

TCL Group Company Operational Capability Analysis

Xiaoyan Zhang*

Accounting School, Xijing University, Shaanxi 710123, China

* 1377515222@qq.com

Abstract. The stronger the enterprise's operating capability, the faster the turnover of various assets in daily production, the shorter the time it takes, and the better the ability to convert to cash, which ultimately promotes the growth of corporate profits and provides the development of the enterprise. Financial support. This article takes TCL Group as the research object and aims to explore the problems of its operational capabilities. It first introduces the company, then selects its financial data for the past five years, and combines the characteristics of the case company to analyze the operational capabilities of its related assets. Found the problems of the enterprise, such as inventory backlog risk, low efficiency of fixed asset utilization and low efficiency of liquid asset management, and finally put forward a strategy to improve the operating capacity of TCL Group. The research in this article helps enterprise managers to effectively identify business risks and provides relevant suggestions for the development of enterprises.

Keywords: Inventory Management Performance; Fixed Asset Utilization Efficiency; Total Asset Management Efficiency.

1. Introduction

As a carrier of contemporary economic development, enterprises need to constantly optimize their asset allocation, and the quality of enterprise asset allocation can be measured by the level of asset operation. Assets with high operating efficiency can obtain higher profits and weak operating capabilities. Assets need to be continuously optimized. The operating efficiency of corporate assets maintains a relatively high speed, and the speed of gaining revenue will increase accordingly, thereby giving creditors confidence to a certain extent, thereby promoting the improvement of the solvency of the enterprise. Therefore, paying attention to the operational capabilities of the enterprise can not only allow internal managers to efficiently grasp the allocation of their own assets, find problems, and take effective measures to circumvent the problem, but also enable external stakeholders to clarify the pros and cons of the company's operations and decide whether The interest relationship occurs in the enterprise, so this ability plays a very important role in the operation and management of the enterprise. Based on this, this article takes TCL Group as a research case, and at the same time combines the company's characteristics and data, deeply analyzes the problems of its operational capabilities, and puts forward strategic suggestions in a targeted manner, hoping to provide meaningful reference suggestions for enterprise development.

2. Analysis and Research on TCL Group's Operation Capability

2.1 Company Profile

TCL Group is one of the largest consumer electronics companies in China, and it is a fast-growing industrial manufacturing company in China. The company was listed on the Shenzhen Stock Exchange in January 2004. After years of development, the company has gradually developed into a diversified enterprise integrating research, development, production and sales. The company's independent innovation ability has been continuously improved, and the international trend has gradually Highlight. In order to better adapt to economic development and quickly grow into a new industry, the company began a new development trend in 2011. Now the company has opened up semiconductors, electronic products and other fields. TCL will restructure assets in 2019 and adjust new development strategies. In the future, science and technology will be the focus of development.

2.2 Analysis of Operating Capacity

2.2.1 Inventory Turnover Rate

It can be seen from Table 2 that TCL Group's operating costs in 2015 were 87.283 billion yuan, which continued to increase over the next four years, but began to decline in 2019, a decrease of 28.37% compared to 2018. The direction of inventory changes is consistent with it, and there has been a substantial decline in 2019. Looking at the notes in the 2019 annual report, it can be seen that the company's operating costs in mainland China have decreased by 8.84% and overseas operating costs have dropped by 47.72%.

Table 1. Analysis of Inventory Turnover

Unit	2015/12/31	2016/12/31	2017/12/31	2018/12/31	2019/12/31
Operating Cost (100 million yuan)	872.83	884.70	886.64	926.06	663.37
Inventory (100 million yuan)	90.29	128.25	129.46	198.88	56.78
Average Balance of Inventory	92.26	109.27	128.86	164.17	127.83
Inventory Turnover Rate (times)	9.46	8.10	6.88	5.64	5.19
Inventory Turnover Days (days)	38.05	44.46	52.32	63.82	69.37

2.2.2 Turnover Rate of Fixed Assets

It can be seen from Table 3 that the net value of TCL Group's fixed assets has increased year by year in the past three years, from 32.598 billion yuan in 2017 to 45.459 billion yuan in 2019, indicating that the company's long-term assets have increased year by year and there is a motivation for scale expansion. Looking at the notes to the company's financial statements, TCL Huaxing Optoelectronics accounted for more than 70% of TCL's fixed assets. In 2019, the company's major asset restructuring has caused substantial changes in the business scope. In the future, companies will focus on the technology industry, and strategic transformation will promote the scale of corporate assets Variety.

Table 2. Analysis of Fixed Assets Turnover

Unit	2015/12/31	2016/12/31	2017/12/31	2018/12/31	2019/12/31
Operating Income (100 million yuan)	1045.79	1064.74	1115.77	1133.60	749.33
Net Fixed Assets (100 million yuan)	260.42	377.21	325.98	359.83	454.59
Average Net Fixed Assets	231.47	318.81	351.59	342.91	407.21
Turnover Rate of Fixed Assets (times)	4.52	3.34	3.17	3.31	1.84
Number of Fixed Assets Turnover Days (days)	79.68	107.79	113.44	108.90	195.64

2.2.3 Current Asset Turnover

It can be seen from Table 4 that the TCL Group's current asset scale has increased in the past few years, but it has begun to decline in 2019. The main reason for this is the decline in the size of operating income, which has led to a decline in the holding scale of current assets. It was 26.801 billion yuan, but it was 18.648 billion yuan in 2019, and accounts receivable also fell from 13.651 billion yuan to 8.34 billion yuan.

Table 3. Analysis of Current Assets Turnover

Unit	2015/12/31	2016/12/31	2017/12/31	2018/12/31	2019/12/31
Operating Income (100 million yuan)	1045.79	1064.74	1115.77	1133.60	749.33
Current Assets (100 million yuan)	537.49	759.22	800.96	803.08	481.56
Average Current Assets	546.15	648.36	780.09	802.02	642.32
Current Asset Turnover Ratio (times)	1.91	1.64	1.43	1.41	1.17
Current Assets Turnover Days (days)	188.00	219.22	251.69	254.70	308.59

3. Problems with TCL Group's Operational Capabilities

3.1 Inventory has a Backlog Risk

The inventory turnover rate of TCL Group has decreased year by year in the past five years, and the number of days of inventory turnover has increased year by year. The increase in costs will also increase the risk of damage to and loss of the enterprise's inventory, and thus reduce the economic benefits of the enterprise. And the company's inventory operation efficiency is lower than that of companies in the same industry that are similar to the company's operating scale and business type. High, resulting in a certain degree of inventory backlog and increased operational risks.

3.2 Reduced Utilization of Fixed Assets

With the increase in the amount of fixed assets of TCL Group in the past three years, the turnover rate of corporate fixed assets has changed in the opposite direction, and the number of turnover has declined year by year, which is higher than that of companies in the same industry. Large-scale growth, especially during the asset reorganization, the group's asset structure and business scope change, the company's use of fixed assets decreases, and the management level declines year by year, resulting in the company's certain resources being idle, increasing the company's cost. The operating capacity of the enterprise.

3.3 Reduced Liquidity Management Capabilities

TCL Group's current asset scale and operating income scale change in the same direction. Among them, from 2015 to 2018, it increased year by year, but it declined in 2019. The scale of current assets held by enterprises such as inventories and accounts receivables has decreased. TCL Group's current asset turnover decreased from year to year during 2015-2019, which shows that the company's ability to operate liquid assets has gradually weakened. Therefore, TCL Group needs to improve the management capability of current assets to increase the turnover speed of current assets and prevent the further weakening of the ability to operate current assets.

4. CL Group's Strategy Suggestions to Deal with the Problem

4.1 Establish an Optimal Ordering Model

The low inventory turnover rate of TCL Group leads to the need for companies to pay excessive storage costs, and it also increases the risk of damage and loss of the company's inventory. Therefore, enterprises should establish an optimal ordering model and optimize the company's inventory structure to make the company's inventory. Inventory can maintain the optimal holding amount, when the demand increases, the enterprise can have excess goods to sell, when the demand decreases, the enterprise will not pay too much storage and personnel costs, and keep no shortage and uninterrupted, thus Reduce costs due to storage, damage costs due to poor management, etc. Establishing an optimal inventory model can keep the company's inventory at its best.

4.2 Improve the Fixed Asset Dynamic Management System

With the development of technology, more and more enterprises implement dynamic management of fixed assets. TCL Group should use network information technology to make full use of its own manpower and material resources to check its existing fixed assets and make detailed Check the inventory form, statistic the fixed assets of the enterprise by department, and clarify the efficiency of the use of various fixed assets, optimize the allocation of assets for each asset, and establish a scientific and effective system to exclude some idle assets. The end-of-life fixed assets are cleaned up in a timely manner, so that each asset is a mode necessary for the survival and operation of the enterprise itself, thereby reducing unnecessary consumption and maximizing the profit of the enterprise.

4.3 Expand Sales Scale and Create Excess Revenue

To improve the management efficiency of current assets, it is necessary to ensure that the growth rate of operating income is higher than that of corporate current assets. Compared with 2018, TCL Group's operating income declined in 2019, so companies should strengthen management and reinvest some idle assets in order to In order to obtain part of the income, support the company's other aspects of expenditure, and constantly develop new products, such products meet the practical needs of consumers in the new era, thereby building a diversified income source channel and diversifying risks.

5. Analysis Conclusion

This article takes TCL Group as a case object, combined with the background of the company's asset reorganization, analyzes the changes and causes of changes in various financial indicators of the company's operating capacity, and draws the following conclusions:

TCL Group's inventory has a risk of backlog. The company's inventory turnover rate has declined year by year in the past five years, and it is lower than that of companies in the same industry, indicating that the company's ability to convert inventory into cash is weak, which will increase the cost of inventory storage; TCL Group's utilization of fixed assets is decreasing year by year. During the reorganization of the company, the use of fixed assets gradually declined, the company had some resources idle, therefore, enterprises should improve the dynamic management system of fixed assets; The efficiency of TCL Group's current asset management is decreasing year by year.

References

- [1]. Ng Y. M. An Empirical Study On the Relationship between Ownership and Performance in a Family-Based Corporate Environment, *Journal of Accounting, Auditing and Finance*, 2005.
- [2]. Frank J. Abuzz& Pamela Peterson: *Financial Management and Analysis*, China Renmin University Press, 2008.
- [3]. Higgins, James M. *Strategic management and organizational policy*[M]. Dryden Press, 2018 (6): 45-49.
- [4]. Han Xuejiao. Analysis of enterprise operating capacity based on financial indicators [J]. *New Economy*, 2016 (Z1): 18-19.
- [5]. Zhang Baoqing. Discussion on the analysis index of enterprise operation capability [J]. *Accounting and Communications*, 2016, (8): 43-45.