Analysis on the profit quality of D film and television company

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Abstract: The analysis of profit quality has always been necessary. With the rapid development of country and the growing market economy, information become more and more complex. At the same time, investors and other stakeholders pay more and more attention to the comprehensive information provided by listed companies, and pay more and more attention to the analysis of information content. With the continuous improvement and maturity of the overall industry environment of the film and television industry, it attracts the attention of the public in the fierce competition of all walks of life. This paper selects D film and television company, a listed company in the film and television industry, to analyze its profit quality according to the company's financial data, and puts forward some substantive suggestions.

1. Introduction

At present,China is in the stage of rapid economic development and people's increasingly affluent life. At the same time, all walks of life are developing rapidly, and the film and television industry has attracted the attention of the public in the fierce competition of all walks of life. But now the supervision of the film and television industry is becoming increasingly strict, and the "limited collection order", the "Limited ancient order" and other kinds of overt and covert lines that do not appear in the documents make the film and television industry in a very severe environment.This paper selects D film and television company which is well-known in the industry, analyzes its profit quality from four aspects of profitability, safety and stability, growth and cash security, and puts forward some suggestions, which can have a certain reference value for other enterprises in the film and television industry to improve their profit quality.

2. Analysis on the profit quality of the company

As a well-known listed company in the industry, D film and television company has received public attention. This paper uses the profit quality evaluation index, based on the financial data of the company from 2016 to 2019, to evaluate and analyze the profit quality of D film and television company from many aspects.

2.1. Profitability analysis

Profitability refers to the ability of an enterprise to make profits by using its own resources, that is, the profitability of an enterprise. Good profitability is the premise of high profit quality. Profitability is based on accrual basis, which mainly reveals the amount of profit in a certain accounting period. Next, this paper will analyze the profitability of D film and television company from the four indicators of sales net interest rate, return on net assets, net interest rate of total assets and inventory turnover rate. These four indicators are positive indicators, that is to say, the higher the indicators, the stronger the profitability of enterprises.

From 2016 to 2019, the net profit rate of sales of D film and television company is 14%, 5%, -543% and 19%; the return on net assets is 6%, 2%, - 116% and 4%; the net profit rate of total assets is 7%, 2%, -65% and 3%. The changes of these three indicators are very similar, showing a downward trend, especially in 2018. In 2018-2019, the state has introduced some strict policies, which makes the whole film and television industry vulnerable. Through consulting relevant

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information, the revenue of variety show and content marketing of D film and television company declined sharply in that year. Some film and television projects did not arrive at the time of revenue recognition, resulting in less related operating revenue. At the same time, the company's subsidiaries had some investment losses. Due to various reasons, the indicators are not ideal. In 2019, the indicators have picked up slightly, but still can not reach the general level.

2.2. Analysis of stability

The stability factor in the evaluation of profit quality refers to whether the future profit of an enterprise can continue to occur, which has certain predictability. A sustained and stable profit is not only the guarantee of the company's future high profit target, but also an indispensable aspect of high profit quality. This paper will analyze the stability of D film and television company from the main business profit margin, main business profit margin and recurrent profit and loss ratio.

The main business profit margin of D film and television company from 2016 to 2019 is 26%, 22%, -20% and 22%; we can find that its main business profit margin is declining, and compared with other enterprises in the industry, the index has been relatively low. By consulting the relevant information, it is found that the operating cost of D company in 2018 is not much different from that in 2017, but its operating revenue has decreased significantly. In this case, the bad situation of operating profit can be imagined. The operating revenue in 2019 is not much different from that in 2018, but the profit margin of main business in 2019 becomes positive due to slightly controlling the cost. The main business sharpness rates of company D were 173%, 465%, 4% and 97% respectively. In 2016, the performance was normal. In 2017, the index rose because the company's plays were released one after another, and all of them achieved brilliant results. In 2018, due to the poor performance of films and TV dramas and the sharp decline of income from variety marketing, the proportion of main business decreased, and the index rose slightly in 2019.The ratio of recurrent profit and loss is 90%, 54% and 38% respectively. The reason why the ratio keeps decreasing is that there are not many recurrent profits and losses of enterprises, and many non recurrent profits and losses such as government subsidies flow into enterprises. Through the analysis of the above three financial indicators, we can find that D film and television company's main business profit ability is not strong, relatively speaking, in the industry is also lack of competitiveness. It can be said that the profit stability of D film and television company is weak.

2.3. Analysis of cash guarantee

The cash guarantee factor of profit quality is mainly based on the analysis of the cash flow statement, which can see whether the enterprise has sufficient cash flow in production and operation, and reflect the ability of the enterprise's profit to actually bring cash flow. The analysis of cash security is a very important link in the analysis of profit quality. Next, this paper will make a detailed analysis from the income cash ratio and total asset cash recovery rate.

D film and television company's income cash ratio is 0.71, 0.81, 2.3, 0.9. The sudden increase in 2018 is due to the sharp decline in the company's operating revenue in that year, while the cash received from selling goods and providing services is not much different from that in previous years, so the ratio surges. The cash ratio is basically less than 1, which indicates that D film and television company can not recover most of the cash in selling goods and providing services in a timely manner. From 2016 to 2019, the asset cash recovery rate of company D is -0.06, 0.01, 0.04 and 0.03 respectively. In 2016, the net operating cash flow of company D is negative, the discount efficiency of capital is very low, and the net operating cash flow of company D becomes positive in 2017. However, due to the large scale of enterprise development assets, the value of total asset cash recovery rate is low. The main reason for the improvement of indicators in 2018 and 2019 is that The total assets have changed significantly, but the index value is still very low, all below 5%, and there is a gap with the excellent film and television enterprises in the industry. Generally speaking, it is found that the net cash flow of D film and television company is not stable, and the degree of cash guarantee is low.

2.4. Analysis of growth

Growth refers to the ability and level of an enterprise's future operation and development. In the future, enterprises have the ability of safe and stable growth. Only in this way can profits be regarded as high-quality profits. This paper will analyze the growth of D film and television company from the growth rate of main business and the growth rate of net operating cash flow.

D film and television company's main business growth rate is 36.61%, - 12.71%, - 71.99% and - 2.87%. It can be seen that although the range is high and low, but overall, the main business income is still declining. In 2018, due to the lack of revenue recognition of some films and television dramas in that year and the sharp decline of variety show income, the main business income dropped sharply. The growth rate of net operating cash flow of company D in recent four years is 221.29%, - 115.36%, 94.29% and - 19.92%. We can find that the growth rate fluctuates greatly and is not stable on the whole. At the same time, through consulting the data, it is found that the amount of net cash flow of company D is lower than that of some film and television companies in the same industry. It can be seen that the growth of D company is not strong.

3. Enlightenment

Combined with the development of the film and television industry, this paper uses the profit quality financial index evaluation system suitable for D film and television company to conduct a comprehensive analysis of D film and television company, and draws the following enlightenment.

3.1. Strengthen the supervision of accounts receivable

First of all, D film and television company should have a detailed understanding of all aspects of customers at the beginning of establishing sales relationship with customers, and can establish a customer information base. On the basis of this information, the credit rating evaluation system of customers is established, and the credit line of customers is confirmed according to this credit rating. Secondly, in the actual work, it is necessary to manage the accounts receivable strictly, urge the accounts in time, and strengthen the control of the accounts receivable.

3.2. Pay attention to fine production management

The film and television policy is constantly under strict control. A series of chain reactions after strict control of various policies naturally make the film and television industry more vulnerable. In the face of this strict regulatory policy, and the early projects of D film and television company are in the stage of high cost, which makes it easy for enterprises to lose money. In the face of this situation, D film and television company should actively face, the first thing to do is to further optimize the production process, pay attention to the refinement of production, so that the profitability of the project can be improved.

3.3. Pay attention to script content creation

Nowadays, IP plays are popular in the market, and companies are buying them. But this kind of large-scale purchase of novels will not only cost a lot of money, but also if you buy plagiarism novels, it will affect the brand reputation of the company. In view of these situations, D film and television company should pay attention to content creation and increase the investment in script content creation to ensure the high quality of the script. It is necessary to know that the works that can survive in the market competition must be of high quality, and at the same time, making excellent works by ourselves can save a lot of costs.

4. Conclusion

Considering the actual situation of today's film and television industry, enterprises should increase the management of accounts receivable, pay attention to fine production management, and pay attention to the creation of script content, so as to improve the profit quality of enterprises.

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