysis

Vertical analysis

It refers to the study of relationship of the various items in the financial statements of one accounting period. *“In this analysis, the figures from the financial statement of a year are compared with a base selected from the same year's statement.”*⁴

A detailed analysis of the financial condition of the enterprise

Its purpose is a more detailed description of the property and financial situation of an economic entity, the results of its activities in the expiring reporting period, as well as the prospects for the development of the entity in the future. It concretizes supplements and expands individual procedures for express analysis of the financial condition of the enterprise. To conduct a detailed analysis of the financial condition of the enterprise, the main parameters-indicators are divided into 4 groups (Table 1).

⁴ J.JOSEPH KUPPAPALLY, *Accounting for managers*, 2008, p. 177, 178

3.2.1 Ratios

Table №.1 Financial analysis ratios

Liquidity ratios	
Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}}$	The current ratio measures a company's ability to pay off short-term liabilities with current assets.
Cash ratio = $\frac{\text{Cash and Cash equivalents}}{\text{Current Liabilities}}$	The cash ratio measures a company's ability to pay off short-term liabilities with cash and cash equivalents.
Acid-test ratio = $\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}}$	The acid-test ratio measures a company's ability to pay off short-term liabilities with quick assets.
Operating cash flow ratio = $\frac{\text{Operating cash flow}}{\text{Current liabilities}}$	The operating cash flow ratio is a measure of the number of times a company can pay off current liabilities with the cash generated in a given period.
Leverage ratios	
Debt ratio = $\frac{\text{Total liabilities}}{\text{Total assets}}$	The debt ratio measures the relative amount of a company's assets that are provided from debt.
Debt to equity ratio = $\frac{\text{Total liabilities}}{\text{Shareholder's equity}}$	The debt to equity ratio calculates the weight of total debt and financial liabilities against shareholders' equity.
Interest coverage ratio = $\frac{\text{Operating income}}{\text{Interest expenses}}$	The interest coverage ratio shows how easily a company can pay its interest expenses.

Debt service coverage ratio = Operating income / Total debt service	The debt service coverage ratio reveals how easily a company can pay its debt obligations.
Efficiency ratios	
Asset turnover ratio = Net sales / Total assets	The asset turnover ratio measures a company's ability to generate sales from assets.
Inventory turnover ratio = Cost of goods sold / Average inventory	The inventory turnover ratio measures how many times a company's inventory is sold and replaced over a given period.
Receivables turnover ratio = Net credit sales / Average accounts receivable	The accounts receivable turnover ratio measures how many times a company can turn receivables into cash over a given period.
Days sales in inventory ratio = 365 days / Inventory turnover ratio	The days sales in inventory ratio measures the average number of days that a company holds on to inventory before selling it to customers.
Profitability ratios	
Gross margin ratio = Gross profit / Net sales	The gross margin ratio compares the gross profit of a company to its net sales to show how much profit a company makes after paying its cost of goods sold.
Operating margin ratio = Operating income / Net sales	The operating margin ratio compares the operating income of a company to its net sales to determine operating efficiency.

Return on assets ratio = Net income / Total assets	The return on assets ratio measures how efficiently a company is using its assets to generate profit.
Return on equity ratio = Net income / Shareholder's equity	The return on equity ratio measures how efficiently a company is using its equity to generate profit.

Source: own formalization based on the

information on <https://corporatefinanceinstitute.com/resources/knowledge/finance/financial-ratios/>

To analyze the financial condition of enterprises different methods can be used.

Most of the considered methods are similar to each other in terms of the set of indicators and the methodology for their calculation. The differences in the methods are that indicators that reflect the point of view of a particular author are added to the standard set of indicators.

The balance sheet serves as an indicator for assessing the financial condition of an enterprise. The increase in the balance sheet currency for the analyzed period testifies, as a rule, to the growth of production capabilities of the enterprise and deserves a positive assessment, if this is not due to inflation. The decrease in the balance sheet currency is evaluated negatively, as the economic activity of the enterprise is reduced.

A great importance for assessing the financial condition corresponds to the analysis of the structure of the asset and the liability of the balance sheet. It allows to identify the ratio of non-current and current assets, the ratio of borrowed and own funds and their changes over the period. According to the balance sheet managers determine the dynamics (growth rate) of certain types of property and sources of financing.

Comparing the changes in the asset and the liability, conclusions can be drawn about through which sources, mainly, the influx of new funds and in which assets these new funds were invested.

In addition to analyzing the balance sheet of an enterprise, it is necessary to analyze the Income statement. A large number of indicators characterizing the

financial results of the enterprise create methodological difficulties for their systematic consideration. Differences in purpose indicators make it difficult for each participant in the exchange of goods to choose those that most satisfy his needs for information on the real state of the enterprise. For example, the enterprise administration is interested in the mass of profit, its structure and factors affecting its value. Tax inspectorates are interested in obtaining reliable information about all components of retained earnings. Moreover, the analysis of each component of the profit of the enterprise is not abstract, but rather specific in nature, as it allows founders and shareholders to choose significant areas of revitalization of the enterprise. For other participants in market relations, profit analysis allows you to choose the necessary strategy of behavior aimed at minimizing losses and financial risk from investments in this enterprise.

3.3 Problems of analysis of the financial condition of the enterprise

A brief analysis of the financial condition is provided for by the official reporting forms of enterprises. Analytical work is systematically carried out by banks, audit firms, insurance companies and other organizations. Meanwhile, it may be necessary to unscheduled analysis of the financial condition of the enterprise. Both planned and unscheduled analysis can give rise to conflict situations associated with the inconsistency of economic relations of all persons interested in the analysis.

Financial analysis may reveal reserves, as well as managerial errors or even intentional misrepresentations. The analysis can be based on long-term trends, but it can also miss momentary needs. So, for example, in conditions of ultra-high inflation, it is more important to use any methods of quick revenue generation and their concealment from taxes than to identify errors in certain areas of long-term production investment.

Analysis of the financial condition begins with an analysis of the accepted forms of reporting, namely the balance sheet and the statement of financial results. As necessary, other reports are also involved, as well as primary materials, the results of an additional examination.

Analysis of the balance sheet and statement of financial performance is a universal method applicable with varying degrees of success in any situation. However, one must be aware of its limitations.

Balance analysis is ineffective in the following cases:

- general uncertainty and instability. Particular uncertainty and instability are characteristic of periods of deep crisis, accompanied by super high inflation, political instability;

- the company takes loans from the bank for the project. The implementation of the project, most likely, significantly deforms the balance sheet of the enterprise. Unfinished capital investments are opposed to payables until the project is completed;

- a small enterprise has an undeveloped balance. In this case, an analysis of the specific transactions carried out by this enterprise, its customers;

- the company performs specific functions. An enterprise can only perform the functions of a current account for other firms and organizations, not engage in its core business, but serve as an intermediary in trading operations, lease out property;

- the company is in specific conditions. Balance analysis gives good results for enterprises operating in a competitive environment. The balance sheet analysis does not determine specific success factors that are not related to the structure of an asset or liability (for example, the presence of special benefits and advantages, quotas, licenses, various forms of monopoly). In this case, a special analysis of the enterprise's resistance to sudden changes is necessary;

- balance analysis does not reveal any deviations. In this case, a deeper analysis of the firm is needed. This can be a comprehensive analysis from the product to suppliers, or a deeper analysis of the enterprise balance sheet (building a forecast balance sheet). A “very good” balance raises suspicions of its artificiality and, consequently, the presence of shadow operations in the enterprise. Unsatisfactory indicators of the financial condition of the enterprise, its development prospects indicate the need to move to a new ideology in management or abandon the previous profile of the enterprise. In this case, strategic measures can be developed: mission, motivation, strategic and operational controlling. The initial mission of the enterprise, giving an impetus to the development of its basic concept, goals and objectives, taking into account the prospects for the company and their long-term assessments,

should provide the opportunity to maintain a certain status of the company and give it competitive advantages for a long time

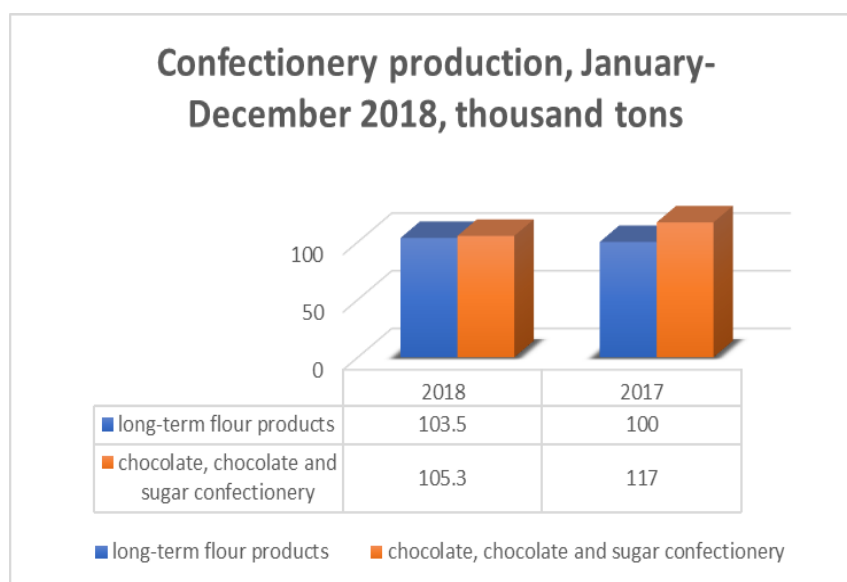
4 Estimation of financial analysis of the enterprise

The main goal of the second part of this thesis is to apply the various methods of financial analysis presented above in the theoretical review, together with the analysis of the information necessary to achieve the goals set for this thesis. Before applying the methods of financial analysis to the company itself, it is necessary to make an introduction to the chocolate industry of the Republic of Kazakhstan and to the Rakhat company itself.

4.1 Analysis of the chocolate industry of Kazakhstan

In 2017, Kazakhstani confectioners produced 105.3 thousand tons of chocolate confectionery - 10% less than a year earlier. At the same time, the production of flour confectionery, by contrast, increased by 3.5% per year, up to 103.5 thousand tons.

Graph 1. Level of confectionery production



Source: own formalization, based on data from

Annual Rakhat report 2017 https://kase.kz/files/emitters/RAHT/rahtp_2017_rus.pdf

Recall that the sweet market is represented by two key segments: sugar and flour confectionery. According to Rakhat, its market share is 37%, and Bayan Sulu has another 21%¹.

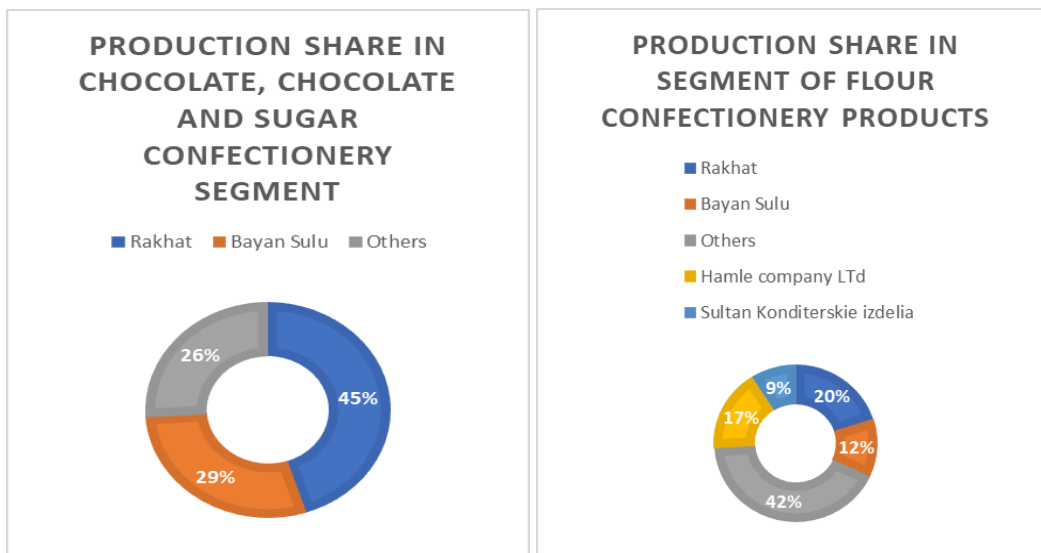
In the segment of sugar confectionery, the share of Rakhat JSC is immediately 45%, Bayan Sulu JSC is in second place (29%).

Rakhat is also the leader in the segment of flour confectionery, however, it occupies only 20% of the market. Hamle Company LTD LLP is in the second position (17% of the Republic of Kazakhstan), Bayan Sulu JSC is in third place (12% of the Republic of Kazakhstan).

According to the results of 11 months of 2018, Kazakhstan confectioners exported 93 thousand tons of sugar confectionery (annual growth by one and a half times), in monetary terms - 60.5 million US dollars (+ 19.5%).

The main importers among the CIS countries are Uzbekistan, Russia and Kyrgyzstan. Among the rest of the world are China, Mongolia and Afghanistan. Export of flour confectionery in physical terms amounted to 42.1 thousand tons (+ 21.3% per year), in money terms - 48.5 million US dollars (+ 9.4% per year).

Graph 2. Production share of Rakhat



Source: own formalization, based on data from Annual Rakhat report 2017 https://kase.kz/files/emitters/RAHT/rahtp_2017_rus.pdf

¹ Report of Rakhat JSC for 2017, <https://kase.kz/en/issuers/news/RAHT>

Among the CIS countries, the largest volumes are exported to Russia, Kyrgyzstan and Tajikistan. The main importers among the rest of the world are Afghanistan, Georgia and Mongolia.

In particular, Rakhat JSC exports its products to 9 countries, covering European and Asian markets and the CIS. For example, the German market has been mastered, the volume of deliveries to Mongolia and Afghanistan has been markedly increased.

The Caucasian direction is actively developing - first of all, Azerbaijan (where the company manufactures products under the brands of local partners) and Armenia. It is planned to enter the market of South Korea.

4.2 Information about Rakhat company

Rakhat Joint-stock company is one of the largest manufacturers of confectionery products in Kazakhstan, which has been leading its history for 75 years. The first production of confectionery was organized in 1942 in the distillery facilities, on equipment evacuated from Moscow and Kharkov during the war².

Main figures:

Primary activity: production, sale of confectionery and other food products

Capitalization: total market value of shares of the company - 64,800.00 million

KZT (\$ 172.40 million)

Number of employees: 4,500 people

Website: www.rakhat.kz

The universal nature of production, its scale and the availability of its own line for the processing of cocoa beans allow the company to have the widest range of confectionery products among domestic manufacturers. To date, the assortment

² <http://www.rakhat.kz/en/o-kompanii/>

portfolio of Rakhat JSC includes more than 400 items of various confectionery products belonging to 14 different groups.

Rakhat JSC is the only confectionery enterprise in Kazakhstan that has mastered the production of special products for people with diabetes. This assortment includes several items of chocolate, sweets, biscuits and wafers with reduced calorie content and replacing sugar with equivalent natural raw materials.

A distinctive feature of the products of Rakhat JSC among other Kazakhstan manufacturers of confectionery products is the priority release of chocolate products, which is very diverse.

The company has organized and operates an internal quality system based on a single responsibility and an integrated quality control system. This system includes quality control of raw materials and products at each stage of production. Since 2013, the company has implemented and certified a quality management system.

In 2018, the Almaty branch of OPS SM JSC National Center for Expertise and Certification conducted an inspection audit that confirmed the conformity of the quality management system with the requirements of ST RK ISO 9001-2016, and issued a certificate of conformity No.KZ.7500318.07.03.03.00457 with a validity period until 22.06. 2019 year.

In 2013, a food quality management system based on the principles of HACCP (Hazard analysis and critical control points - risk analysis and critical control points) was introduced and certified to meet the requirements of the state standard of the Republic of Kazakhstan ST RK 1179-2003.

The main motive for introducing this system was the adoption and enactment of the technical regulation of the Customs Union TR CU 021/2011 “On food safety”, which regulates food safety through risk analysis and critical control points. The implementation of the HACCP system in Rakhat JSC confirmed and clearly demonstrated compliance with the established and legislative requirements in the field of food safety.

In August 2018, the Almaty branch of the OPS SM JSC National Center for Expertise and Certification, as part of an inspection audit of the HACCP system of

Rakhat JSC, confirmed the validity of certificate of conformity No. KZ.7500318.07.03.03.00458.

In order to improve energy efficiency, in 2014 Rakhat JSC developed and certified an energy management system ISO 50001: 2011 by the certification body ASTRAIA Certification, sr0., Mosta 13.949 01 Nitra, Slovakia issued certificate No. EnMS-2354-2014 valid until 06.11.2017. The introduction of the system will allow Rakhat JSC to reduce the enterprise's consumption of energy resources by an average of 7-13% due to: eliminating identified irrational losses of energy resources and realizing the operational potential of energy conservation; introducing at the enterprise a system for calculating and planning energy consumption standards; development of an energy passport of the enterprise; regulating pollutant emissions into the atmosphere from energy activities and improving the microclimate.

Since 2016, Rakhat Joint-Stock Company has received the right to produce products that meet Halal requirements. The Halal Industry of Kazakhstan Association confirmed the compliance with the Halal standard of 186 product names of Rakhat JSC, including chocolate, sweets, caramel, cookies, iris, waffles, as well as semi-finished chocolate products. Association experts conducted an audit of all stages of production of Rakhat JSC, including at the Shymkent production site. A thorough analysis of the documentation for raw materials and ingredients for the production of confectionery products was carried out.

At present, the products of JSC "RAKHAT" not only in the Kazakhstan market, but also far beyond the borders of the republic - in Russia, Belarus, Azerbaijan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan, Germany, China, Afghanistan, Mongolia. In the future, due to the interest in the products of Rakhat JSC from other CIS republics and non-CIS countries, the company plans to increase production volumes and expand sales markets by increasing export volumes.

In 2013, LOTTE Confectionery, a leading South Korean confectionery company, acquired the majority stake in Rakhat JSC. In 2019, LOTTE Confectionery, acquiring the outstanding shares of Rakhat JSC, increased its stake to 95.5656%.

4.3 Analysis of financial stability of Rakhat company

EXPRESS ANALYSIS

To have a quick overview on the financial stability of the company and changes of its performance through years the vertical and horizontal analysis of the income statement should be done.

4.3.1 Vertical analysis of the Income statement

Table 2. Income statement vertical analysis

Period Ending:	2018	2017	2016	2018	2017	2016
	31/12	31/12	31/12	Margin on total revenue		
Total Revenue	59164.23	56411.21	49771.08	100%	100%	100%
Revenue	59164.23	56411.21	49771.08	100%	100%	100%
Cost of Revenue, Total	43666.67	42532.4	39425.91	74%	75%	79%
Gross Profit	15497.56	13878.81	10345.17	26%	25%	21%
Total Operating Expenses	50415.15	48382.25	44326.44	85%	86%	89%

Selling/General/Admin. Expenses, Total	6630.39	5810.9	4891.16	11.21%	10.30%	9.83%
Depreciation / Amortization	216.4	184.8	162.78	0.37%	0.33%	0.33%
Other Operating Expenses, Total	-98.31	-145.86	-153.41	-0.17%	-0.26%	-0.31%
Operating Income	8749.08	8028.97	5444.64	15%	14%	11%
Interest Income (Expense), Net Non- Operating	381.84	417.98	651.86	0.6%	0.7%	1.3%
Other, Net	-59.34	-99.8	-	-0.10%	0%	-
Net Income Before Taxes	9071.58	8347.15	6096.5	15%	15%	12%
Provision for Income Taxes	1798.09	1724.14	1188.62	3%	3%	2%
Net Income After Taxes	7273.49	6623.01	4907.88	12%	12%	10%
Minority Interest	0.01	-0.01	-0.01	0%	0%	0%

Net Income Before						
Extraordinary Items	7273.5	6623	4907.88	12.29%	11.74%	9.86%
Net Income	7273.5	6623	4907.88	12.29%	11.74%	9.86%

Source: calculated and compiled by the author based on the income statement of the company 2018

Following the table, it is well seen that the net income of the company accounted 12,29% of the total revenue in 2018 and was 0,55% higher compared with previous year and the trend of increasing net income is observed, what is actually represents the improvement of the operation costs management as there is a trend of decreasing the cost of revenue in relative value.

4.3.2 Horizontal analysis of the Income statement

Table 3. Income statement horizontal analysis

Period Ending:	2018	2017	2016	2015	2018	2017	2016
	31/12	31/12	31/12	31/12	Growth		
Total Revenue	59164.23	56411.21	49771.08	34037.92	5%	13%	46%
Revenue	59164.23	56411.21	49771.08	34037.92	5%	13%	46%
Cost of Revenue, Total	43666.67	42532.4	39425.91	26459.98	3%	8%	49%
Gross Profit	15497.56	13878.81	10345.17	7577.94	12%	34%	37%
Total Operating Expenses	50415.15	48382.25	44326.44	30237.52	4%	9%	47%

Selling/General/Admin. Expenses, Total	6630.39	5810.9	4891.16	3676.74	14%	19%	33%
Depreciation / Amortization	216.4	184.8	162.78	142.69	17%	14%	14%
Other Operating Expenses, Total	-98.31	-145.86	-153.41	-41.9	-33%	-5%	266%
Operating Income	8749.08	8028.97	5444.64	3800.4	9%	47%	43%
Interest Income (Expense), Net	381.84	417.98	651.86	421.52	-9%	-36%	55%
Non-Operating Other, Net	-59.34	-99.8	-	-	-41%	-	-
Net Income Before Taxes	9071.58	8347.15	6096.5	4221.93	9%	37%	44%
Provision for Income Taxes	1798.09	1724.14	1188.62	854.3	4%	45%	39%
Net Income After Taxes	7273.49	6623.01	4907.88	3367.63	10%	35%	46%
Net Income Before Extraordinary Items	7273.5	6623	4907.88	3367.62	10%	35%	46%
Net Income	7273.5	6623	4907.88	3367.62	10%	35%	46%

Source: calculated and compiled by the author based on the income statement of the company 2018

However, considering the horizontal analysis, even though there is a growth in the company revenue, the growth rate through the years keeps decreasing from 46% in 2016 to 3% in 2018. The reason for this is that the margin on the cost of revenue is not decreasing at the same pace as revenue increase. Moreover, it is well seen that the difference between Other Operating Expenses and Other Operating Income is negative, which means that the OP Income exceeded the Expenses the last 3 observing years, however it was increasing, meaning that, either OP expenses were rising or OP income was decreasing.

From the horizontal also can be noticed that the Interest Income (Expense), Net Non-Operating has decreased in the last year that can be an indicator of either unsuccessful financial investment that does not generate sufficient financial profit or a loan at a high interest rate, which caused an increase in non-operating expenses.

The provision for income tax is increasing as the income itself is increasing.

Overall the company is in the growing stage as the Net Income is increasing, despite the noticeable slowdown.

4.3.3 Analysis of the Balance sheet

Table 4. Balance sheet horizontal analysis

	2018	2017	2016	2015	2018	2017	2016
	31/12	31/12	31/12	31/12	Growth		
Total Current Assets	29669.08	25915.68	21094.71	16325.15	14%	23%	29%
Cash and Short Term Investments	9898.2	9505.96	5324.81	6702.25	4%	79%	-21%
Cash & Equivalents	9898.2	9505.96	5324.81	6702.25	4%	79%	-21%
Total Receivables, Net	1156.6	1201.27	906.49	680.34	-4%	33%	33%
Accounts Receivables - Trade, Net	1030.22	858.52	711.58	454.74	20%	21%	56%
Total Inventory	16672.24	14513.2	13875	7836.16	15%	5%	77%
Prepaid Expenses	1426.17	252.76	635.38	658.49	464%	-60%	-4%

Other Current Assets	515.86	442.48	353.03	447.91	17%	25%	-21%
Total Assets	46210.67	39577.58	32953.8	27162.59	17%	20%	21%
Property/Plant/Equipment	15508.69	12470.04	11276.3	10715.81	24%	11%	5%
Intangibles, Net	188.93	151.24	86.34	81.89	25%	75%	5%
Note Receivable - Long Term	0.41	1.14	6.37	7.86	-64%	-82%	-19%
Other Long Term Assets, Total	843.57	1039.48	490.09	31.89	-19%	112%	1437%
Total Current Liabilities	3742.29	3433.18	3262.63	2357.19	9%	5%	38%
Accounts Payable	1459.3	1026.28	882.77	483.1	42%	16%	83%
Accrued Expenses	64.55	26.71	34.06	29.74	142%	-22%	15%
Current Port. of LT Debt/Capital Leases	179.67	587.03	900.97	340.92	-69%	-35%	164%

Other Current liabilities, Total	2038.76	1793.15	1444.82	1503.42	14%	24%	-4%
Total Liabilities	6165.44	5605.96	5116.63	4291.78	10%	10%	19%
Total Long Term Debt	587.01	475.91	512.24	1016.79	23%	-7%	-50%
Long Term Debt	587.01	475.91	512.24	1016.79	23%	-7%	-50%

Deferred Income Tax	981.56	985.65	826.13	679.7	-	0.41	
Minority Interest	0.06	0.07	0.06	0.05	%	19%	22%
Other Liabilities, Total	854.53	711.16	515.58	238.05	-14%	17%	20%
Total Equity	40045.23	33971.62	27837.17	22870.82	20%	38%	117%
Common Stock, Total	900	900	900	900	18%	22%	22%
Retained Earnings (Accumulated Deficit)	38763.66	32814.96	26685.16	21777.28	0%	0%	0%
						22.97	22.54
					18%	%	%

Other Equity, Total	381.57	256.66	252.01	193.53	49%	2%	30%
Total Liabilities & Shareholders' Equity	46210.67	39577.58	32953.8	27162.59	17%	20%	21%
Total Common Shares Outstanding	3.6	3.6	3.6	3.6	0%	0%	0%

Source: calculated and compiled by the author based on the balance sheet of the company 2018

The table above illustrate the horizontal analysis of the balance sheet. Firstly, the good balance signs should be checked. It is well seen that the total of balance is increasing through the last 3 years, which prove the companies' growth. Another indicator of the financial stability of the enterprise is the growth rate of total equity of the enterprise exceeding the growth rate of the total debt, even despite the fact that in observing year, the equity of the organization in absolute was lower than their borrowed capital.

However, we see that the growth rate of the account receivables is significantly lower that the growth rate of accounts payable, which means the amount of money owed by the company to the suppliers is higher and increasing faster, that is not favorable as can lead to the increase of debt.

The retained earnings were increasing during observing period, but company manage to slow down the growth rate.

DETAILED ANALYSIS

In order to assess the overall performance of the enterprise more accurately, the observation of the companies' indicators on different levels will be applied, that were described in respective chapters of the theoretical part of this thesis.

Table 5. Liquidity ratios calculations

Current ratio	7.928055
Acid-test ratio	3.472964
Cash ratio	2.644958
Operating cash flow ratio	1.608633

Source: calculated and compiled by the author based on the financial statements of the company 2018

Table 4 states the companies' Current ratio represented 7.93 which is favorable, as means that that Rakhat company can payback its short-term debt and accounts payable. However, for the better understanding of the liquidity of the company this indicator should be compared with the industries' one. The average current ratio for the food manufacturing industry in 2018 was 2.12⁷.

The current ratio of the observed enterprise is significantly higher than the industry one, which should be taken into consideration by the company financial manager as this situation might be an indicator of irrational use (or unused) of the cash, which can be invested into the business.

The Acid-ratio of the company in the 2018 was favorable, as it accounted approximately 3,5, which shows the ability of Rakhat to pay off its [current liabilities](#) without relying on the sale of inventory or on obtaining additional financing.

⁷ <https://www.readyratios.com/sec/industry/20/?measure=average>

Observing the Cash ratio, the statement of the liquidity of the company can be made, as it possesses cash and cash equivalents in sufficient amount to cover 264% of its current liabilities.

If we take into account an ability of the company to cover its current liabilities by using only cash from the operating the Operation cash flow ratio should be conducted. From the table it is seen that for the 2018 year, the Operation cash flow ratio of Rakhat accounted 1,6. Therefore, the company earns 1.6 KZT from operating activities, per 1 KZT of current liabilities. As this ratio accedes 1, that means that it is favorable and it is preferred by investors, creditors, and analysts, as it means Rakhat can cover its current short-term liabilities and still have earnings left for the investments.

Table 6. Leverage financial ratios calculations

Debt ratio	13%
Debt to equity ratio	15%

Source: calculated and compiled by the author based on the financial statements of the company 2018

The Debt ratio of the company in 2018 accounted 13%, the figure indicates that only 13% of the Rakhat's assets are funded via debt the company, moreover it shows that company owns more assets than liabilities and can meet its obligations by selling its assets if needed.

The statement of the stability of Rakhat can be conclude as well as its low risk. However, the Debt to equity ratio of the Rakhat in 2018 was only 0,15 compared with average 1,33⁸, that indicates the low level of leverage of the company and its financing almost fully by the equity, which is not favorable for the investors despite the fact that represents the low risk of the company.

⁸ <https://www.readyratios.com/sec/industry/20/?measure=average>

Table 7. Efficiency ratios calculations

Asset turnover ratio	1.280315
Inventory turnover ratio	2.619124
Days sales in inventory ratio	139.3596

Source: calculated and compiled by the author based on the financial statements of the company 2018

The Assets turnover ratio of the company in 2018 accounted approximately 1,3, what is positive, as this ratio measures the value of [revenue](#) generated by a business compared with its average total assets for the period. It is an indicator of how efficient the company is using both the current and fixed assets to produce revenue. This highlights the health of a business and the efficient use of the companies' assets for generating revenue.

For the assessment of how fast the company sells its inventories the Inventory turnover ratio should be observed. For the period under review it accounted 2,61. But for more representative number the ratio was calculated in days and represented approximately 140 days, that is very favorable indicator, representing the strong level of sales of the company. The average indicator of the industry for the year 2018 consisted 1039 days⁹, that means that Rakhat sells its inventories more than 7 times faster than the industry and effectively meets the market demand. However, this fact is also occurring because of the specific of the products manufactured, as company is mostly specified on the products with a low shelf life.

⁹ <https://www.readyratios.com/sec/industry/20/?measure=average>

Table 8. Efficiency ratios calculations

Gross margin ratio	26%
Operating margin ratio	15%
Return on assets ratio	16%
Return on equity ratio	18%

Source: calculated and compiled by the author based on the financial statements of the company

The Gross margin of the Rakhat for the year 2018 accounted 26% which is a good indicator for the manufacturing company and also a favorable indicator regarding the food manufacturing industry in 2018. The gross margin of 26% means that for every 1 KZT of revenue generated, 0.26 is retained while 0.74 is attributed to the cost of goods sold. The remaining amount can be used to pay off general and administrative expenses, interest expenses, debts, rent, overhead, etc. The profitability of the company can be measured with the Operating Profit

Margin. This margin is based only on the companies' operations and excluding the financing cost of interest payments and taxes. For the Rakhat Operating Profit Margin for the year 2018 accounted 16% which is a good level of margin for the manufacturing industry that is specified by the high level of cost and low profit margin.

Observing the Return on Assets of Rakhat for the year 2018 it can be concluded that the management in utilizing economic resources of the company is productive and efficient.

The Return on Equity of the company for the period under review accounted 18%, that is also a favorable level of the indicator and shows that for every 1 KZT of shareholders' equity, Rakhat generated 0,18 KZT in profit.

5 Conclusion

An objective of the thesis was to study different models of the financial analysis of the company and based on theoretical knowledge assess the financial health of the chocolate industry producer of Kazakhstan – Rakhat JSC.

Based on the results of the study, the following conclusions can be drawn:

Financial results, which are one of the central indicators of enterprises, are used today as a guideline reflecting the direction of development of the enterprise. They are included in the enterprise development program, showing the final importance of implementing a set of strategic and tactical tasks.

According to the financial statements, all conditions of a liquid balance are fulfilled has and the minimum condition of financial stability of Rakhat company is observed. According to data (table 2,3,4), it can be said that during the reporting period, the production and financial situation of the company “Rakhat” JSC improved markedly. Judging by the turnover ratio, the company increased its business activity, which accordingly led to an increase in sales.

As a positive point, the efficiency of long-term assets can be noted, considering the growth rate of fixed assets, and income increased over the reporting period. In general, by analyzing the financial situation of the company Rakhat JSC, it can be said that its financial condition remains at an acceptable level. But the company should pay attention to the increase in receivables. For the analyzed period, the number of receivables remains at an acceptable level, but the company must take measures so that the proportion of receivables does not increase.

Based on the conclusions made, in order to increase the efficiency of financial and economic activities of Rakhat JSC, it is proposed:

- getting rid of ineffective short-term financial investments; - sale of retired or unused property;
- an increase in the sales market, development of a wholesale network in the domestic market, evaluation of competitive enterprises abroad, increase in the supply of products for export;
- increase the term for the provision of a commodity loan by suppliers.

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7 Appendix

7.1 Appendix 1. Balance sheet of Rakhat

Period Ending:	2018	2017	2016	2015
	31/12	31/12	31/12	31/12
Total Current Assets	29669.08	25915.68	21094.71	16325.15
Cash and Short Term Investments	9898.2	9505.96	5324.81	6702.25
Cash	-	-	-	-
Cash & Equivalents	9898.2	9505.96	5324.81	6702.25
Short Term Investments	-	-	-	-
Total Receivables, Net	1156.6	1201.27	906.49	680.34
Accounts Receivables - Trade, Net	1030.22	858.52	711.58	454.74
Total Inventory	16672.24	14513.2	13875	7836.16
Prepaid Expenses	1426.17	252.76	635.38	658.49
Other Current Assets	515.86	442.48	353.03	447.91
Total Assets	46210.67	39577.58	32953.8	27162.59
Property/Plant/Equipment	15508.69	12470.04	11276.3	10715.81
Accumulated Depreciation, Total	-	-	-	-
Goodwill, Net	-	-	-	-
Intangibles, Net	188.93	151.24	86.34	81.89
Long Term Investments	-	-	-	-

Note Receivable - Long Term	0.41	1.14	6.37	7.86
Other Long Term Assets, Total	843.57	1039.48	490.09	31.89
Total Current Liabilities	3742.29	3433.18	3262.63	2357.19

Accounts Payable	1459.3	1026.28	882.77	483.1
Payable/Accrued	-	-	-	-
Accrued Expenses	64.55	26.71	34.06	29.74
Notes Payable/Short Term Debt	-	-	-	-
Current Port. of LT Debt/Capital Leases	179.67	587.03	900.97	340.92
Other Current liabilities, Total	2038.76	1793.15	1444.82	1503.42
Total Liabilities	6165.44	5605.96	5116.63	4291.78
Total Long Term Debt	587.01	475.91	512.24	1016.79
Long Term Debt	587.01	475.91	512.24	1016.79
Deferred Income Tax	981.56	985.65	826.13	679.7

Minority Interest	0.06	0.07	0.06	0.05
Other Liabilities, Total	854.53	711.16	515.58	238.05
Total Equity	40045.23	33971.62	27837.17	22870.82
Common Stock, Total	900	900	900	900
Additional Paid-In Capital	-	-	-	-
Retained Earnings (Accumulated Deficit)	38763.66	32814.96	26685.16	21777.28
Treasury Stock - Common	-	-	-	-
Unrealized Gain (Loss)	-	-	-	-
Other Equity, Total	381.57	256.66	252.01	193.53
Total Liabilities & Shareholders' Equity	46210.67	39577.58	32953.8	27162.59

7.2 Appendix 2. Income statement of Rakhat

Period Ending:	2018	2017	2016
	31/12	31/12	31/12
Total Revenue	59164.23	56411.21	49771.08
Revenue	59164.23	56411.21	49771.08
Other Revenue, Total	-	-	-
Cost of Revenue, Total	43666.67	42532.4	39425.91
Gross Profit	15497.56	13878.81	10345.17
Total Operating Expenses	50415.15	48382.25	44326.44
Selling/General/Admin. Expenses, Total	6630.39	5810.9	4891.16
Research & Development	-	-	-
Depreciation / Amortization	216.4	184.8	162.78
Interest Expense (Income) - Net Operating	-	-	-
Unusual Expense (Income)	-	-	-
Other Operating Expenses, Total	-98.31	-145.86	-153.41
Operating Income	8749.08	8028.97	5444.64

Interest Income (Expense), Net Non-Operating	381.84	417.98	651.86
Gain (Loss) on Sale of Assets	-	-	-
Other, Net	-59.34	-99.8	-
Net Income Before Taxes	9071.58	8347.15	6096.5
Provision for Income Taxes	1798.09	1724.14	1188.62
Net Income After Taxes	7273.49	6623.01	4907.88
Minority Interest	0.01	-0.01	-0.01
Equity In Affiliates	-	-	-
U.S GAAP Adjustment	-	-	-
Net Income Before Extraordinary Items	7273.5	6623	4907.88
Total Extraordinary Items	-	-	-
Net Income	7273.5	6623	4907.88

7.3 Appendix 3. Cash flow statement of Rakhat

Period Ending:	2018	2017	2016
	31/12	31/12	31/12
Period Length:	12 Months	12 Months	12 Months
Net Income/Starting Line	9071.58	8347.15	6096.5

Cash From Operating Activities	6019.97	7433.07	-20.44
Depreciation/Depletion	1114.52	948.1	858.19
Amortization	-	-	-
Deferred Taxes	-	-	-
Non-Cash Items	562.14	328.57	543.6
Cash Receipts	-	-	-
Cash Payments	-	-	-
Cash Taxes Paid	1573.91	1712.47	1011.49
Cash Interest Paid	46.28	78.91	90.15
Changes in Working Capital	-4728.28	-2190.75	-7518.73
Cash From Investing Activities	-4022.89	-2396.25	-1521.02
Capital Expenditures	-4138.89	-2656.84	-1824.74
Other Investing Cash Flow Items,	116	260.59	303.71
Total			
Cash From Financing Activities	-1580.77	-826.88	-2.57
Financing Cash Flow Items	-	-	-
Total Cash Dividends Paid	-1265.88	-471.8	-
Issuance (Retirement) of Stock,	-	-	-
Net			
Issuance (Retirement) of Debt, Net	-314.88	-355.08	-2.57
Foreign Exchange Effects	-24.06	-33	166.59
Net Change in Cash	392.24	4176.94	-1377.44