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FACULTY OF ECONOMICS

Department: BANK AND FINANCE

MASTER THESIS

FINANCIAL STATEMENTS OF PUBLIC COMPANIES

(Case study - PTK)

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ABSTRACT

Financial statements are of the utmost importance to a wide range of different users: shareholders, managers, financial analysts, regulatory authorities and professional bodies. Managers usually have superior information compared to other parties. Financial data have two quality aspects that are importance and credibility.

In this paper, we will deal with the way of drafting and interpreting the main financial statements, who are the main users or users of the information deriving from these financial statements and their importance in decision-making. The financial statement objective is to provide information about the financial position, financial performance and changes in the financial position of an entity that are useful to a wide range of users in making their economic decisions. The financial statements present the final stage in the processing of accounting data and are presented as accounting information carriers.

Financial reporting is carried out through published financial statements that aim to provide information about: financial position, results of operations, cash flow, changes in equity, and disclosure of accounting policies or explanatory notes.

Post and Telecommunication of Kosovo JSC (PTK) is a public company transformed into a joint stock company, which currently consists of two business units: Vala and Telecom of Kosovo, through which PTK offers a wide range of fixed and mobile telephony products, in order to fulfill needs and demands of consumers.

In 2014, PTK launched an ambitious technological investment plan based on 3G / 4G LTE mobile technologies. In addition to investments in new mobile technologies that will bring extremely high opportunities for very rapid data exchange, PTK continued with investments in optical networks and their extension across Kosovo.

Key terms: Financial statement, quality, financial position, financial reporting

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The main objectives of this master's thesis were to form an opinion on the financial statements of PTK and the need for the analysis of these statements in order to assess the corporate situation and success, to evaluate the effect of information from these financial statements in the management decision making in the corporation, to evaluate the effects of information from the financial statements for internal and external users, compare risk measurement and return on investment or lending decisions, as well as inform the company concerned and its results.

During this paper, I tried to show what the importance of financial statements is. The importance of the topic is also based on the analysis of PTK financial statements, ascertainments on its financial situation, how it has operated during the course for which the analysis is conducted, and what are the trends for the future of PTK.

The financial statements are a structured presentation of financial-economic transactions occurring in an enterprise during a specific reporting period. The purpose of the published financial statements is to provide information about: financial position, performance results, cash flow in the enterprise, which serves a number of users who have a legitimate interest in its financial capability. The analysis of the financial statements is a very important process, even necessary in making the right decisions. The main reason for conducting a financial analysis is to expand knowledge and to increase the opportunities for making important business decisions. Information provided by financial analysis together with accounting is the basis for decisions, both inside and outside the enterprise.

From the analysis made to the financial statements of a particular company we can ascertain its financial condition, how it has operated during the period for which the analysis is conducted, and what are the trends for the future in that enterprise. Financial statements, business entities should prepare for the customers outside the enterprise, including tax and statistical authorities, employees, and others who may have a legitimate interest in financial standing and business venture. Entities are required to make financial statements compliant with national standards, international accounting standards and/or international financial reporting standards.

Responsibility for the preparation of financial statements in an enterprise is the management of the enterprise.

Post and Telecommunication of Kosovo as a public company transformed into joint stock companies, currently consists of two business units: Vala and Telecom of Kosovo, through which PTK offers a wide range of fixed and mobile telephony products, in order to fulfill needs and demands of consumers.

From the financial analysis that was made to the financial performance of PTK, I have issued these findings for some traders:

- The 2014 sales price ratio was 19.66%, while for 2013 it was slightly lower 17.77%, while the gross margin for 2014 was 18.56%, in 2013 it was 31.30% higher.
- The ratio of net profit to sales (total revenue) that expressed the effectiveness of the operation between the cost-price relationship for 2014 was 16.49%, while in 2013 28.68%.
- The EBIT that most accurately reflects the effectiveness of operations for 2014 was 18.57%, while in 2013 31.30%. So, it's 68.55% lower than the previous year.
- EBITDA (EBIT with depreciation and amortization) is 34.8%, while in 2013 it is 44.5% higher. So, EBITDA shows that 2014 is the lowest compared to 2013 for 21.8%.
- The expenditure ratio for 2014 is 19.66%, while for 2013 it was 17.77%, which is 9.6% higher than the previous year.
- Average stock of sales is 4.96%, while for 2013 it was 3.82%, while sales costs are 25.25% for 2014 and 21.50% for 2013.
- The number of times the inventory circulated during the period analyzed using the average amount is 20.14% for 2013 26.17% times, while the sales price is 3.96 times for 2014 and 4.65 times for 2013.
- Sales per day were 375.01 euros, while for 2013 357.38%, while unpaid days are 49.7 days for 2014 and 101.04 days for 2013.
- Return on average total assets before interest and taxes is 11.01% for 2013 24.11%, while the return on average net assets before interest and taxes is 13.04% for 2013 28.56%.
- Return on equity is 11.52% for 2014 and 25.39% for 2013, while for average capital is 11.58% for 2014 and 25.25% for 2013.

- In the annual report of PTK in 2014, earnings for share were 3.70 euros in 2014 and 8.07 euros in 2013, while cash flow for share was 4.59 euros for 2014 and 8.98 for 2013.
- Total return on PTK capital for 2014 is 11.52% (25.39% for 2013).
- The dividend payment rate is 90.54% for 2014 and 110.78% for 2013.
- The current or current ratio is 2.36 times for 2014 and 3.22 times for 2013, while the acid test or fast report is 2.18 times for 2014 and 3.03 times for 2013.
- In 2014, the flow ratio was 2.36, which means that the firm for 1 euro liabilities has covered 2.36 euros in assets, while in 2013 it was 3.22 euro, thus decreasing the liquidity of the firm.
- The debt ratio with its own capital shows that 16.86% of the total assets of the enterprise in 2014 belong to the debt, while in 2013 it was the lowest 14.21% of the total assets.
- Revenue contribution in 2014 between Vala and KT was in proportion 86% with 14% better in Vala. So, in comparison to 2013, there is a gradual increase in the contribution to Vala's inputs. So, compared to KT, from 83% in 2013 to 86% in 2014.