

Research on Financial Analysis and Evaluation——A Case Study of Joyoung

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Abstract: In recent years, due to the impact of the new crown pneumonia epidemic, the economic development of countries around the world has been slow or even stagnant, and the same is true for our country's economy. In recent years, due to the impact of the new crown pneumonia epidemic, the economic development of countries around the world has been slow or even stagnant, and the same is true for our country's economy. As far as the home appliance industry is concerned, the large-scale home appliance market has been significantly affected, and the market has generally shown a downward trend. However, with consumption upgrading, small home appliances characterized by "small but refined" are not the most popular products. However, with consumption upgrading, small home appliances characterized by "small but refined" are developing rapidly like a dark horse, showing a relatively tenacious vitality, and has developed into a new blue ocean in the home appliance market, with the market being characterized by "small but refined". However, with consumption upgrading, small home appliances characterized by "small but refined" are developing rapidly like a dark horse, showing a relatively tenacious vitality, and has developed into a new blue ocean in the home appliance market, driving a new wave of consumption in the field of home appliances. Co., Ltd. is a very representative enterprise in this industry. This paper will take home appliance company Joyoung Co., Ltd. as the research object, based on the company's 2020-2022 financial statement data, using relevant financial methods, from four dimensions of profitability, solvency, operating capacity, development capacity and other comprehensive analysis. This paper will take home appliance company Joyoung Co. as the research object, based on the company's 2020-2022 financial statement data, using relevant financial methods, from four dimensions of profitability, solvency, operating capacity, development capacity and other comprehensive From the perspective of financial analysis, finds the existing problems of Joyoung Company, summarizes the drawbacks and deficiencies in the operation process of the enterprise, and gives a comprehensive analysis of the company's financial statement. operation process of the enterprise, and gives some suggestions, hoping to provide some help for the development of the company, and also provide some reference for the healthy development of other companies in the same industry.

Keywords: Small Household Appliance; Joyoung Co., Ltd.; Financial Analysis

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1.Introduction

With the improvement of residents' living standards and accelerated urbanization, China's demand for home appliances has

grown significantly, and the industry is booming^[1]. Consumption upgrading has led to the rapid popularization of small home appliances as a symbol of quality life, and a strong manufacturing base not only supports domestic demand, but also makes China an important global production base. Under the guidance of national policies, the home appliance industry is crucial to people's livelihood and economic stability. Technological advances and consumer demand upgrades drive products to intelligent, refined development, the rise of e-commerce channels to further expand the market^[2]. However, the industry is facing multiple challenges such as rising costs, intensifying competition, product homogenization and epidemic impact. The slowdown in real estate growth and disruptions in the global supply chain led to a significant decline in sales. Against this backdrop, financial analysis has become a key tool for companies to diagnose problems and seek breakthroughs^[3]. Domestic and international studies have provided theoretical support to cope with the challenges. Western financial analysis has a mature theoretical system, and domestic research has a late start but strong practicability^[4].

In this paper, Jiuyang is selected as a case study to carry out a multi-dimensional analysis, aiming to reveal the core problems of enterprises in the post epidemic era, put forward targeted solutions, and provide a model of financial analysis practice for the same industry.

2. Financial analysis of Jiuyang

With the help of relevant financial analysis methods, this part will take Jiuyang Company as the research object, and selected the financial statement data of the last three years to conduct an all-round financial analysis of Jiuyang Company.

2.1 Jiuyang Company Profile

Jiuyang was founded in July 2002 as Shandong Jiuyang Small Home Appliances Co. It is a company known for its soymilk machines and has diversified into various small home appliance fields, including cooking machines, and is committed to the innovation, production and marketing of various types of products. As a leading brand of national healthy life, the company has always been adhering to the strategic concept of “positioning the kitchen, upgrading the kitchen”, focusing on improving people's quality of life, and continuing to innovate and produce high-quality products in line with the national health needs, and work hard to bring convenience to the lives of customers.

2.2 Company operations

Table 3-1 Changes in Total Operating Income and Net Income of Jiuyang Corporation

Unit: million dollars

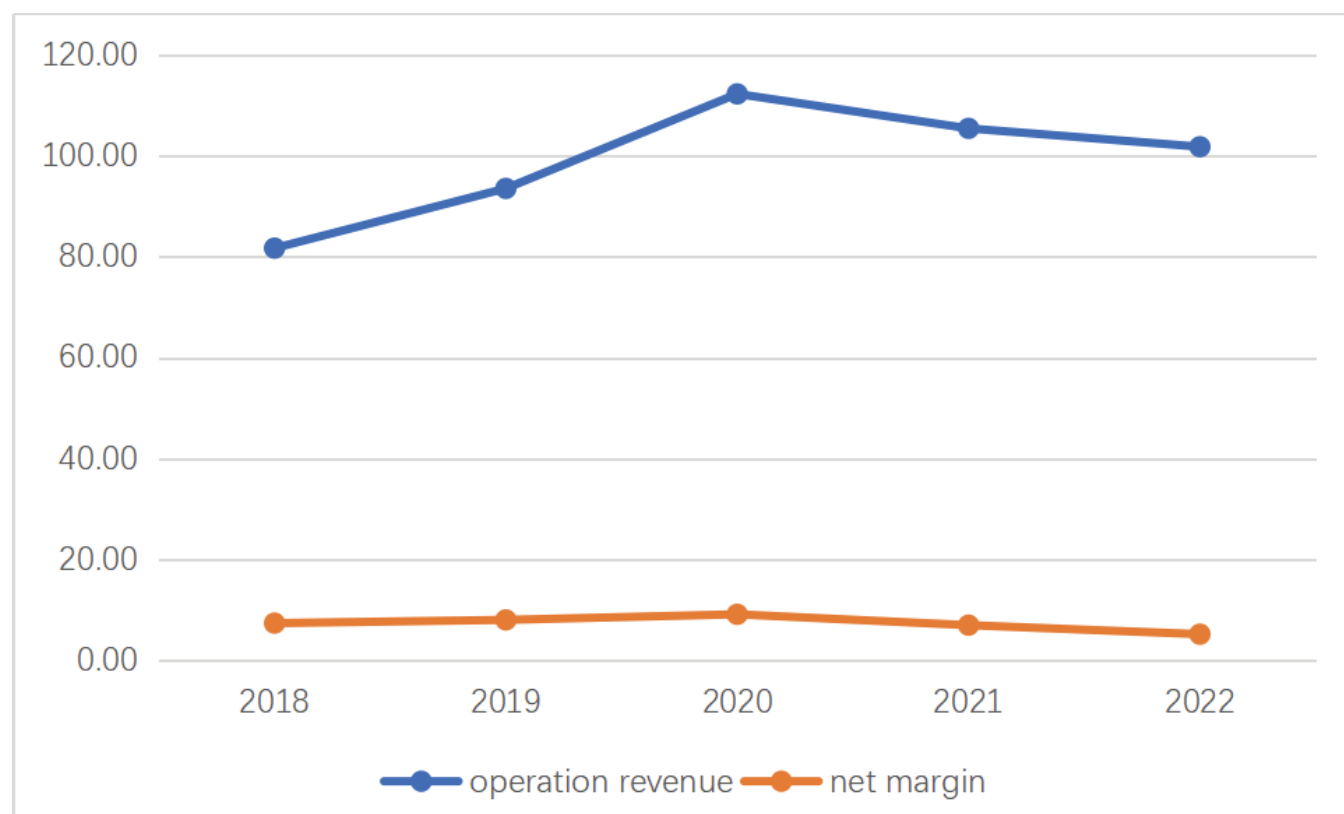
particular year	2018	2019	2020	2021	2022
total revenue	816,870.87	935,143.95	1,122,374.76	1,054,047.39	1,017,668.78
net profit	74,166.15	80,576.01	91,631.41	70,130.60	52,251.05

Data source: 2018-2022 Annual Reports of Jiuyang Corporation

According to the financial annual report of Jiuyang Company, the total operating revenue in 2022 decreased by 3.45% from 2021; total profit decreased by 26.20% from 2021; and net profit attributable to shareholders of the parent company decreased by 28.98% from 2021. Table 3-1 above summarizes the changes in Jiuyang's total operating income and net profit from 2018 to 2022.

From Table 3-1 and Figure 3-1 shows that during the period of 2018-2022, Jiuyang's total operating income and net profit showed a general trend of rising and then falling, and the operating income grew faster during the period of 2018-2020, mainly due to the transformation and upgrading of China's small household appliance industry is the “epitome” of China's manufacturing transformation and upgrading. And from 2020 to 2022 slow decline, mainly due to rising raw material prices, high production costs, the gradual recovery of the offline market, online market change accelerated, channel traffic fragmentation and other factors to the company's development has brought greater pressure and difficulties, resulting in a decline in the company's operating income. And the net profit compared to the operating income, the growth rate is slower, mainly due to the raw materials and other production costs rise, advertising investment and the various channels aspects of the cost of sales expenses such as the increase.

Figure 3-1 Trends of Total Operating Income and Net Income of Jiuyang Corporation, 2018-2022



2.3 Analysis of Jiuyang's Financial Capability Indicators

2.3.1 Profitability analysis

Profitability is the ability of a firm to make profits over a certain period of time, also known as the ability of the firm to increase its capital or capital appreciation, which is crucial for all stakeholders of the firm. And as the profitability of a firm increases, the return to shareholders also increases, which enhances the value and cash flow of the firm, as well as the ability of the firm to service its debt.

Table 3-2 Profitability Analysis of Jiuyang Corporation, 2020-2022

Unit: million dollars

Profitability indicators	2020	2021	2022
net operating profit margin	8.16%	6.65%	5.13%
Total asset turnover	1.35	1.19	1.31
return on total assets	12.80%	8.96%	7.48%
Return on shareholders' equity	29.25%	18.57%	13.81%

Source: Jiuyang Financial Statements

Table 3-2 can be analyzed to show that the net operating margin of the enterprise is in a declining state from 2020 to 2022, which indicates that the financial structure of the company is unreasonable, the profitability of the enterprise needs to be improved, and the development of the enterprise has encountered a bottleneck. The enterprise's total asset turnover ratio shows a small fluctuation state, and then from the two aspects of total asset return and shareholders' equity return, both of which show a downward trend year by year.

2.3.2 Debt service capacity analysis

Table 3-3 Solvency Analysis of Jiuyang Company 2020-2022

Unit: million dollars

Solvency indicators	2020	2021	2022
current ratio	1.52	1.56	1.34
Quick Freeze Ratio	1.14	1.17	1
cash ratio	0.41	0.48	0.43
gearing	53.12%	50.19%	52.98%

Source: Jiuyang Financial Statements

From the perspectives of current ratio, quick ratio and cash ratio, the overall trend of these three ratios from 2020 to 2022 shows a rising and then falling trend, which shows that the company's short-term solvency is not obvious. From a certain point of view, the enterprise cash ratio has a certain relationship with its financial elasticity and current liabilities repayment ability, that is, the higher the cash ratio, the higher its financial elasticity, the stronger the current liabilities repayment ability, but for an enterprise, the pursuit of improving the cash ratio is not good, the ratio is too high, it may produce excess funds, the opportunity cost of funds increases, the ability of cash profitability will be correspondingly low, the utilization of liquid assets and other related problems. Therefore, the enterprise should control the cash ratio within a certain limit is the optimal choice. From the perspective of gearing ratio, the change is not obvious in these three years, which shows that the company's long-term solvency is basically stable, of course, from the perspective of enterprise development, the gearing ratio should be reduced year by year, therefore, Jiuyang should also take measures to improve the competitiveness of the enterprise as well as the profitability ^[2].

2.3.3 Operational capacity analysis

Table 3-4 Jiuyang Corporation Operating Capacity Analysis 2020-2022

Unit: million dollars

Indicators of operational capacity	2020	2021	2022
Inventory turnover	7.51	12.14	29.27
Accounts receivable turnover ratio	53.68	26.27	15.93
Fixed asset turnover	16.92	17.24	16.77
Current asset turnover ratio	1.75	1.53	1.78
Total asset turnover	1.35	1.19	1.31

Source: Jiuyang Financial Statements

From Table 3-4, it can be seen that the company's inventory turnover ratio has been in a steadily increasing trend from 2020 to 2022, which shows that the company is more capable in inventory management. The improvement of inventory turnover ratio can effectively reduce the level of capital utilization. Analyzing from the perspective of accounts receivable turnover, the speed of the company's receipt of payments is inversely proportional to the chance of bad debts, i.e., the faster the company receives payments, the less likely bad debts will occur. The company's accounts receivable turnover ratio peaks in 2020, indicating that the company has the strongest accounts receivable management in 2020. In 2020, the rate of collection also declines significantly, and liquidity then becomes weaker. Analyzing from the perspective of fixed asset turnover and current asset turnover, the company as a whole shows the trend of rising and then falling, and the overall change is not obvious. The higher the current asset turnover ratio, the faster the turnover of current assets, the higher the utilization rate. Analyzing from the perspective of total asset turnover ratio, the company as a whole shows the development trend of decreasing and then

increasing. The decline in total asset turnover ratio indicates that in the process of operation, the flow rate of many assets from input to output is low, the utilization rate of assets is not high, and the quality level of asset management is not high, while the company's total asset turnover ratio as a whole shows a slow fluctuation trend, which is enough to make the enterprise managers to raise the vigilance, and they should strengthen the management of the assets, in order to improve the efficiency of the utilization of the assets.

2.3.4 Development capacity analysis

Table 3-5 Jiuyang's Development Capability Analysis, 2020-2022

Unit: million dollars

Capacity development indicators	2020	2021	2022
Revenue growth rate	20.02%	-6.09%	-3.45%
Total asset growth rate	22.32%	-6.77%	-16.93%
rate of capital accumulation	12.03%	28.14%	-21.58%
profit growth rate	13.08%	-25.63%	-26.20%

Source: Jiuyang Financial Statements

According to Table 3-5, the company in the period of 2020-2022, the company's revenue growth rate as a whole showed a negative growth trend, indicating that the company through the creation of creative products, the effectiveness of the product is not clear, the product stagnation, the market development ability has significantly reduced. From the perspective of total asset growth rate to analyze, the company's total asset growth rate as a whole showed a negative growth trend, that is, the total amount of assets declined significantly, the size of the assets fell significantly in just a few years, indicating that the growth capacity of the enterprise is extremely weak. Analyzed from the perspective of capital accumulation rate, the overall fluctuation of the company's capital accumulation rate is more obvious, showing a trend of rising and then falling, indicating that the company has a strong expansion capacity, while its capital accumulation is unstable, indicating that its ability to sustained development needs to be improved. Analyzing from the perspective of profit growth rate, the overall profit growth rate shows the trend of increasing year by year, indicating that the company's profitability is weak and the market prospect is worrying.

3.Problems and Improvement Suggestions of Jiuyang Company

3.1 Problems

3.1.1 Reduced asset size and growth capacity

From Table 3-2, since 2020, Jiuyang's total assets have declined and the asset growth rate has been negative, which shows that the enterprise's asset scale is shrinking, not forming the advantages of scale operation, and the enterprise's growth ability is not good.

3.1.2 High proportion of current liabilities and increased operational risk

As shown in Table 3-2, in 2022, Jiuyang's current liabilities accounted for as high as 97.98% of the total liabilities, while the repayment period of current liabilities is short, in case of a shortage of funds, large short-term liabilities will be difficult to be repaid, and the company will face a greater financial risk, and the business operation will face great challenges.

3.1.3 Decreased operating profit and weakened profitability

From Table 3-2, since 2020, Jiuyang net operating profit margin, return on total assets, return on shareholders' equity and other indicators to examine the profitability of the value of a significant decrease in the enterprise can be seen in the lack of growth, analysis of the reasons can be found, the enterprise needs such as raw materials, labor and other costs of production have risen significantly, the increase in advertising investment and the cost of various channels and other significant increase in the cost of sales, the increase in market competition has led to a decrease in product sales, which ultimately led to a decline in product profitability. Increased competition in the market led to a decrease in product sales, which ultimately led to a

decline in product profitability. Moreover, the market situation in this industry shows that supply exceeds demand and has reached saturation. Therefore, the enterprise in reducing costs at the same time, transformation and upgrading without delay.

3.1.4 Unstable asset utilization and low level of asset management

Table 3-4 shows that between 2020 and 2020, the asset turnover ratio of Jiuyang Company first shows the development trend of decreasing and then increasing, and the overall view is unstable, which indicates that in the process of the operation of the enterprise, the flow rate of many assets from input to output is low, the utilization rate of the assets is not high, and the quality level of the management of the assets is not high, and this dynamic is enough to make the managers of the enterprise to raise vigilance, and the management of the assets should be strengthened in order to improve the utilization efficiency of assets.

3.1.5 Low turnover of accounts receivable and inadequate collection efforts

As shown in Table 3-4, the accounts receivable turnover rate of Jiuyang Company falls significantly from 53.68% in 2020 to 15.93% in 2022, and the slower the company receives the payment, the higher the probability of bad debts occurring. And the liquidity will become weaker with the decline in the speed of collection, so the management level of accounts receivable is crucial for a company, and the company should solve the problem of low accounts receivable turnover as soon as possible and improve the management level of accounts receivable ^[3].

3.2 Recommendations for improvement

3.2.1 Increase R&D investment to enhance product competitiveness

Increase the attention to such products, increase the capital investment in their research and development, and continuously launch new products with higher technological content and better product value to enhance the competitiveness of the relevant products and promote the enhancement of the economic benefits of enterprises ^[4].

3.2.2 Controlling operating costs and reducing business risks

Establish a cost and expense control system to refine and decompose costs; subdivide management expenses to reduce non-essential expenditures; and formulate scientific management expense standards to reduce costs.

3.2.3 Innovate and accelerate product transformation and upgrading

Continuously improve the competitiveness of ace products, stabilize the main business income brought by higher profit products, so that profits continue to improve. Adjust the development strategy, accelerate the transformation and upgrading, increase technological innovation ^[5], explore new blue ocean and increase the added value of products. Focusing and oriented on user needs, we continue to launch more products that meet the needs of consumers in the new era to satisfy the growing personalized needs of consumers.

3.2.4 Enhanced management of funds and fixed assets

Actively explore diversified financing channels to improve the efficiency of capital utilization, strengthen the management of accounts receivable to reduce the enterprise's capital consumption, and strengthen the all-round management of fixed assets. Comprehensively optimize the above links to promote the improvement and accelerated development of the supply chain.

3.2.5 Improve accounts receivable management

In formulating credit policies, it is necessary to accurately assess customer creditworthiness and weigh credit costs and credit risks; establish collection mechanisms with flexibility and efficiency to ensure timely collection of accounts; commit to reducing and preventing the occurrence of bad and doubtful debts by conducting in-depth analysis of the aging of accounts receivable; the enterprise must follow the principle of soundness, anticipate possible losses from bad debts, and proactively establish an appropriate reserve system; raising the risk awareness of leaders and strengthening the leadership responsibility for receivables are also important measures to improve the management of receivables.

4. Conclusions and outlook

This paper takes Jiuyang Company as the research object and draws the following conclusions by summarizing and analyzing the relevant financial data of the company from 2020 to 2022:

Firstly, a company with even better performance in the past is bound to go downhill in the end if it does not think of making progress and strive to innovate and improve itself in terms of technology, market and management. This can be fully illustrated by analyzing the financial status of Jiuyang in recent years, although the development of Jiuyang has not yet

reached this point of decline.

Secondly, the rising cost of raw materials and rising management costs are inevitable problems in the process of enterprise development, enterprises must rely on technological progress, management level improvement, efficiency enhancement and other ways to solve them.

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no

Conflict of Interests

The authors declare that there is no conflict of interest regarding the publication of this paper.

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