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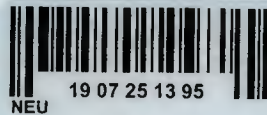
FACULTY OF ECONOMICS & ADMINISTRATIVE SCIENCES

DEPARTMEN OF BUSINESS ADMINISTRATION

**“CURRENT FINANCIAL ANALYSIS OF BOTH COMPANIES
BEKO A.S AND BSH A.S AND THEIR CURRENT FINANCIAL
POSITIONS IN COMPARISON IN THE MARKET TURKEY”**

**NAME: İZZET
SURNAME: DEMİRKIRAN
NUMBER: 990822**

**SEMİNER ÖDEVİ
LEFKOŞA2006**



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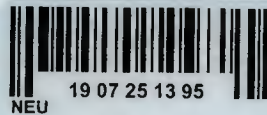
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ABSTRACT

As the society started to live in a contemporary environment, requirements and habits of the citizens were changed. The companies started to reach the requirements of the people in different ways. As they penetrated into new markets, their financial positions were affected with this penetration. More penetration to the market caused more loyalty on the customers and suppliers. Foreign and the domestic companies started to learn the results of this competition from their financial reports. Therefore this study mainly focused on the analysis of the financial reports.

My aim with this project is to show how to look at financial reports and set up to a conclusion between a domestic and a foreign firm.

INTRODUCTION

In this study, we tried to examine the differences between Beko A.Ş. and BSH A.Ş. in financial terms. These two companies were selected according to their similar products and same market orientations. This study is mainly founded on the brief description of the companies and their financial position comparison. After all information is submitted, we will focus on the evaluation and conclusion about the companies.

1. BACKGROUND OF BEKO A.Ş.

Vehbi Koç, the founder of Koç Holding, made an investment in a tomato paste and canned food factory in the earliest 1950's. Therefore, he established a partnership with Bejerano who was experienced in this field. The name of the company founded in 1954 was registered as Beko which was a combination of the first two letters of Koç and Bejerano. Afterwards, Beko took the dealership of General Electric bulbs, and the name of the canned food company was changed to Beko Ticaret A.Ş.

After having transferred Arçelik dealership rights to Atılım in 1977, Beko Ticaret began to operate in the field of white goods industry under the brand name of Beko. As of 1990's, when Koç Holding Durable Consumer Goods Group opted for overseas activities, Beko was chosen as the export brand. When we reached the year 2000, Beko was taken out of Beko Ticaret A.Ş.'s organization, and joined the Arçelik brand under the organization of Arçelik A.Ş. due to the restructuring of Koç Holding Durable Consumer Goods Group.

Beko, the first brand in Turkey ever to export its products under its own brand, began this journey with the objective to become a "World Brand". Having achieved a great deal in the domestic market first, Beko has now managed to introduce its brand to millions of consumers in more than a 100 countries worldwide. 8www.(beko.com.tr)

2. GENERAL INFORMATION ABOUT BEKO A.Ş.

After explaining the history we will focus on the main activities of the company. These are stated in the following sections

2.1 Profile of the Company

Beko is working on the manufacturing and the service of:¹

- White Goods,
- Electronics,
- Mobile Phones,
- Heaters,
- Air Conditioners,
- Small Appliances,
- Vacuum Cleaners,
- Built in Products.

Besides these core services, Beko is also working on the distribution of the famous products such as Siemens, Sony, Motorola vb. in Turkey. (www.beko.com.tr)

2.2 Vision and Mission of the Company

Beko's mission and vision is determined as:²

- Mission: To provide products with a perfect service concept and make people's lives easier.
 - Vision: To be the most demanded white good provider among the world.
-

After stating the mission and vision we can see that Beko wants to specialize on service and manufacturing services.(www.beko.com.tr)

2.3 Value and Principles

The values and the principles of the company are stated in the following terms:³

- Customers are the bosses.
- Most important capital is seen as their human resources and they provide any facility for them to improve.
- Their word is their company's commitment.
- They respect, care for and always be frank to each other.

(www.beko.com.tr)

2.4 Environmental Policy of The Company

In order not to take the negative comment of the public, Beko, as a high industrial company, should be aware of the environmental issues. Due to these reasons, Beko gives importance to disposal services and make campaigns to afforest. After these activities Beko was rewarded in 1995, 1996 and 1999.⁴ (www.beko.com.tr)

3. FINANCIAL INFORMATION ABOUT BEKO A.Ş.

In this section, we will focus on the financial reports of the associated company. This section is divided into two succeeding sections in which financial data is shown and analyzed in various ways.

Before our analyses, we must define balance sheet and income statement in order to prevent misunderstanding. Balance sheet is a financial report in which a summary of assets, liabilities and net worth of accounts of a firm at a specific time. This report can be defined as a photograph of the company. Therefore they are declared in daily basis, such as "31/12/2005 balance sheet". However, income statement is different from a balance sheet and it shows the revenues and the expenses incurred by the firm during a specific time period. Therefore income statements are declared in period basis (01/01/2005–31/12/2006 income statement). (John A.White, Principles of Engineering Economic Analysis)

3.1 Financial Statements of Beko A.Ş.

The balance sheet for the past three years of the company is shown in the following table. Each financial report is shown in the following principles:

- Figures are in thousand YTL bases.
- Negative figures are surrounded by parentheses.
- 2005 figures are the June figures but in every analysis balance sheet figures remain still but income statement figures multiplied by 2 in order to maintain the precision.

(www.iso.org.tr)

Table.1 Balance Sheet of Beko

BALANCE SHEET OF BEKO			
ASSETS	30.06.2005	31.12.2004	31.12.2003
CURRENT ASSETS - C/A	889.250	1.039.359	618.617
CASH	71.990	29.969	3.328
RECEIVABLES	170.688	230.606	114.669
RELATED RECEIVABLES	277.412	460.107	327.304
OTHER RECEIVABLES	7.714	22.933	0
INVENTORY	350.194	280.651	142.626
OTHER C/A	11.252	15.093	30.690
FIXED ASSETS	304.556	298.026	187.364
OTHER RECEIVABLES	1.189	1.005	0
FINANCIAL ASSETS	25.280	24.715	22.387
TANGIBLE ASSETS	253.312	247.653	160.298
INTANGIBLE ASSETS	24.775	24.653	4.679
ASSETS TOTAL	1.193.806	1.337.385	805.981
LIABILITIES			

SHORT TERM LIABILITIES - S/T LIABILITIES	615.178	697.048	446.934
FINANCIAL LIABILITIES	388.236	314.851	180.518
PAYABLES	140.317	212.542	173.253
RELATED PAYABLES	15.490	107.336	51.902
DEBT COMPENSATION	15.775	8.450	0
OTHER S/T LIABILITIES	55.360	53.869	41.261
LONG TERM LIABILITIES - L/T LIABILITIES	298.277	307.457	120.426
FINANCIAL LIABILITIES	284.676	290.685	107.850
DEBT COMPENSATION	12.460	11.548	4.805
OTHER L/T LIABILITIES	1.141	5.224	7.771
EQUITY	280.863	335.606	238.621
CAPITAL	174.000	174.000	60.000
CAPITAL RESERVES	155.580	168.416	214.148
REVALUATION FUND	3.398	2.888	0
INFLATION CORRECTION DIFFERENCES	151.670	162.802	214.148
PROFIT RESERVES	8.339	731	748
UNUSUAL RESERVES	8.339	731	748
NET PROFIT	(54.002)	8.693	0
PAST LOSS / PROFITS	(3.054)	(16.234)	(36.275)
TOTAL PASIVE	1.194.318	1.340.111	805.981

Source: ISE Internet Site

After showing balance sheet of the company the income statement is shown below.

Table.2 Income Statement of Beko

INCOME STATEMENT OF BEKO			
	01-06.2005	2004	2003
NET SALES	1.026.500	2.250.313	1.389.312
COST OF GOODS SOLD	(937.427)	(2.006.506)	(1.198.158)
GROSS PROFIT / LOSS	89.073	243.807	191.154
OPERATING EXPENSES	(142.689)	(220.463)	(144.221)
OPERATING INCOME	(53.616)	23.344	46.933
OTHER INCOME	4.660	232	0
OTHER EXPENSES	(19.125)	(969)	(4.921)
NET INTEREST INCOME	10.755	(19.498)	(1.421)
NET OPERATING INCOME	(57.326)	3.109	40.591
PROFIT BEFORE TAX	(57.326)	3.109	40.591
TAX	3.324	5.584	(3.453)
NET PROFIT	(54.002)	8.693	37.138

Source: ISE Internet Site

3.2 Financial Analysis of Beko A.Ş.

In this section we start to deal with the financial analysis those are seen to be important in the comparison of two companies.

3.2.1 Vertical Analysis

Vertical analysis is the ratio analysis of each item in the financial reports. To do this, financial reports should be designed in the following style. Each column next to each financial data of each year shows the item weight in the associated section. For example, cash is 8.1% of all current assets in 30.06.2005 balance sheet, and current assets are 74.5% of all assets in the same year. This analysis shows us the policy changes in the company. For example Beko started to hold cash after 2003, because the ratio of cash in 2003 is 0.5%, but in 2005/06 it reached to 8.1%. This analysis is also beneficial for understanding the status of the company in a specific year. For example, current asset of the company is almost three times of the fixed asset in year 2005. This means that in a crises environment, this company will defeat finance shortage.

Table.4 Balance Sheet Vertical Analysis of Beko

BALANCE SHEET VERTICAL ANALYSIS									
ASSETS	30.06.2005	Section	General	31.12.2004	Section	General	31.12.2003	Section	General
CURRENT ASSETS - C/A	889.250		74,5	1.039.359		77,7	618.617		76,8
CASH	71.990	8,1		29.969	2,9		3.328	0,5	
RECEIVABLES	170.688	19,2		230.606	22,2		114.669	18,5	
RELATED RECEIVABLES	277.412	31,2		460.107	44,3		327.304	52,9	
OTHER RECEIVABLES	7.714	0,9		22.933	2,2		0	0,0	
INVENTORY	350.194	39,4		280.651	27,0		142.626	23,1	
OTHER C/A	11.252	1,3		15.093	1,5		30.690	5,0	
FIXED ASSETS	304.556		25,5	298.026		22,3	187.364		23,2
OTHER RECEIVABLES	1.189	0,4		1.005	0,3		0	0,0	
FINANCIAL ASSETS	25.280	8,3		24.715	8,3		22.387	11,9	
TANGIBLE ASSETS	253.312	83,2		247.653	83,1		160.298	85,6	
INTANGIBLE ASSETS	24.775	8,1		24.653	8,3		4.679	2,5	
ASSETS TOTAL	1.193.806			1.337.385			805.981		
LIABILITIES									
SHORT TERM LIABILITIES - S/T LIABILITIES	615.178		51,5	697.048		52,0	446.934		55,5
FINANCIAL LIABILITIES	388.236	63,1		314.851	45,2		180.518	40,4	
PAYABLES	140.317	22,8		212.542	30,5		173.253	38,8	

RELATED PAYABLES	15.490	2,5		107.336	15,4		51.902	11,6	
DEBT COMPENSATION	15.775	2,6		8.450	1,2		0	0,0	
OTHER S/T LIABILITIES	55.360	9,0		53.869	7,7		41.261	9,2	
LONG TERM LIABILITIES - L/T LIABILITIES	298.277		25,0	307.457		22,9	120.426		14,9
FINANCIAL LIABILITIES	284.676	95,4		290.685	94,5		107.850	89,6	
DEBT COMPENSATION	12.460	4,2		11.548	3,8		4.805	4,0	
OTHER L/T LIABILITIES	1.141	0,4		5.224	1,7		7.771	6,5	
EQUITY	280.863		23,5	335.606		25,0	238.621		29,6
CAPITAL	174.000	62,0		174.000	51,8		60.000	25,1	
CAPITAL RESERVES	155.580	55,4		168.416	50,2		214.148	89,7	
REVALUATION FUND	3.398			2.888			0		
INFLATION CORRECTION DIFFERENCES	151.670			162.802			214.148		
PROFIT RESERVES	8.339	3,0		731	0,2		748	0,3	
UNUSUAL RESERVES	8.339			731			748		
NET PROFIT	(54.002)	-19,2		8.693	2,6		0	0,0	
PAST LOSS / PROFITS	(3.054)	-1,1		(16.234)	-4,8		(36.275)	-15,2	
TOTAL PASIVE	1.194.318			1.340.111			805.981		

The income statement of the company is shown below for a vertical analysis..

Table.5 Income Statement Vertical Analysis of Beko

INCOME STATEMENT VERTICAL ANALYSIS						
	30.06.2005	Section	31.12.2004	Section	31.12.2003	Section
NET SALES	1.026.500	100,0	2.250.313	100,0	1.389.312	100,0
COST OF GOODS SOLD	(937.427)	-91,3	(2.006.506)	-89,2	(1.198.158)	-86,2
GROSS PROFIT / LOSS	89.073	8,7	243.807	10,8	191.154	13,8
OPERATING EXPENSES	(142.689)	-13,9	(220.463)	-9,8	(144.221)	-10,4
OPERATING INCOME	(53.616)	-5,2	23.344	1,0	46.933	3,4
OTHER INCOME	4.660	0,5	232	0,0	0	0,0
OTHER EXPENSES	(19.125)	-1,9	(969)	0,0	(4.921)	-0,4
NET INTEREST INCOME	10.755	1,0	(19.498)	-0,9	(1.421)	-0,1
NET OPERATING INCOME	(57.326)	-5,6	3.109	0,1	40.591	2,9
PROFIT BEFORE TAX	(57.326)	-5,6	3.109	0,1	40.591	2,9
TAX	3.324	0,3	5.584	0,2	(3.453)	-0,2
NET PROFIT	(54.002)	-5,3	8.693	0,4	37.138	2,7

3.2.2 Horizontal Analysis

Horizontal analysis is the ratio analysis of each item from year to year as it shown in the below table. This analysis also gives us the policy change of the company from year to year.

This analysis is different form vertical analysis because it mainly tries to explain the year to year changes in specific items.

Table.6 Balance Sheet Horizontal Analysis of Beko

BALANCE SHEET HORIZONTAL ANALYSIS							
	30.06.2005	2005 - 2004		31.12.2004	2004 - 2003		31.12.2003
ASSETS		%	+		%	+	
CURRENT ASSETS - C/A	889,250	-14.4%	-	1,039,359	68.0%	420,742	618,617
CASH	71,990	140.2%	42,021	29,969	800.5%	26,641	3,328
RECEIVABLES	170,688	-26.0%	-59,918	230,606	101.1%	115,937	114,669
RELATED RECEIVABLES	277,412	-39.7%	-	460,107	40.6%	132,803	327,304
OTHER RECEIVABLES	7,714	-66.4%	-15,219	22,933	N/A	22,933	0
INVENTORY	350,194	24.8%	69,543	280,651	96.8%	138,025	142,626
OTHER C/A	11,252	-25.4%	-3,841	15,093	-50.8%	-15,597	30,690
FIXED ASSETS	304,556	2.2%	6,530	298,026	59.1%	110,662	187,364
OTHER RECEIVABLES	1,189	18.3%	184	1,005	N/A	1,005	0
FINANCIAL ASSETS	25,280	2.3%	565	24,715	10.4%	2,328	22,387
TANGIBLE ASSETS	253,312	2.3%	5,659	247,653	54.5%	87,355	160,298
INTANGIBLE ASSESTS	24,775	0.5%	122	24,653	426.9%	19,974	4,679
ASSETS TOTAL	1,193,806	-10.7%	-	1,337,385	65.9%	531,404	805,981
LIABILITIES							
SHORT TERM LIABILITIES - S/T LIABILITIES	615,178	-11.7%	-81,870	697,048	56.0%	250,114	446,934
FINANCIAL LIABILITIES	388,236	23.3%	73,385	314,851	74.4%	134,333	180,518
PAYABLES	140,317	-34.0%	-72,225	212,542	22.7%	39,289	173,253
RELATED PAYABLES	15,490	-85.6%	-91,846	107,336	106.8%	55,434	51,902
DEBT COMPENSATION	15,775	86.7%	7,325	8,450	N/A	8,450	0
OTHER S/T LIABILITIES	55,360	2.8%	1,491	53,869	30.6%	12,608	41,261
LONG TERM LIABILITIES - L/T LIABILITIES	298,277	-3.0%	-9,180	307,457	155.3%	187,031	120,426
FINANCIAL LIABILITIES	284,676	-2.1%	-6,009	290,685	169.5%	182,835	107,850
DEBT COMPENSATION	12,460	7.9%	912	11,548	140.3%	6,743	4,805
OTHER L/T LIABILITIES	1,141	-78.2%	-4,083	5,224	-32.8%	-2,547	7,771
EQUITY	280,863	-16.3%	-54,743	335,606	40.6%	96,985	238,621
CAPITAL	174,000	0.0%	0	174,000	190.0%	114,000	60,000
CAPITAL RESERVES	155,580	-7.6%	-12,836	168,416	-21.4%	-45,732	214,148
REVALUATION FUND	3,398	17.7%	510	2,888	N/A	2,888	0
INFLATION CORRECTION DIFFERENCES	151,670	-6.8%	-11,132	162,802	-24.0%	-51,346	214,148
PROFIT RESERVES	8,339	1040.8%	7,608	731	-2.3%	-17	748
UNUSUAL RESERVES	8,339	1040.8%	7,608	731	-2.3%	-17	748
NET PROFIT	(54,002)	-721.2%	-62,695	8,693	N/A	8,693	0
PAST LOSS / PROFITS	(3,054)	-81.2%	13,180	(16,234)	-55.2%	20,041	(36,275)
TOTAL PASIVE	1,194,318	-10.9%	-	1,340,111	66.3%	534,130	805,981

*% represents percentage change, + represents amount change

The income statement for the past three years of the company is also shown in the following table.

Table.7 Income Statement Horizontal Analysis of Beko

INCOME STATEMENT HORIZONTAL ANALYSIS							
	30.06.2005	2005 - 2004		31.12.2004	2004 - 2003		31.12.2003
		%	+		%	+	
NET SALES	1,026,500	-8.8%	-197,313	2,250,313	62.0%	861,001	1,389,312
COST OF GOODS SOLD	(937,427)	-6.6%	131,652	(2,006,506)	67.5%	-808,348	(1,198,158)
GROSS PROFIT / LOSS	89,073	-26.9%	-65,661	243,807	27.5%	52,653	191,154
OPERATING EXPENSES	(142,689)	29.4%	-64,915	(220,463)	52.9%	-76,242	(144,221)
OPERATING INCOME	(53,616)	-559.4%	-130,576	23,344	-50.3%	-23,589	46,933
OTHER INCOME	4,660	3917.2%	9,088	232	#DIV/0!	232	0
OTHER EXPENSES	(19,125)	3847.4%	-37,281	(969)	-80.3%	3,952	(4,921)
NET INTEREST INCOME	10,755	-210.3%	41,008	(19,498)	1272.1%	-18,077	(1,421)
NET OPERATING INCOME	(57,326)	-3787.7%	-117,761	3,109	-92.3%	-37,482	40,591
PROFIT BEFORE TAX	(57,326)	-3787.7%	-117,761	3,109	-92.3%	-37,482	40,591
TAX	3,324	19.1%	1,064	5,584	-261.7%	9,037	(3,453)
NET PROFIT	(54,002)	-1342.4%	-116,697	8,693	-76.6%	-28,445	37,138

*2005 data is taken as of 06/2005 so that income statement figures are real figures but for the differences they were multiplied by 2 in order to reach a better conclusion

3.2.3 Ratio analysis

Ratio analysis is much more different than the above analysis. It doesn't depend on the change in the financial reports. It is used to demonstrate financial status of the company.

- **Current ratio:** An indication of a company's ability to meet short-term debt obligations; the higher the ratio, the more liquid the company is. Current ratio is equal to current assets divided by short term liabilities. If the current assets of a company are more than twice the short term liabilities, then that company is generally considered to have good short-term financial strength. If short term liabilities exceed current assets, then the company may have problems meeting its short-term obligations.⁵ But if it is greater than 2, it means that there is excess fund and the company can not use it. (www.investorwords.com)
- **Quick ratio:** A measure of a company's liquidity and ability to meet its obligations. Quick ratio, often referred to as acid test ratio, is obtained by subtracting inventories from current assets and then dividing by short term liabilities. Quick ratio is viewed as a sign of company's financial strength or weakness (higher number means stronger, lower number means weaker). (www.investorwords.com)

- **Debt ratio:** this ratio is defined as the debt capital divided by total assets. This item tells how much the company relies on debt to finance assets. When calculating this ratio, it is conventional to consider both current and non-current debt and assets. In general, the lower the company's reliance on debt for asset formation, the less risky the company is since excessive debt can lead to a very heavy interest and principal repayment burden. However, when a company chooses to forgo debt and rely largely on equity, they are also giving up the tax reduction effect of interest payments. Thus, a company will have to consider both risk and tax issues when deciding on an optimal debt ratio. (www.investorwords.com)
- **Return on investment (ROI):** A measure of a corporation's profitability, equal to a fiscal year's income divided by common stock and preferred stock equity plus long-term debt. ROI measures how effectively the firm uses its capital to generate profit; the higher the ROI, the better the company is. (www.investorwords.com)
- **Return on asset (ROA):** A measure of a company's profitability, equal to a fiscal year's earnings divided by its total assets, expressed as a percentage. (www.investorwords.com)
- **Return on equity (ROE):** A measure of how well a company used reinvested earnings to generate additional earnings, equal to a fiscal year's after-tax income (after preferred stock dividends but before common stock dividends) divided by book value, expressed as a percentage. It is used as a general indication of the company's efficiency; in other words, how much profit it is able to generate given the resources provided by its stockholders. Investors usually look for companies with returns on equity that are high and growing.⁶

Besides the ratios one important issue is the **working capital**, it is current assets minus short term liabilities. Working capital measures how much in liquid assets a company has available to build its business. The number can be positive or negative, depending on how much debt the company is carrying. In general, companies that have a lot of working capital will be more successful since they can expand and improve their operations. Companies with negative working capital may lack the funds necessary for growth. (www.investorwords.com)

Above explained ratio and working capital figures of Beko are summarized in the below table.

Table.8 Ratio Analysis of Beko

BEKO	30.06.2005	31.12.2004	31.12.2003
Working capital	274.072	342.311	171.683
Current Ratio	1,45	1,49	1,38
Quick Ratio	0,88	1,09	1,07
Debt Ratio	0,76	0,75	0,70
Return on Investment	-0,09	0,01	0,10
Return on Asset	-0,05	0,01	0,05
Return on Equity	-0,19	0,03	0,16

4 BACKGROUND OF BSH EV ALETLERİ A.Ş.

BSH Bosch und Siemens Hausgeräte GmbH was founded in 1967 as a joint venture between Robert Bosch GmbH (Stuttgart) and Siemens AG (Berlin and Munich). Over the past fifteen years, BSH has grown rapidly. It is expanded its operations to 42 factories in 15 countries in Europe, USA, Latin America and Asia. Together with a worldwide network of sales and customer service companies, BSH now boasts over 70 companies in 40 countries with more than 34,500 employees. BSH headquarters are based in Munich.⁷

The subsidiary of BSH in Turkey is BSH Ev Aletleri Sanayi ve Ticaret A.Ş. The operations is being continued in Çerkezköy with total factory sizes of 450.000m² and headquartered from Istanbul. Because BSH Ev Aletleri Sanayi ve Ticaret A.Ş., has invested 500 Milyon EURO since 1992 to Turkey, it is the biggest foreign white good producer operating in Turkey.(www.bsh-group.com)

5 GENERAL INFORMATION ABOUT BSH

In this section we will focus on the main activities of the company. These are stated in the following sections

5.1 Profile of the Company

BSH Bosch und Siemens Hausgeräte GMBH, a joint venture between Robert Bosch GMBH Stuttgart and Siemens AG Munich, is a multinational group posting annual sales in excess of 6.8 billion euros. BSH is the market leader in Germany, the number one in Western Europe and is one of the world's leading domestic appliance manufacturers.

The extensive brand portfolio includes the following main brands:⁸

- **Bosch:** Bosch is the European market leader for household appliances. Closely associated with the values of a German industrial brand, Bosch today is the international household appliances brand with a significant presence in many European markets as well. Particular strengths of the brand are to be found in the "refrigeration" and "dishwashing" sectors as well as in standalone appliances.
- **Siemens:** Siemens is Germany's top company in the domestic appliance market and Europe's leading manufacturer of integrated appliances. The brand's traditional strengths are technology and design, especially in the "Cooking" and "Laundry" sectors and in integrated appliances.
- **Special Brands:** Gaggenau, Neff, Thermador, Viva, Ufesa, Constructa brands are the special brands that are tailored to meet our customers' exact requirements and which are trusted by consumers and dealers worldwide. Through its six special brands, BSH can meet individual, differentiated consumer requirements relating to brands and products. Six regional brands underpin the company image and high market shares.
- **Traditional Brands:** They complete BSH's stable of brands and round them off into a harmonious whole. If asked about well known brands of household appliances, the Spanish for example will mention Balay or the Greeks Pitsos. The Profilo brand in Turkey is just as popular as Continental is in Brazil. With products that are offered under these brands, BSH is superbly placed to cater for regionally specific needs, such as for example distinctively national culinary customs.

(www.bsh.com.tr)

5.2 Vision and Mission of the Company

BSH's mission and vision is determined as:⁹

- Mission: To satisfy the needs of the customers without losing their trust in our activity areas with special brands.
- Vision: To be the first choice of the dealers, suppliers, workers and the customers.

The mission of the company mainly depends on the trust of the customers. Robert Bosch who was the founder of the company also stated on that, he prefers to lose money than losing the trust of the customers.(www.bsh.com.tr)

5.3 Value and Principles

One of the most important principles embraced by BSH is to offer consumers genuine added value in terms of performance, comfort and ease of use by developing new and improved products. This approach is based on the firm conviction that pushing forward with new technologies not only creates competitive advantages and added convenience for the customer – but also ensures that the environment constantly benefits. Know-how transfer within the BSH group ensures that environmental protection standards are also adopted worldwide. BSH is committed to the principle of sustainability and to the responsible utilization of resources.¹⁰

The priorities of the company are stated as:¹¹

- Superiority of the products.
- Dealer and customer satisfaction.
- Cost cutting.
- Strong distribution channels.

The values of the company are defined in the following:¹²

- Customer and culture oriented work.
-

- Innovation.
- Change.
- Responsibility.
- Pro activity.
- Trust.
- Team work.

(www.bsh.com.tr)

5.4 Environmental Policy of The Company

As we have mentioned in Beko, BSH also take cares of the attention of the public to their activities. Due to this they are aware of the public needs and therefore they continue to work on following activities:¹³

- Preserving earth.
- Efficient water consumption.
- Preserving air.
- Not using clorofloracarbon materials.
- Decreasing gas disposals.
- Recycling.

BSH was also rewarded with environmental award in 2003(www.bsh.com.tr)

6 FINANCIAL INFORMATION ABOUT BSH

In this section, we will focus on the financial reports of the associated company. This section is divided into two succeeding sections in which financial data is shown and analyzed in the ways shown in Beko.

6.1 Financial Statements of BSH

The balance sheets of the past three years are shown in the following table

Table.9 Balance Sheet of BSH

BALANCE SHEET OF BSH			
ASSETS	30.06.2005	31.12.2004	31.12.2003
CURRENT ASSETS - C/A	585.210	543.689	461.403
CASH	41.586	13.320	19.379
RECEIVABLES	349.994	381.341	326.025
RELATED RECEIVABLES	42.097		
OTHER RECEIVABLES	2.435	3.901	6.804
INVENTORY	139.429	103.506	74.657
OTHER C/A	9.669	41.621	34.538
FIXED ASSETS	208.227	189.170	88.168
OTHER RECEIVABLES	6.776	6.788	7.028
FINANCIAL ASSETS	1.467	1.471	283
TANGIBLE ASSETS	197.202	171.284	76.433
INTANGIBLE ASSETS	2.782	9.627	4.424
ASSETS TOTAL	793.437	732.859	549.571
LIABILITIES			
SHORT TERM LIABILITIES - S/T LIABILITIES	416.779	312.865	258.880
FINANCIAL LIABILITIES	249.955	159.801	116.691
PAYABLES	95.825	94.699	92.724
RELATED PAYABLES	21.840		
DEBT COMPENSATION	40.207	43.810	37.597
OTHER S/T LIABILITIES	8.952	14.555	11.868
LONG TERM LIABILITIES - L/T LIABILITIES	54.101	106.711	135.821
FINANCIAL LIABILITIES	28.566	71.492	107.847
DEBT COMPENSATION	18.101	35.219	27.974
OTHER L/T LIABILITIES	7.434	0	
EQUITY	322.557	313.283	154.870
CAPITAL	42.000	40.018	40.018
CAPITAL RESERVES	190.622	192.363	61.047
REVALUATION FUND		102	102
INFLATION CORRECTION DIFFERENCES	190.622	192.261	60.945
PROFIT RESERVES	40.547	16.290	9.456
UNUSUAL RESERVES	40.547	16.290	9.456
NET PROFIT	30.503	64.612	50.185
PAST LOSS / PROFITS	18.885	0	(5.836)
TOTAL PASIVE	793.437	732.859	549.571

Source: ISE Internet Site, Milliyet Newspaper Internet Site

The income statement is also shown in the following table

Table.10 Income Statement of BSH

INCOME STATEMENT			
	30.06.2005	31.12.2004	31.12.2003
NET SALES	697.233	1.476.911	986.819
COST OF GOODS SOLD	(513.966)	(1.115.773)	(676.003)
GROSS PROFIT / LOSS	183.267	361.138	310.816
OPERATING EXPENSES	(134.802)	(256.279)	(200.013)
OPERATING INCOME	48.465	104.859	110.803
OTHER INCOME	26.629	49.026	34.054
OTHER EXPENSES	(20.238)	(24.990)	(18.281)
NET INTEREST INCOME	(13.531)	(36.282)	(51.282)
NET OPERATING INCOME	41.325	92.613	75.294
PROFIT BEFORE TAX	41.325	92.613	75.294
TAX	(10.822)	(28.001)	(25.109)
NET PROFIT	30.503	64.612	50.185

Source: ISE Internet Site, Milliyet Newspaper Internet Site

6.2 Financial Analysis of BSH

After stating the financial reports, we can start to deal with the financial analysis.

6.2.1 Vertical Analysis

A vertical analysis is done in the following table.

Table.11 Balance Sheet Vertical Analysis of BSH

BALANCE SHEET VERTICAL ANALYSIS									
ASSETS	30.06.2005	Section	General	31.12.2004	Section	General	31.12.2003	Section	General
CURRENT ASSETS - C/A	585.210		73,8	543.689		74,2	461.403		84,0
CASH	41.586	7,1		13.320	2,4		19.379	4,2	
RECEIVABLES	349.994	59,8		381.341	70,1		326.025	70,7	
RELATED RECEIVABLES	42.097	7,2			0,0			0,0	
OTHER RECEIVABLES	2.435	0,4		3.901	0,7		6.804	1,5	
INVENTORY	139.429	23,8		103.506	19,0		74.657	16,2	
OTHER C/A	9.669	1,7		41.621	7,7		34.538	7,5	
FIXED ASSETS	208.227		26,2	189.170		25,8	88.168		16,0
OTHER RECEIVABLES	6.776	3,3		6.788	3,6		7.028	8,0	
FINANCIAL ASSETS	1.467	0,7		1.471	0,8		283	0,3	
TANGIBLE ASSETS	197.202	94,7		171.284	90,5		76.433	86,7	

INTANGIBLE ASSETS	2.782	1,3		9.627	5,1		4.424	5,0	
ASSETS TOTAL	793.437			732.859			549.571		
LIABILITIES									
SHORT TERM LIABILITIES - S/T LIABILITIES	416.779		52,5	312.865		42,7	258.880		47,1
FINANCIAL LIABILITIES	249.955	60,0		159.801	51,1		116.691	45,1	
PAYABLES	95.825	23,0		94.699	30,3		92.724	35,8	
RELATED PAYABLES	21.840	5,2			0,0			0,0	
DEBT COMPENSATION	40.207	9,6		43.810	14,0		37.597	14,5	
OTHER S/T LIABILITIES	8.952	2,1		14.555	4,7		11.868	4,6	
LONG TERM LIABILITIES - L/T LIABILITIES	54.101		6,8	106.711		14,6	135.821		24,7
FINANCIAL LIABILITIES	28.566	52,8		71.492	67,0		107.847	79,4	
DEBT COMPENSATION	18.101	33,5		35.219	33,0		27.974	20,6	
OTHER L/T LIABILITIES	7.434	13,7		0	0,0			0,0	
EQUITY	322.557		40,7	313.283		42,7	154.870		28,2
CAPITAL	42.000	13,0		40.018	12,8		40.018	25,8	
CAPITAL RESERVES	190.622	59,1		192.363	61,4		61.047	39,4	
REVALUATION FUND				102			102		
INFLATION CORRECTION DIFFERENCES	190.622			192.261			60.945		
PROFIT RESERVES	40.547	12,6		16.290	5,2		9.456	6,1	
UNUSUAL RESERVES	40.547			16.290			9.456		
NET PROFIT	30.503	9,5		64.612	20,6		50.185	32,4	
PAST LOSS / PROFITS	18.885	5,9		0	0,0		(5.836)	-3,8	
TOTAL PASIVE	793.437			732.859			549.571		

Income statement is analyzed vertically in the following table.

Table.12 Income Statement Vertical Analysis of BSH

INCOME STATEMENT VERTICAL ANALYSIS						
	30.06.2005	Section	31.12.2004	Section	31.12.2003	Section
NET SALES	697.233	100,0	1.476.911	100,0	986.819	100,0
COST OF GOODS SOLD	(513.966)	-73,7	(1.115.773)	-75,5	(676.003)	-68,5
GROSS PROFIT / LOSS	183.267	26,3	361.138	24,5	310.816	31,5
OPERATING EXPENSES	(134.802)	-19,3	(256.279)	-17,4	(200.013)	-20,3
OPERATING INCOME	48.465	7,0	104.859	7,1	110.803	11,2
OTHER INCOME	26.629	3,8	49.026	3,3	34.054	3,5
OTHER EXPENSES	(20.238)	-2,9	(24.990)	-1,7	(18.281)	-1,9
NET INTEREST INCOME	(13.531)	-1,9	(36.282)	-2,5	(51.282)	-5,2
NET OPERATING INCOME	41.325	5,9	92.613	6,3	75.294	7,6
PROFIT BEFORE TAX	41.325	5,9	92.613	6,3	75.294	7,6
TAX	(10.822)	-1,6	(28.001)	-1,9	(25.109)	-2,5
NET PROFIT	30.503	4,4	64.612	4,4	50.185	5,1

6.2.2 Horizontal Analysis

Horizontal analysis is done in the following table for balance sheets.

Table.13 Balance Sheet Horizontal Analysis of BSH

BSH BALANCE SHEET							
	30.06.2005	2005 - 2004		31.12.2004	2004 - 2003		31.12.2003
ASSETS		%	+		%	+	
CURRENT ASSETS - C/A	585.210	7,6%	41.521	543.689	17,8%	82.286	461.403
CASH	41.586	212,2%	28.266	13.320	-31,3%	-6.059	19.379
RECEIVABLES	349.994	-8,2%	-31.347	381.341	17,0%	55.316	326.025
RELATED RECEIVABLES	42.097	N/A	42.097		N/A	0	
OTHER RECEIVABLES	2.435	-37,6%	-1.466	3.901	-42,7%	-2.903	6.804
INVENTORY	139.429	34,7%	35.923	103.506	38,6%	28.849	74.657
OTHER C/A	9.669	-76,8%	-31.952	41.621	20,5%	7.083	34.538
FIXED ASSETS	208.227	10,1%	19.057	189.170	114,6%	101.002	88.168
OTHER RECEIVABLES	6.776	-0,2%	-12	6.788	-3,4%	-240	7.028
FINANCIAL ASSETS	1.467	-0,3%	-4	1.471	419,8%	1.188	283
TANGIBLE ASSETS	197.202	15,1%	25.918	171.284	124,1%	94.851	76.433
INTANGIBLE ASSETS	2.782	-71,1%	-6.845	9.627	117,6%	5.203	4.424
ASSETS TOTAL	793.437	8,3%	60.578	732.859	33,4%	183.288	549.571
LIABILITIES							
SHORT TERM LIABILITIES - S/T LIABILITIES	416.779	33,2%	103.914	312.865	20,9%	53.985	258.880
FINANCIAL LIABILITIES	249.955	56,4%	90.154	159.801	36,9%	43.110	116.691
PAYABLES	95.825	1,2%	1.126	94.699	2,1%	1.975	92.724
RELATED PAYABLES	21.840	N/A	21.840		N/A	0	
DEBT COMPENSATION	40.207	-8,2%	-3.603	43.810	16,5%	6.213	37.597
OTHER S/T LIABILITIES	8.952	-38,5%	-5.603	14.555	22,6%	2.687	11.868
LONG TERM LIABILITIES - L/T LIABILITIES	54.101	-49,3%	-52.610	106.711	-21,4%	-29.110	135.821
FINANCIAL LIABILITIES	28.566	-60,0%	-42.926	71.492	-33,7%	-36.355	107.847
DEBT COMPENSATION	18.101	-48,6%	-17.118	35.219	25,9%	7.245	27.974
OTHER L/T LIABILITIES	7.434	N/A	7.434	0	N/A	0	
EQUITY	322.557	3,0%	9.274	313.283	102,3%	158.413	154.870
CAPITAL	42.000	5,0%	1.982	40.018	0,0%	0	40.018
CAPITAL RESERVES	190.622	-0,9%	-1.741	192.363	215,1%	131.316	61.047
REVALUATION FUND		-	-102	102	0,0%	0	102
		100,0%					
INFLATION CORRECTION DIFFERENCES	190.622	-0,9%	-1.639	192.261	215,5%	131.316	60.945
PROFIT RESERVES	40.547	148,9%	24.257	16.290	72,3%	6.834	9.456
UNUSUAL RESERVES	40.547	148,9%	24.257	16.290	72,3%	6.834	9.456
NET PROFIT	30.503	-52,8%	-34.109	64.612	28,7%	14.427	50.185
PAST LOSS / PROFITS	18.885	N/A	18.885	0	-	5.836	(5.836)
					100,0%		
TOTAL PASIVE	793.437	8,3%	60.578	732.859	33,4%	183.288	549.571

*% represents percentage change, + represents amount change

After showing the recent balance sheets of the company we will focus on the income statements in the following table.

Table.14 Income statement Horizontal Analysis of BSH

INCOME STATEMENT							
	30.06.2005	2005 - 2004		31.12.2004	2004 - 2003		31.12.2003
		%	+		%	+	
NET SALES	697.233	-5,6%	-82.445	1.476.911	49,7%	490.092	986.819
COST OF GOODS SOLD	(513.966)	-7,9%	87.841	(1.115.773)	65,1%	-439.770	(676.003)
GROSS PROFIT / LOSS	183.267	1,5%	5.396	361.138	16,2%	50.322	310.816
OPERATING EXPENSES	(134.802)	5,2%	-13.325	(256.279)	28,1%	-56.266	(200.013)
OPERATING INCOME	48.465	-7,6%	-7.929	104.859	-5,4%	-5.944	110.803
OTHER INCOME	26.629	8,6%	4.232	49.026	44,0%	14.972	34.054
OTHER EXPENSES	(20.238)	62,0%	-15.486	(24.990)	36,7%	-6.709	(18.281)
NET INTEREST INCOME	(13.531)	-25,4%	9.220	(36.282)	-29,3%	15.000	(51.282)
NET OPERATING INCOME	41.325	-10,8%	-9.963	92.613	23,0%	17.319	75.294
PROFIT BEFORE TAX	41.325	-10,8%	-9.963	92.613	23,0%	17.319	75.294
TAX	(10.822)	-22,7%	6.357	(28.001)	11,5%	-2.892	(25.109)
NET PROFIT	30.503	-5,6%	-3.606	64.612	28,7%	14.427	50.185

*2005 data is taken as of 06/2005 so that income statement figures are real figures but for the differences they were multiplied by 2 in order to reach a better conclusion

6.2.3 Ratio analysis

After concluding the horizontal and vertical analysis, ratio analysis should be done in order to understand the financial status of the company. Ratios are listed in the below table.

Table.15 BSH Ratio Analysis

BSH	30.06.2005	31.12.2004	31.12.2003
Working capital	168.431	230.824	202.523
Current Ratio	1,40	1,74	1,78
Quick Ratio	1,07	1,41	1,49
Debt Ratio	0,59	0,57	0,72
Return on investment	0,08	0,15	0,17
Return on Asset	0,04	0,09	0,09
Return on equity	0,09	0,21	0,32

7 EVALUATION OF TWO COMPANIES

In this section we started to evaluate the companies according to their financial reports shown in the above sections. Our evaluation will be in the order of our study.

a. Sales Trend Of The Companies

The comparison sales trends of the associated companies are shown in the following:

- Each company's sales are expected to increase, but the increase in Beko will be more than BSH.
- Both companies are expected to be profitable in the near future.
- Beko and BSH started to decrease their costs but this is mainly about the last year's low sale amount.
- Beko sales are more than BSH sales and Beko has been ahead of BSH in the past years.
- Beko is supposed to be the leading manufacturer (in sales) in the next years which is shown in the following figure (this is forecasted by the linear regression models).

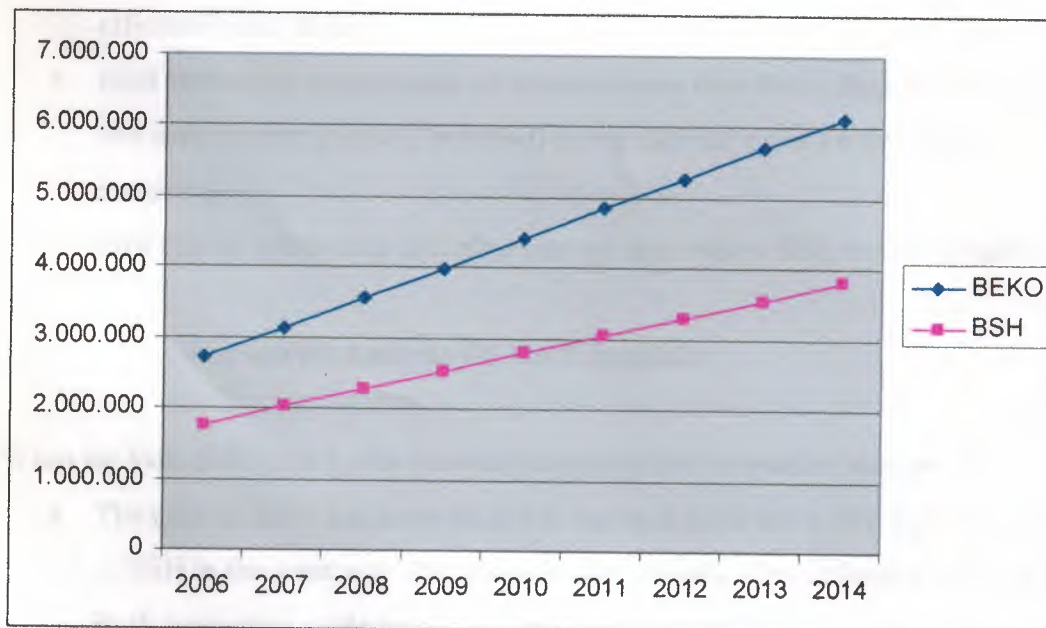


Figure.3 Sales Forecast of Two Companies

b. Vertical Analysis Of The Companies

When we look at the recent financial reports of the companies, we see that:

- The receivables of Beko are 19.2% of current assets, where BSH's figure is 59.8%. This may show that either Beko's collection capability is better than BSH's or Beko's dealer finance maturity is shorter than BSH's. However, in both conditions Beko is beneficial.
- Inventory of Beko is 39.4% where BSH's inventory is 23.8. This shows that the inventory cost of Beko is greater than BSH. BSH is supposed to be better in inventory management.
- BSH made more tangible asset investment but this figure is not meaningfully different from Beko.
- Their current asset weights are almost equal.
- Their short term liabilities are almost equal but long term financial sources differs. Beko is using long term liabilities than capital investment. BSH uses more capital than long term liability. This may show that BSH's financial status is secure because of using more capital. But in the other hand banks may see Beko more credible than BSH because of higher long term financial debt than BSH.
- BSH's gross profit is 3 times of Beko's gross profit. This shows that BSH uses its sources efficiently than Beko.
- BSH knows the management of excess money than Beko. Because other income item (in this item interest gain can be found) shows that there is a 4 times difference between these companies.
- Low cost of goods ratio and other income item makes BSH more profitable.

c. Horizontal Analysis Of The Companies

When we look at the past 3 year financial reports of the companies, we see that:

- The cash of Beko has been started to increase since 2004. But same figure didn't change in BSH in the same way. Beko's cash came mainly from collection of receivables.
- Both companies made tangible asset investments in 2005.
- Beko collected a high mass of receivables in 2005 but BSH didn't manage same kind of operation.

- Both companies needed financial support of the banks. But BSH provided much financial support 1 year later than Beko.
- In 2005, short term liabilities of Beko were decreased, where BSH's liabilities were increased.
- Beko's assets were narrowed because of the debt paying in 2005. There is a small increase in BSH in the same year.
- There is a capital decrease in Beko because of the past year losses. That figure doesn't change in BSH meaningfully.
- 2005 expected income statement figures (multiplying each income statement of 2005 by two) show that there will be a market loss for each company due to the decrease of their sales.
- Gross profit of Beko is decreased in the last year, but same figure was increased for BSH. That comes from the cost cutting of BSH in cost of goods sold.
- In the last year Beko is seen to be in loss where BSH is in profit.

d. Ratio Analysis Of The Companies

The ratio analyses are shown for both companies in the following:

- **Current Ratio:** Neither BSH nor Beko has a good current ratio. BSH has had a ratio of 1.78 in 2003 but in 2005 it decreased to 1.40. This problem should be overthrown by increasing the current assets, and decreasing the short term liabilities. Beko has made a positive change in this ratio but it is not enough. Beko's positive change mostly comes from cash holding. If we have calculated the cash ratio we would see that Beko is very good in that area.
- **Quick ratio:** We know that it mainly depends on the inventory management. Because of working with high inventory, Beko has had smaller quick ratios since 2003. On the other hand, BSH has been managing inventory well but in the last year they also started to work with high inventory. Excess inventory shouldn't be always seen as a cost creating factor for the firms. Because in some conditions, companies want to buy much inventory because of the expectations in the market.

- **Debt ratio:** In this factor, BSH became successful because of the decrease in the past 3 years. They mostly paid their long term liabilities and made a smaller increase in capital in order to decrease debt ratio. Because of the loss in 2005, Beko's ratio remains high.
- **ROI:** BSH is seen to be very successful than Beko in this factor. The last year's loss created negative impact on Beko's figures. In order to increase this figure both companies should increase their profitability.
- **ROA and ROE:** These figures mainly depend on the profit gained or lost in associated year. As an investor, these figures are expected to be higher than annual compounded bond rates. But neither Beko nor BSH has been successful in this factor. Like ROI, in these criteria companies should increase their profits in order to maintain high ratios.
- **Working Capital:** Working capital of Beko has grown better than BSH. For this reason Beko can be said to have more financial security than BSH. The below figure shows the difference between them.

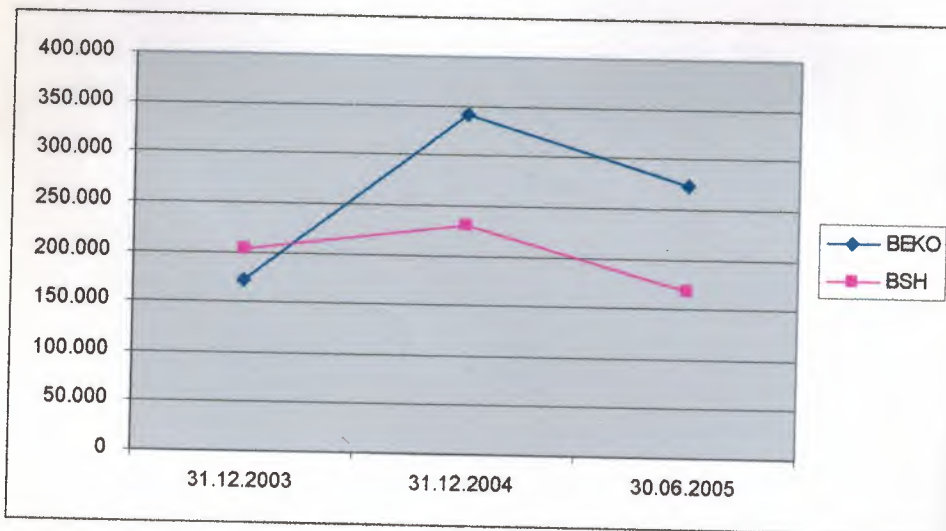


Figure.4 Working Capital of Two Companies

8 CONCLUSION

After analyzing and evaluating the financial status of the companies for the last years, we have seen that both companies are corporate companies and have a respected name in Turkish market. With its 50 year Turkey experience and being Turkish culture member, Beko is seen to be ahead

of BSH. After 1990's, BSH has gone a very important way in the penetration of Turkish market. Nevertheless, Beko have used its advantages very well until now. BSH is working on the innovative products to take the attention of the society.

When we look to the financial reports, we have seen that, Beko is better than BSH in most of the numerical values such as sales amount, asset size etc. But in the year to year progress, BSH have more positive ratios than Beko such as inventory management, profitability increase.

Beko has had a crucial experience in the sector, with this experience and the principles mentioned previously, they learned how to behave in different environments. On the other hand, BSH is also in the right way to satisfy the needs of the customers. Their financial results proves this, and they will be in working to be market leader in the near future.

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