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A Study on Financial Performance Analysis of Facebook

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ABSTRACT:

The above is a comparative analysis of the financial position and performance of the company. The comparison is based on official financial statements filed with the U.S. Securities and Exchange Commission (SEC) through the Electronic Data Gathering, Analysis, and Retrieval system (EDGAR) (about 10,000 largest publicly traded companies). The comparison is performed using the eleven key financial ratios (see table above). Company's financial ratios are compared with the median values of ratios of all companies and of companies within the same industry, and also with the quartiles of those ratios.

Social media originated as a way to interact with friends and family but was later adopted by businesses which wanted to take advantage of a popular new communication method to reach out to customers.

CHAPTER-1

1. INTRODUCTION

SOCIAL MEDIA -Definition:

Social media are interactive computer-mediated technologies that facilitate the creation or sharing of information, ideas, career interests and other forms of expression via virtual communities and networks. By design, **social media** is internet-based and gives users quick electronic communication of content. Social media originated as a way to interact with friends and family but was later adopted by businesses which wanted to take advantage of a popular new communication method to reach out to customers.

Common features of Social media:

- Social media are interactive Web 2.0 Internet-based applications.
- User-generated content such as text posts or comments, digital photos or videos, and data generated through all online interactions, is the lifeblood of social media.
- Users create service-specific profiles for the website or app that are designed and maintained by the social media organization.
- Social media facilitate the development of online social networks by connecting a user's profile with those of other individuals or groups.

Evolution of Social Media:

ARPANET, which first came online in 1967, had by the late 1970s developed a rich cultural exchange of non-government/business ideas and communication, as evidenced by the network etiquette (or "netiquette") described in a 1982 handbook on computing at MIT's Artificial Intelligence Laboratory ARPANET evolved into the Internet following the publication of the first Transmission Control Protocol (TCP), Specification, RFC 675 (Specification of Internet Transmission Control Program), written by Carl Sunshine in 1974.

A precursor of the electronic bulletin board system (BBS), known as Community Memory, had already appeared by 1973. True electronic bulletin board systems arrived with the Computer Bulletin Board System in Chicago, which first came online on February 16, 1978. Before long, most major cities had more than one BBS running on TRS-80, Apple II, Atari, IBM PC, Commodore 64, Sinclair, and similar personal computers.

When the World Wide Web (WWW, or "the web") was added to the Internet in the mid-1990s, message forums migrated to the web, becoming Internet forums, primarily due to cheaper per-person access as well as the ability to handle far more people simultaneously than telco modem banks. Advances in metal-oxide-semiconductor (MOS) semiconductor device fabrication, reaching

smaller micron and then sub-micron levels during the 1980s– 1990s, led to the development of the NMOS (n-type MOS) active-pixel sensor (APS) at Olympus in 1985 and then the complementary MOS (CMOS) active-pixel sensor (CMOS sensor) at NASA's Jet Propulsion Laboratory (JPL) in 1993. CMOS sensors enabled the mass proliferation of digital cameras and camera phones, which bolstered the rise of social media.

CHAPTER-2

2.1 REVIEW OF LITERATURE

The main purpose of the literature review work was to survey previous studies on knowledge sharing. The review of literature helped the researcher to conduct the survey in better and extensive manner. It should also help the researcher for finding and getting deeper into the topic.

- **Research Reviews:**

Bain and Company (2011), found that more than sixty percent of internet-connected individuals in the United States are engaged in social media platforms every day. The ability for consumers to have speedy access to information has made consumers more demanding.

Barry and Markey (2011), Leaders in social media understand the need for change in order to “pursue integrated social media strategies, with a more holistic assessment of the value that social media can create across the businesses, and with efforts directly tied to strategic business objectives.

Baym and Zhang and Lin (2004) While one type of social media may be preferred, this does not suggest that other forms of social media will be replaced. The social media use takes the numerous types of social media tools they use and combines them into ‘bundles’ of media uses.

Ha and James (1998) Distinctly different from other traditional marketing channels, such as mail or email, is social media’s interactive nature; that is the ability for users to provide responses or content to the communication that comes from an original source.

Lewis, Pea and Rosen (2010), Social media in the general field of education has been approached with some caution. The use of technology in education is ever growing popular among teaching professionals through platforms such as e-learning, but many in the education field have not yet harnessed many potential opportunities of using social media. This reluctance on behalf of educators is partially due to the challenges of merging an openended social media world into a rigid structure of the learning environment.

Quan-Haase et al., (2002), Social media users tend to use more than one source or type of social media as a way of communication.

Toffler (1980) The discernment between consumer and producer is quickly growing more blurred with social media. The obscuring of the two once definitive terms has resulted in a new concept call 'prosumer.' Prosumer describes the users' or consumers' ability of gaining control over the content being distributed by the product.

CHAPTER-3

RESEARCH METHODOLOGY:

1. Research Design:

The study follows the descriptive method of research to measure, evaluate and compare the financial performance of the Facebook. The study is based on secondary data that has been collected from audited annual reports of Facebook websites. The data is collected from the secondary data covers the period from 2010 to 2019 for the Period of 10 years. Here, Ratio Analysis is used to Analyse the Financial performance for Facebook. This model is used to analyse the debt equity ratio, leverage ratio, current ratio and quick ratio.

2. Sampling:

The sample of the study constituted of Facebook's financial data of following from the year 2010 to 2019.

3. Sources of Data:

Data is taken from the secondary sources of Facebook Annual report from the website and corresponding Available sources.

4. OBJECTIVES

- To Study on Financial Performance Analysis of Facebook.

CHAPTER-4**DATA ANALYSIS AND INTERPRETATION****Gross Profit Ratio:**

Table 4.1
Gross Profit Ratio

Years	Gross Profit Ratio
2010-2011	75.02
2011-2012	76.8
2012-2013	73.1
2013-2014	76.18
2014-2015	82.7
2015-2016	84.0
2016-2017	86.2
2017-2018	86.5
2018-2019	83.2
2019-2020	81.9

(Source: Secondary Data)

Inference:

This ratio can be used to know how to cover all the expenses and provide the profit. A higher ratio indicates greater profit. For the financial year 2011-2018, there is a gradual increase in ratio which increases profit, but for the financial year 2018-2020, there is a slow decrease which in forth-coming year will affect the overall profit of the company.



Chart 4.1 (Gross Profit Ratio)

CHAPTER-5

5.1 FINDINGS OF THE STUDY:

The financial performance of the firm is analyzed in terms of Ratio analysis. The results are displayed as follows:

- **Current Ratio:** A ratio of 2:1 or above is considered as a satisfactory level in the current ratio, and the firm has met the requirements, but there is a gradual decrease in financial year 2019-2020.
- **Liquid Ratio:** From financial year 2011-2018, there is a gradual increase in liquid ratio, but from 2018-2020 there is a defect in cash flow which will affect and the company should maintain liquid ratio.
- **Gross Profit Ratio:** For the financial year 2011-2018, there is a gradual increase in ratio which increases profit, but for the financial year 2018-2020, there is a slow decrease which in forthcoming year will affect the overall profit of the company.
- **Net Profit Ratio:** This ratio helps to evaluate the profitability of the company from its primary operations. From above case, for financial year 2012-2013, the net profit ratio is 0.62 which is less than 10% is considered below average and for year 2018-2019, the ratio of 39.5 is at peak indicating the company is exercising good cost control.
- **Working Capital:** High working capital indicates company can invest in other operations and seasonal differences in cash flow. From the above, there has been a gradual increase in working capital for the financial year 2010-2020.
- **Earnings Per Share:** Earnings Per Share is measured in scale of 1 to 99 for each company. From the above table, we can find that, for financial years 2016-2020 it is below one indicating that value of the stockholder's is decreasing which affects the share and profit of the company.
- **Pre-Tax Profit:** From the above, Pre-Tax Profit for financial years 2010-2020 has been gradually increasing which acts as a good sign in terms of sales and will be in better position to meet its tax expenses. It will provide the equity shareholder's with higher returns.

5.2 SUGGESTIONS:

Planning has become the primary function of the management related to individual situations and individual proposals. Ratio Analysis is used as an essential tool by management for controlling the overall wealth of the company. The following suggestions are listed below based on the study:

- The current ratio has been decreasing gradually and the company should work to at least maintain in-order to have enough resources to meet short-term obligations.
- Liquidity is ability to convert assets into cash quickly and the company has capability to increase the safety margin to meet its current liabilities by the next financial year.
- The company has been increasing which is a good sign of profit made before deducting selling cost and administrative cost.
- Operating Ratio of the firm should be decreased in-order to manage the operating costs which doesn't include debts.
- Operating Profit ratio has been increased and there is a setback in last financial year which indicates flaws and improper management of resources.
- The firm should mainly focus on how to maintain or increase the proprietary ratio for upcoming financial year to make sure shareholder's equity and not to depend upon debts for the operations.
- For the firm should try to maintain a very low debt equity ratio for low risk of loan default and the company from becoming bankrupt.
- The important factor for making a profit is by increasing the net profit ratio which the firm is doing and uplifts the business wealth of the firm.
- Increase in Working Capital of the firm is a good sign to measure the liquidity, operational efficiency and short-term financial health.
- Major defect in Earnings Per Share ratio indicating that the company should increase each share price in-order to make large profits for the company as well as the shareholders.

5.3 CONCLUSION:

Every Organization has a set of predetermined objectives and goals but attaining those objectives and goals by proper planning and executing those economically is not an easy task. The organization needs the capable personalities to execute these plans and survive in the global market.

The aim of this study is to analyze the cash or fund flow through the firm and the financial position of the firm. Ratio Analysis is used as a tool for evaluating the financial performance of the firm in this study.

Facebook, INC. plans to make the utilization of resources effective and implementing various strategies by upgrading to future technology development and also create an ambience for the its employees.

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