

# *The Importance of Financial Statements in Corporate Management*

## *–Take Bright Dairy Co., Ltd. as an Example*

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**Abstract:** As an old national brand, Bright Dairy Co., Ltd. (hereinafter referred to as Bright Dairy) is ranked among the top three in the industry after years of development and in 2023, the global food value is located 70th, which entering the top 100 list successfully. With the increase in the total revenue of the Chinese dairy industry, the competitive pressure on the development process of Bright Dairy is getting greater and it is easy to be hit by potential risks. This paper uses literature analysis, case analysis, data analysis, and this paper mainly studies the company's potential risks and the current situation of the company through financial statements. There are also show readers how the company continues to develop well when facing the risks and exerting its own advantages. The study of this paper concludes that in general, the development of the Bright Dairy industry is relatively stable. Although it is affected by some major environmental effects of the epidemic, the potential risks are weak, so the company has a wonderful development prospect.

**Keywords:** Bright Dairy, Financial statements, Risk analysis, Corporate strategy

## 1. Introduction

The dairy industry is a subdivision industry under the food manufacturing industry in the secondary market. It has always been an indispensable industry for healthy China and strong nations. Its development has always been valued by the country. In recent years, China's market share has begun to shift to large companies with high brand awareness, strong strength, and significant scale benefits. Bright Dairy is one of the large-scale economic dairy manufacturing companies in the 22 listed companies. In recent years, the correlation research on Bright Dairy Company has emerged endlessly, but it is still a bit blank about the financial analysis of the company in the past three years and the risks and challenges that will face in the future. Therefore, this article will conduct a relatively simple analysis through the financial statements of Bright Dairy in the past three years, and focus on using data analysis to carry out research on the financial reports of Bright Dairy Company in 2021 and 2022 and a central report in 2023. This paper can help them have better development prospects and future while understanding the company.

## 2. Basic Theory of Financial Statements

Financial statements are accounting statements reflecting funds and profits in a certain period of time for enterprises or budget units. The types, formats, and report requirements of China's financial statements are stipulated by a unified accounting system, requiring enterprises to make reports regularly. Financial statements include asset liabilities, profit and loss sheets, cash flow sheets, or changes in financial status, attached tables, and notes. Financial statements are the main parts of the financial report, excluding the information of the director's report, management analysis and financial statements, etc. included in the financial reports or annual reports.

Financial statements are the main part of the financial report and the accounting information plays a pivotal role in it. Firstly, it comprehensively and systematically reveals the financial status, business results and cash flow of the enterprise in a certain period of time, and also helps enterprises provide an effective basis for economic prediction and decision-making. Secondly, it is conducive to the national economic management department to understand the operation of the national economy, and then ensure the stable and sustainable development of the national economy. Lastly, it is conducive to investors, creditors and other parties related to the financial conditions, business results and cash flow of the enterprises. Through financial statements, this paper also can help enterprises analyze the profitability, debt repayment capabilities, development prospects of the enterprise, etc., and provide decisions for their investment, loans and trade decisions in accordance.

## 3. Overview of Bright Dairy Company

The business origin of Bright Dairy began in 1911 and has a history of 111 years. Bright Dairy is China's leading high-end dairy leader. From the ranch to the terminal, through the creation of the entire industry chain, it ensures that high-quality products and services are consistent, and they are committed to becoming "the best dairy company in China". Bright Dairy adheres to the quality of innovation, under the corporate strategy of "based on Shanghai, developing East China, optimizing the whole country, and enjoying fresh", continuously improving the core competitiveness of the entire industry chain. Under the guarantee of strong scientific research strength and an excellent quality management system, Bright Dairy ranks first in the national share of fresh milk markets in the country. One of the most popular brands is "JCAN". Light Dairy actively implements the main responsibility of food safety, strictly implements the quality strategy of "quality as the core, innovation as the driving force, and quality to promote the brand", adheres to ingenuity, and uses quality endorsements to allow more people to feel delicious and healthy happiness. The corporate's main business products are engaged in the development, production and sales of various dairy products, the breeding, cultivation, logistics distribution and other businesses of cows[1].

## 4. Application of Financial Statements in Corporate Management

### 4.1. Application of Financial Statements in Operating Decisions

Through the analysis of financial statements such as the balance sheet, profit statement, and cash flow statement, the enterprise can evaluate the company's financial status, profitability, growth potential and risk level, so as to provide investors with a decision-making basis[2].

First of all, it can reflect the business status of the enterprise and provide information support for the enterprise to make financial decision-making. Enterprises need to carry out profitability analysis to collect the operating income, operating costs of various products, and indirect costs of various products. Secondly, it can improve the profitability of enterprises. The content of financial statements has the characteristics of diversified, such as fundraising decision-making analysis, investment decision analysis and business decision analysis. In the decision-making of investment projects,

enterprises can choose the appropriate investment decision analysis method based on different characteristics of investment projects, which can effectively evaluate the cost and expected income of investment projects [3].

#### **4.2. Application of Financial Statements in Risk Control**

Financial statements can help enterprises provide data support for risk control. Analysis of the financial statements can find the risk points of the internal existence of the enterprise, which helps enterprise management to make correct decisions on future development. People can grasp the financial situation of the enterprise by analyzing the asset structure and flow ratio of the enterprise. People also analyze the reasons for the profit of corporate profits by analyzing the profit statement or researching the cash flow statement, grasping the operating status and changes of corporate funds, and providing information basis for financial risk prevention [3].

#### **5. The Importance and Limitations of Financial Statements**

Financial statements have four characteristics: definition, measurability, correlation, and reliability. It plays an important role in analyzing the debt repayment, operating capacity, and profitability of the enterprise: by analyzing the various indicators and data provided in the financial statements, the problems encountered in the business process of the enterprise can be accurately reflected [4]. The laws of development and market laws provide strong assistance for corporate management decisions. However, financial statements are not impeccable and have limitations in some aspects. For example, in the process of appearance disclosure, much information that is not related to finance is disclosed, and this information is useless for relevant accounting information interests, which leads to the mechanical growth of information disclosure. The existence of unreal data has increased the screening time cost of the filter. There are also traditional corporate financial statements management work, and the financial indicators formulated lack comprehensiveness. In the incomplete financial statements indicator system, it is impossible to fully understand the problems faced by enterprises in the current and future development work, and they cannot be for it. Enterprise management provides subsequent help and guidance [5].

#### **6. Company Risk Prediction and Application Analysis Based on Financial Statement Data**

Table 1 shows Bright Dairy's balance sheet from 2021 to 2023. First of all, from the perspective of asset structure analysis compared with 2021, the ratio of flow assets and non-current assets in 2022 increased at the same time. Although the total assets have declined in 2023, the degree of decline is not large. Secondly, from the perspective of liability structure analysis, it is more than 200 billion yuan and the total increase will continue to increase in the second half of 2023. However, by 2023, due to the impact of the epidemic, a relatively large decrease in the relatively large decline in the flow of Bright Dairy's current assets, about nine percentage points, instead of the flow asset ratio, still increased. Moreover, moving on to the whole, the total proportion of the total liabilities of each year is very large, and the liabilities of non-fluid are always low, but the annual ratio is decreasing or absolute. From the perspective of the debt details, the amount of pre-collection of the Bright Dairy industry is large, and the salary of employees is also rising year by year, indicating that the development prospects of the enterprise are considerable. It is expected that there may be a large number of customers and employees increase.

Table1: Bright Dairy's balance sheet (2021—2023) [1].

	2023Medium -term financial report	2022Annual financial report	2021Annual financial report
Liquid assets (100 million yuan)	89.77	99.08	91.78
Non-liquid assets (100 million yuan)	146.96	145.44	142.72
Total assets (100 million yuan)	236.73	244.52	234.50
Liquid liabilities (100 million yuan)	96.92	107.35	86.89
Non-liquid liabilities (100 million yuan)	31.76	31.70	44.09
Total liabilities (100 million yuan)	128.68	139.04	130.98

Table 2: Bright Dairy's profit statement (2021—2023) [1].

	2023 Medium -term financial report	2022Annual financial report	2021Annual financial report
Total operating income (10,000 yuan)	1,413,910.15	2,821,490.80	2,920,599.25
Total operating income (sales ratio)(%)	100.00	100.00	100.00
Total operating income(year -on -year)(%)	-1.88	-3.39	15.79
Total operating cost(10,000 yuan)	1,368,409.19	2,763,932.81	2,861,642.33
Total cost (sales ratio)(%)	96.78	97.96	97.98
Total operating cost (year -on -year)(%)	-1.97	-3.41	18.77
Administration expenses	47,621.38	87,838.68	81,401.56
Selling expenses	171,988.78	347,356.59	364,952.44
Research and development costs	3,927.56	8,466.15	8,925.94
Investment earning	229.57	-1,435.32	-462.76

Table 2 shows the Bright Dairy profit statement from 2021 to 2023. Initially, the total operating income of Bright Dairy has declined year by year, and the total operating income ratio decreased by about 3.39% from the impact of the epidemic in 2022. In an increasingly competitive environment, if marketing methods are not adjusted in time, it will definitely lose the opportunity to sell a large

number of products, and at the same time, it may further bring the company's risk of great decline in profitability. Moreover, the company's management expenses fell sharply in 2023, indicating that the company can well adjust to the inconvenience caused by the environment and does not need to invest too much funds, which reflects the mature maturity of the Bright Dairy company. Lastly, in terms of investment, the company's investment income in 2020 reached its lowest value in three years, indicating that there was a problem with the investment policy of the enterprise. Although the data in mid-2023 showed that there was a turn, it was still a problem that the company was worthy of attention.

## 7. Conclusion

This paper mainly studies the financial statements of Bright Dairy Company from 2021 to 2023 and analyzes the company's development prospects. Overall, both the entire company's management and profitability have a considerable future development. However, this paper has not performed too many details on some details of the financial report of Bright Dairy Company, nor did it use DuPont analysis or Harvard framework for more in-depth analysis. Based on this, it is recommended that the focus of future research can be placed on how the company controls costs, enhances short-term debt repayment, and how to study new products to enhance market competitiveness.

## References

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