

“A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF FACEBOOK”

Submitted in partial fulfillment of the requirements for the award of

Master of Business Administration

By

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**DEPARTMENT OF BUSINESS ADMINISTRATION AND
SCHOOL OF MANAGEMENT STUDIES**

SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **DOROTHY PAULINOS MOPUR (42410153)** who carried out the Project Training entitled “**A Study on Financial Performance Analysis of Facebook**” under my supervision from October 2023 to December 2023.

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DECLARATION

I, **DOROTHY PAULINOS MOPUR, (42410153)** hereby declare that the Project Report entitled, **“ A Study on Financial Performance Analysis of Facebook”** done by me under the guidance of **Dr. RANI** is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE:

PLACE:

DOROTHY PAULINOS MOPUR

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DOROTHY PAULINOS MOPUR

ABSTRACT

The above is a comparative analysis of the financial position and performance of the company. The comparison is based on official financial statements filed with the U.S. Securities and Exchange Commission (SEC) through the Electronic Data Gathering, Analysis, and Retrieval system (EDGAR). The comparison is performed using the eleven key financial ratios. Company's financial ratios are compared with the median values of ratios of all companies and of companies within the same industry, and also with the quartiles of those ratios.

Social media originated as a way to interact with friends and family but was later adopted by businesses which wanted to take advantage of a popular new communication method to reach out to customers.

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CHAPTER – 1 INTRODUCTION

1.1 INTRODUCTION TO SOCIAL MEDIA

SOCIAL MEDIA -Definition:

Social media are interactive computer-mediated technologies that facilitate the creation or sharing of information, ideas, career interests and other forms of expression via virtual communities and networks. By design, **social media** is internet- based and gives users quick electronic communication of content. Social media originated as a way to interact with friends and family but was later adopted by businesses which wanted to take advantage of a popular new communication method to reach out to customers.

1.1.1 Common features of Social media:

- Social media are interactive Web 2.0 Internet-based applications.
- User-generated content such as text posts or comments, digital photos or videos, and data generated through all online interactions, is the lifeblood of social media.
- Users create service-specific profiles for the website or app that are designed and maintained by the social media organization.
- Social media facilitate the development of online social networks by connecting a user's profile with those of other individuals or groups.

1.1.2 Types of Social Media:

1. **Social networks** – Connect with people. Examples: Facebook, Twitter, LinkedIn.
2. **Media sharing networks** – Share photos, videos, and other media.
Examples: Instagram, Snapchat, YouTube.
3. **Discussion forums** – Share news and ideas. Examples: reddit, Quora, Digg.

4. **Bookmarking and content curation networks** – Discover, save, and share new content. Examples: Pinterest, Flipboard.
5. **Consumer review networks** – Find and review businesses. Examples: Yelp, Zomato, TripAdvisor
6. **Blogging and publishing networks** – Publish content online. Examples: WordPress, Tumblr, Medium
7. **Sharing economy networks** – Trade goods and services. Examples: Airbnb, Uber.

1.1.3 Evolution of Social Media:

ARPANET, which first came online in 1967, had by the late 1970s developed a rich cultural exchange of non-government/business ideas and communication, as evidenced by the network etiquette (or "netiquette") described in a 1982 handbook on computing at MIT's Artificial Intelligence Laboratory ARPANET evolved into the Internet following the publication of the first Transmission Control Protocol (TCP), Specification, RFC 675 (Specification of Internet Transmission Control Program), written by Carl Sunshine in 1974.

A precursor of the electronic bulletin board system (BBS), known as Community Memory, had already appeared by 1973. True electronic bulletin board systems arrived with the Computer Bulletin Board System in Chicago, which first came online on February 16, 1978. Before long, most major cities had more than one BBS running on TRS-80, Apple II, Atari, IBM PC, Commodore 64, Sinclair, and similar personal computers.

When the World Wide Web (WWW, or "the web") was added to the Internet in the mid-1990s, message forums migrated to the web, becoming Internet forums, primarily due to cheaper per-person access as well as the ability to handle far more people simultaneously than telco modem banks. Advances in metal-oxide-semiconductor (MOS) semiconductor device fabrication, reaching smaller micron and then sub- micron levels during the 1980s–1990s, led to the development of the NMOS (n-type MOS) active-pixel sensor (APS) at Olympus in 1985 and then the complementary MOS (CMOS) active-pixel sensor (CMOS sensor) at NASA's Jet Propulsion

Laboratory (JPL) in 1993. CMOS sensors enabled the mass proliferation of digital cameras and camera phones, which bolstered the rise of social media.

1.1.4 Merits of Social Media:

- You reach large audiences.
- You have a direct connection with your audience.
- This opens many opportunities for your company to connect with valuable leads at no cost.
- You have access to paid advertising services.
- You build your brand.
- You can evaluate your performance.
- You can create viral.
- Information spreads fast.

1.1.5 Demerits of Social Media:

- You can receive negative feedback.
- You open up the potential for embarrassment.
- You must spend a lot of time on your campaigns.
- You have to wait to see results.
- Privacy problems.
- Lacks emotional connection.

1.1.6 Impacts of Social Media:

With the use of platforms like Facebook, Twitter and Instagram, how people socialize has been greatly revolutionized. It has made it easy to connect to our family members, friends

and relatives on a real-time basis. Families, friends, relatives and businesses have the opportunity to share skills and improve on different proficiencies. Additionally, people get to make and meet new friends.

Businesses have greatly been impacted by social media - from marketing to interacting with customers on a timely basis. The online platforms are a less expensive way for businesses to advertise their offerings on a real-time basis and to attract more customers. Through interaction and feedbacks by businesses to their customers, they can understand the market quickly and adopt new strategies, as well as conform to the dynamic customer's tastes and demands.

Social media has impacted politics in **many** ways. It is the medium that gives the easiest access to political and other news. These online platforms also allow people to air out their political grievances to their political leaders and demand for actions to be taken. It's also a medium where mass political rallies are formed, campaigns are carried out and even political unrests are most felt.

Social media has impacted job recruitments significantly. The majority of companies make their hiring decisions based on one's social portfolio. Recruiters also use online networks to post job vacancies through which they get their ideal candidates.

Many professions and skills have been built and learned through social media. There is a massive increase in online learning where one can easily learn a skill and build a strong profession around it. The existence of social media has led to an increase in the number of people undertaking distance learning.

1.1.7 Negative impacts:

- Through sharing personal information, one's privacy is at risk of impersonations, theft and stalking - among other vices. Nowadays, companies use social media to gauge job seekers. Posting **anything** abusive or embarrassing could make you lose that job opportunities, because 'the internet never forgets'.
- Online social platforms are addictive and this has drastically reduced productivity at workplaces. This impacts negatively on companies as they incur losses.
- In some instances, it has made some people — especially the introverts — to rely too much on the virtual world as opposed to the real world.

- Cyberbullying is another worrying impact of social media. Results of cyberbullying have seen victims falling into depression and, in more radical cases, has cost them their lives.

1.2 COMPANY PROFILE

1.2.1 FACEBOOK – INTRODUCTION:

Facebook is an American online social media and social networking service based in Menlo Park, California, and a flagship service of the namesake company Facebook, Inc. It was founded by Mark Zuckerberg, along with fellow Harvard College students and roommates.

It was launched on **February 4, 2004**. It is available in 111 languages. It has been written in following coding C++, PHP. Facebook has claimed 2.70 billion monthly active users (As of 31 June 2020). Facebook has been banned or temporarily limited in **China, Iran, Syria, North Korea**.

Facebook can be accessed from devices with Internet connectivity, such as personal computers, tablets and smartphones. After registering, users can create a profile revealing information about themselves. They can post text, photos and multimedia which is shared with any other users that have agreed to be their "friend", or, with a different privacy setting, with any reader. Users can also use various embedded apps, join common-interest groups, buy and sell items or services on Marketplace. Facebook claimed that it was the most downloaded mobile app of the 2010s globally. Facebook has been the subject of numerous controversies, often involving user privacy (as with the Cambridge Analytica data scandal), political manipulation (as with the 2016 U.S. elections), psychological effects such as addiction and low self- esteem, and content such as fake news, conspiracy theories, copyright infringement and hate speech.

1.2.2 INCOME OF FACEBOOK:

Facebook posted a net income of \$5.2 billion on \$18.7 billion in total revenue for a net profit margin of 27.7% in Q2 2020, which ended June 30, 2020. As much as 44.4% or \$8.3 billion in revenue came from the U.S. and Canada. The other 55.6% came from other regions across the globe. Revenue grew 10.7% in Q2 2020 compared to the same three-month period a year ago.

Facebook said that its business was being impacted by the COVID-19 pandemic and expected to face continued macroeconomic uncertainty. Net income, however, grew 97.9% in Q2 compared to the same quarter a year ago. But that growth was inflated by an abnormally bad second quarter in 2019, in which net income fell 48.8%. During that quarter, Facebook had to pay out \$2.0 billion in legal expenses related to the U.S. Federal Trade Commission (FTC) settlement over data privacy issues, and also incurred a \$1.1 billion one-time tax expense. Compared to Q2 2018, Facebook's net income in Q2 2022 is only up 1.4%.

1.2.3 SOURCE OF INCOME:

Facebook breaks down its revenue into two separate segments: Advertising and Other revenue.

1. Digital ads on Facebook and Instagram:

About 98.5% of Facebook's revenue comes from ads on Facebook and Instagram. Most of the ads are "pay-per-click," meaning that advertisers pay Facebook each time a person clicks on an ad. Even though each click may not cost that much, it quickly adds up to billions of clicks and billions of dollars. Advertisers who are interested in reaching people use

Facebook's advertising tools to decide what kind of people they want to reach

2. Oculus virtual reality headsets and apps:

Back in 2014, Facebook acquired a company called Oculus for \$2.3 billion. Oculus is the global leader in making virtual reality headsets for consumers. Their top products are the Oculus Rift, Oculus Go, and the recently launched Oculus Quest. Each Oculus headset costs several hundred dollars, so Facebook makes money for each unit sold. But Oculus also has an app marketplace where people can purchase apps and games to use on the Oculus headsets.

3. Facebook Portal smart video communication devices:

Facebook also makes smart video communication devices called Facebook Portal. These are smart-home devices that enable you to communicate via video chat on Facebook Messenger and WhatsApp. The device has a screen and a video camera that can follow you around as you walk around a room while video chatting with a friend or family member.

4. Payments and digital currency:

Facebook sees a big market opportunity in digital payments and they recently started rolling out a new service called Facebook Pay. They plan on having various payment features on their apps that enable users to send money to people and businesses. Facebook is also developing a cryptocurrency called Libra, which has the potential to disrupt the global payment space in the future. Using Libra, people may eventually be able to send money all over the world, instantly, with almost zero fees.

5. Commerce on Instagram and Facebook Marketplace:

The Facebook Marketplace platform already has hundreds of millions of users. Many brands and influencers also rely heavily on Instagram to market their products. Facebook has already launched Instagram Checkout in the US. This makes it possible for some businesses to sell products directly through the platform.

6. Business messaging on WhatsApp and Facebook Messenger:

Facebook is business messaging on WhatsApp and Facebook Messenger. Many businesses are already using these messaging platforms to communicate with customers. For example, many websites now have Facebook Messenger chat widgets that customers can use to send messages directly to sales or customer support.

1.2.4 Other ways:

- One other way that Facebook makes money is by collecting interest on its vast cash reserves. The company is so profitable that it is making far more money than it can spend. Because of this, it has about \$56 billion in cash and cash equivalents.
- Like other big businesses, Facebook stores most of its spare cash in financial products that pay interest, such as bonds and money market funds.
- In 2019, Facebook made \$826 million in “interest and other income” — which is mostly interest payments on its vast cash reserves.
- The interest income was almost as big as their entire non-advertising revenue, which came in at \$1,042 million in 2019.

1.2.5 Facebook's economic effect in India's GDP:

The report had three broad categories to measure Facebook effect across macro regions, including India. The report tallies up Facebook's impact on India, it is estimated \$4 billion and 335,000 jobs have been benefited. With over 112 million users, India is the second largest market for Facebook.

1. **Marketing effects:** The economic impact of Facebook for business that use it as a marketing platform to connect with consumers and build brand value. The report considers three sources of effects for this impact: Pages, Targeted advertising and referrals. The report estimated the marketing effect category generating 1, 29,000 jobs with an impact of \$1.4 billion in India's economy.

2. **Platform effects:** The impact in developer app economy derived from third party products and services built on top of Facebook platform. The app economy creates impact through revenues enabled by the Facebook platform, in addition to traffic from social plugins. The report indicates 40,000 jobs have been impacted in India with economic value of half a billion dollar.

3. **Connectivity effects:** The impact created through the sale of mobile devices and internet connectivity. Facebook has developed partnerships with local operators and optimized its product for lower speed and smaller data packages. Interent.org app allows people to browse health, education and other information services. The report estimates about 165,000 indirect jobs were generated and had an impact of \$2.1 billion.

1.3 Scope of study

- This study gives the brief understanding of the financial performance of Facebook and how it operates around the globe.
- Further, it enhances the knowledge of income of Facebook through secondary data collected from various websites from the year 2018-2022.

1.3.1 Problem Statement:

The problem for this study is to investigate the financial performance of Facebook for the current period with available data.

1.4 Objectives of Study:

Facebook has recently adopted three new accounting standards in 2020: Fair Value Measurements, Credit Losses, and Income Taxes. The most important here is the changes in fair value measurement. Another significant accounting change happened in 2017, when Facebook changed his accounting standard for stock payments. The accounting change resulted in a reduction of its income-tax provision. Due to the tax benefit, the fourth quarter increased to \$214 million, reflecting the tax benefit from a change in the way companies

account for stock payments to employees. The new accounting standard aimed at simplifying the companies' accounting for employee stock payments by the Financial Accounting Standards Board. Companies like Facebook who use stock compensation to employees are expected to have increased earnings. The new accounting standard says that in the event of the execution of an employee's stock options the tax benefits has to be recognize on the income statement immediately. Consequently, this reduces the companies' provision for taxes and increases net income.

1.4.1 Primary objectives:

- To study the financial performance of Facebook INC.

1.4.2 Secondary objectives:

- To make a comprehensive analysis of FACEBOOK using Ratio Analysis.
- To give the findings and suggestions based on the analysis need

CHAPTER- 2 REVIEW OF LITERATURE

2.1 LITERATURE REVIEW

The main purpose of the literature review work was to survey previous studies on knowledge sharing. The review of literature helped the researcher to conduct the survey in better and extensive manner. It should also help the researcher for finding and getting deeper into the topic.

- **Research Reviews:**

Lewis, Pea, and Rosen (2010), social media in the general field of education has been approached with some caution. The use of technology in education is ever growing popular among teaching professionals through platforms such as e-learning, but many in the education field have not yet harnessed many potential opportunities of using social media. This reluctance on behalf of educators is partially due to the challenges of merging an open-ended social media world into a rigid structure of the learning environment.

Ha and James (1998) Distinctly different from other traditional marketing channels, such as mail or email, is social media's interactive nature; that is the ability for users to provide responses or content to the communication that comes from an original source.

Toffler (1980) The discernment between consumer and producer is quickly growing more blurred with social media. The obscuring of the two once definitive terms has resulted in a new concept call 'prosumer.' Prosumer describes the users' or consumers' ability of gaining control over the content being distributed by the producer.

Bain and Company (2011) found that more than sixty percent of internet-connected individuals in the United States are engaged in social media platforms every day. The ability for consumers to have speedy access to information has made consumers more demanding.

Barry and Markey (2011), Leaders in social media understand the need for change in order to “pursue integrated social media strategies, with a more holistic assessment of the value that social media can create across the businesses, and with efforts directly tied to strategic business objectives.

Quan-Haase et al., (2002), Social media users tend to use more than one source or type of social media as a way of communication.

Baym and Zhang and Lin (2004) While one type of social media may be preferred, this does not suggest that other forms of social media will be replaced. The social media use takes the numerous types of social media tools they use and combines them into ‘bundles’ of media uses.

Bradley (2010) Reputation is no longer based on what we know, but on the extent to which we can freely make it available. By continuing to rely on the “traditional website” alone, a business is harming its future success. A successful organization embraces the “openness” and “sharing” aspect of social media.

Neff (2011) Social media channels have provided an easy way for consumers to create and distribute information when and how they want. It’s been a bedrock principle of social media marketing that marketers can’t control the message.

Lee (2011) The “fickle nature” of social media may be its greatest pitfall. Between the rise and fall of sites, the future is anything but certain. However, what may be certain is the interest of marketers to find an “adoring and responsive crowd”. Right-now social media is the place to find that crowd.

Rutledge (2010) Within the social media conversation an individual or business does not have the luxury of taking complete control of the information as he or she once did. The conversation is opened and shared, and the business or individual is simply a participant. It is through the social conversation that an organization hopes to establish itself as a significant authority in their area of expertise.

Kennedy (2011) SelectShops.com uses social media not only to resolve issues that customers have with their products, but also as a means of establishing themselves as a

social authority. Customers can use conversations on Facebook to see how the company handled problems as well as how the customers experience the problem reacted to the help received from SelectShops.com. This interactive exchange has established a stronger social authority for SelectShops.com through their use of social media.

Skoler (2009) said “we need to listen, ask questions, and be genuinely open to what our readers, listeners and watchers tell us is important everyday”. Social media helps to create a partnership between the customer and the organization rather than strictly preaching.

Phil Bradley (2010) wrote “in the old days websites and web pages were the electronic version of stone tablets; unwieldy and difficult to change”. Social media tools have transformed our ability to make rapid changes to web presence, allowing quick changes and immediate customer participation as the organizational world fights to become influencers and experts in their respective fields.

Creamer (2011) said “a marketer has to wonder what all that information means, if it adds up to anything more than a popularity contest and what, exactly, does a tweet influence a person to think, believe or do?” also contends that social media like Twitter may be compared to the way the Princeton Review feels about the SAT when they said “It doesn't measure intelligence. It can't possibly measure your future success in college. The SAT measures one thing, and one thing only: how good you are at taking the SAT”.

Steinberg (2011) Marketers, who for years past have only used social media as a small supplement, have placed stronger emphasis on social media tools as they see the use of social media increase. The social-media maneuvers simply signal advertisers are following consumer behavior.

Lewis, Pea and Rosen (2010) Teens report that feedback they receive from social networks is crucial in forming their own understanding of themselves within a social context and their place within their social circles.

Naharony (2010) It wall posts in public libraries (539) was larger than the total number of Facebook wall posts. The next section of the content analysis dealt with public libraries, with 539 posts examined. NYPL now offers FREE financial consultations, classes, programs, online resources

G Yoon and C Hong (2018) Taylor & Francis was adopted with data mining, a financial database, and an automated text analysis program Social media and financial data for each company were collected and analyzed data were organized in two ways the public's comments on each company's Facebook posts

M Vorvoreanu (2009) Framework for investigating online relationship building is Website Experience Analysis Vorvoreanu 2007 service, students expressed no interest in engaging with large corporations on Facebook

JE Carlisle and RC Patton (2013) said social media Changing How We Understand Political Engagement? An Analysis of Facebook and the 2008 Presidential Election. Juliet E. Carlisle and Robert C. Patton. Political Research Quarterly 2013

E Bonsón and S Royo (2017) Facebook Practices in Western European Municipalities. Enrique Bonsón, Sonia Royo and Melinda Ratkai.

JL Bender and MC Jimenez-Marroquin (2011) Sample Facebook search result restricted to group pages View this figure Data Extraction The content analysis of the discussion and wall posts was Fundraising groups created to attract financial resources for breast cancer through an event, product, or service.

E Bonsón and S Royo (2015) including financial reporting and tracking how public money is The role of Facebook on G2C and C2G communication However, little research exists about the analysis of how different content-types affect to citizen engagement

I De la Torre-Díez and FJ Díaz-Pernas(2012) Analysis of Data Future works will be investigating the understanding of the implications of participating in health-related groups on different social networks such as Facebook and Twitter Disclosure Statement. No competing financial interests exist. References

SA Einwiller and S Steilen (2015) Unit of analysis is a complaint post or tweet and if applicable corporate and third party There was an almost equal number of complaints

on Facebook and Twitter (FB: 2541; TW like Comcast or AT&T received most of the complaints, followed by financial service companies

J Fernandes and M Giurcanu (2010) however, after the financial collapse, the battle was decided in favor of the Democratic candidate that promoted “change” (Campbell, 2008) The researchers proposed that the content analysis of youth conversations in Facebook groups involved

L Kwok and B Yu (2013) Spreading Social Media Messages on Facebook. Linchi Kwok and Bei Yu. Download Citation Spreading Social Media Messages on Facebook. E Bonsón and M Ratkai (2013), A new logo for the brand, but after the discussions on their corporate Facebook page they to identify whether it could be considered as financial and non-financial voluntary disclosure for this reason besides the usual content analysis (marketing purposes, etc.), corporate social.

J Zhang and Y Sung (2010), In order to accomplish the research objectives, a content analysis of brand- ed entertainment .in study is to examine how marketers currently present branded entertainment in Facebook via the .More- over, it is highly important for some services such as financial institutions.

L Faelens and K Hoorelbeke (2019) Elsevier 0.03 to 0.06 directly linking anxiety symptoms to private and public Facebook use, the provided informed consent prior to completing the survey and received financial compensation for The datasets and data analysis.

HL Vogel (2016) In this book Harold L. Vogel comprehensively examines the business economics and investment aspects of major components of the travel industry, including airlines, hotels, casinos, amusement and theme parks and tourism. The book is designed as an economics

EA Helfert and EA Helfert (2001) Accounting and Financial Decision Making in Private and Government Sectors. This is a survey course that touches on the key concepts of finance, accounting and management decision making.

SM Bragg (2012) The latest edition goes beyond ho-hum analysis techniques and provides concrete problem solving. The text is sprinkled with real-world problems (and

the analytical tools to solve them) that will be familiar to accounting professionals everywhere.

MS Fridson and F Alvarez (2011) It helps to develop the questioning mind the mind of a financial detective. It teaches the art of skepticism and critical thinking. Readers go beyond definition and calculation and learn

L Kurowski and D Sussman (2011) Make more informed project investment decisions by knowing what issues to examine in the planning process and how to analyze their impacts Poor or insufficient planning is primarily responsible for the inordinate number of idle and rusting capital facilities around the world

HE Sherman (2015) Do not constitute the entire array of approaches to this topic, they do apply to most of the recurrent problems in financial management. This course addresses many of the techniques that financial managers need to develop in order to help their firms sustain growth and plan

TSY Ho and SB Lee (2004) Library of Congress Cataloging-in-Publication Data Ho, Thomas SY the Oxford guide to financial modeling Generally, financial textbooks segment the world of finance into “investments,” “financial institutions,” “corporate finance,” and “securities analysis,”

DS Fairhurst (2015) capabilities to build effective financial models Using Excel for Business Analysis, Revised Edition provides practical guidance for anyone looking to build financial models. Whether for business proposals, opportunity evaluation, financial reports,

DE Vance (2003) It provides the tools management needs to make sophisticated judgments about complex and challenging business issues. As a corporate controller, chief financial officer, and retired CPA, I found that outside auditors

F Alkaraan and D Northcott (2006) This paper examines the use of both conventional financial analysis tools and selected emergent analysis approaches in the capital investment decision-making of large UK manufacturing companies

E Caamaño and E Lorenzo (1996) Integration of photovoltaic (PV) technology in buildings must always be realized by considering rational criteria in PV system design.

VC Ibarra (2009) One of the four major financial statements that are directly related to cash is the statement of cash flows. The purpose of the cash flows statement is to report inflows and outflows of cash for a given period of time. Cash flows related to operating, financing, and investing activities

H Vimrová (2015) The aim of this article is to identify the current situation in the Czech business environment regarding the application of financial analysis indicators used to measure not only the financial position, but also business performance in general.

F Alani and M Hamdan (2013) The research presents a study of the efficiency of financial analysis tools used in Islamic banks and the efficiency of achieved results to investor in his rationalization of investment decisions, the researcher studied that by using a questionnaire search tool

J Mun (2002) Renowned educator in finance, author of several books, financial advisor to Real Options Analysis Tools and Techniques for Valuing Strategic Investments and Decisions JOHNATHAN MUN John Wiley & Sons, Inc

F Hruza (2013) The public sector has undergone in the 20th century complex development. Part of this evolution was represented by search for suitable management and analysis tools in the research field and in practice. Public sector inspired in this issue by the private sector,

HE Sherman (2015) Do not constitute the entire array of approaches to this topic, they do apply to most of the recurrent problems in financial management. This course addresses many of the techniques that financial managers need to develop in order to help their firms sustain growth and plan

E Bonsón and M Ratkai (2013) A new logo for the brand, but after the discussions on their corporate Facebook page they to identify whether it could be considered as financial and non-financial voluntary disclosure for this reason, besides the usual content analysis (marketing purposes, etc.), corporate social

J Zhang and Y Sung (2010) In order to accomplish the research objectives, a content analysis of brand- ed entertainment in study is to examine how marketers currently present branded entertainment in Facebook.

CHAPTER-3 RESEARCH METHODOLOGY

3.1 RESEARCH METHODOLOGY:

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability. The process used to collect information and data for the purpose of making business decisions. The methodology may include publication research, interviews, surveys and other research techniques, and could include both present and historical information.

3.2 RESEARCH DESIGN:

The study follows the descriptive method of research to measure, evaluate and compare the financial performance of the Facebook. The study is based on secondary data that has been collected from audited annual reports of Facebook websites. The data is collected from the secondary data covers the period from 2018 to 2022 for the Period of 5 years. Here, Ratio Analysis is used to Analyze the Financial performance for Facebook. This model is used to analyze the debt equity ratio, leverage ratio, current ratio and quick ratio.

3.3 SAMPLING:

The sample of the study constituted of Facebook's financial data of following from the year 2017 to 2022.

3.4 SOURCES OF DATA:

Data is taken from the secondary sources of Facebook Annual report from the website and corresponding Available sources.

3.5 PERIOD OF STUDY:

Study is Taken form the Period of 2018 to 2022.

3.6 TOOLS USED:

3.6.1 Ratio Analysis:

Ratio Analysis is taken as a tool to study financial performance of Facebook and Ratios are calculated by using various formulas. Ratios are calculated and ranks are grouped by using Average and Charts are used for Analysis of Rank under the priority. Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement.

3.6.2 Objectives of Ratio Analysis:

1. Comparisons:

One of the uses of ratio analysis is to compare a company's financial performance to similar firms in the industry to understand the company's position in the market. Obtaining financial ratios, such as Price/Earnings, from known competitors and comparing it to the company's ratios can help management identify market gaps and examine its competitive advantages, strengths, and weaknesses. The management can then use the information to formulate decisions that aim to improve the company's position in the market.

2. Trend line:

Companies can also use ratios to see if there is a trend in financial performance. Established companies collect data from the financial statements over a large number of reporting periods. The trend obtained can be used to predict the direction of future financial performance, and also identify any expected financial turbulence that would not be possible to predict using ratios for a single reporting period.

3. Operational efficiency:

The management of a company can also use financial ratio analysis to determine the degree of efficiency in the management of assets and liabilities. Inefficient use of assets such as motor vehicles, land, and building results in unnecessary expenses that ought

to be eliminated. Financial ratios can also help to determine if the financial resources are over- or under-utilized.

4.Ensure Suitable Liquidity:

Every firm has to ensure that some of its assets are liquid, in case it requires cash immediately. So, the liquidity of a firm is measured by ratios such as Current ratio and Quick Ratio. These help a firm maintain the required level of short-term solvency.

Overall Financial Strength:

There are some ratios that help determine the firm's long-term solvency. They help determine if there is a strain on the assets of a firm or if the firm is over-leveraged. The management will need to quickly rectify the situation to avoid liquidation in the future.

Examples of such ratios are Debt-Equity Ratio, Leverage ratios etc.

3.7 RATIO ANALYSIS:

3.7.1 Liquidity Ratios:

3.7.1.1 Current Ratio:

Current Ratio is used to measure whether a firm has enough resources to meet its short-term obligations. It compares a firm's current assets to its current liabilities. A current ratio of less than one indicates that the company may have problems meeting its short-term obligations.

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

3.7.1.2 Liquid Ratio:

Liquid Ratio is used to determine a debtor's ability to pay off current debt obligations without raising external capital. Liquidity ratios measure a company's ability to pay debt obligations and its margin of safety through the calculation of metrics including the current ratio, quick ratio, and operating cash flow ratio.

$$\text{Liquid Ratio} = \text{Current Asset} - (\text{Stock} + \text{Prepaid Expenses}) / \text{Current Liabilities}$$

3.7.2 Solvency Ratio:

3.7.2.1 Debt Equity Ratio:

Debt to Equity Ratio is the financial ratio indicating the relative proportion of shareholder's equity and debt used to finance a company's assets. It is also called as risk or gearing.

$$\text{Debt Equity Ratio} = \text{Long-Term Debt} / \text{Shareholder's Equity}$$

3.7.2.2 Proprietary Ratio:

Proprietary Ratio is also called as Equity ratio which derives the relationship between the proportion of shareholder's equity and total asset. It acts as a general indicator of financial stability of the company.

$$\text{Proprietary Ratio} = \text{Shareholder's Equity} / \text{Total Tangible Assets}$$

3.7.3 Profitability Ratio:

3.7.3.1 Gross Profit Ratio:

Gross Profit Ratio is also called as profitability ratio that shows the relationship between gross profit and the total net sales revenue. It is used to evaluate the operational performance of the business.

$$\text{Gross Profit Ratio} = \text{Gross Profit} / \text{Net Sales}$$

3.7.3.2 Operating Ratio:

Operating Ratio shows the efficiency of the company's management by comparing the total operating expense and the net sales of the company. It shows how efficient a company is at keeping costs low while generating revenue or sales.

$$\text{Operating Ratio} = \text{Operating Expenses} / \text{Net Sales}$$

3. Operating Profit Ratio:

Operating Profit Ratio establishes the relationship between operating profit earned and the net revenue generated from operations. It reflects the profit that the company produces from its operations, apart from taxes and interest charges.

$$\text{Operating Profit Ratio} = \text{Operating Profit} / \text{Net Sales}$$

4. Net Profit Ratio:

Net Profit Ratio is the ratio after-tax profits to the net sales. It indicates the remaining profit after all costs of production, administration have been deducted from sales. It is a short-term measurement used for indicating capital investment or expenditures.

$$\text{Net Profit Ratio} = \text{Net Profit} / \text{Net Sales}$$

5. Earnings Per Share:

Earnings Per Share is major component of determining the profitability of the company. It is used for measuring the company's stock price for each share which is a major factor.

$$\text{Earnings Per Share} = \text{Net Profit after-tax Preference} / \text{Number of Equity Shares}$$

6. Pre-Tax Profit Ratio:

Pre-Tax Profit is a tool for providing company's profit after operating cost and interest on debts has been paid and also before the taxes have been deducted. It provides the company's operating profit for financial reporting and comparison.

$$\text{Pre-Tax Profit} = \text{Revenue} - \text{Expenses (Exclusive of Tax Expense)}$$

7. Return on Assets:

Return on Assets is a tool to analyze how a company utilizes its assets, by determining how profitable a company is relative to its total assets. It is used in comparing similar companies or a company to its own performance.

$$\text{Return on Assets} = \text{Net Profit after Tax} / \text{Total Assets}$$

8. Return on Capital:

Return on Capital is used in finance, valuation and accounting, as value-creating potential of companies relative to amount of capital invested by shareholders and other debt holders. It indicates how effective a company is at turning capital into profits.

$$\text{Return on Capital} = \text{Net Profit after Tax and Interest} / \text{Shareholder's fund}$$

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 Current Ratio:

Table 4.1
Current Ratio

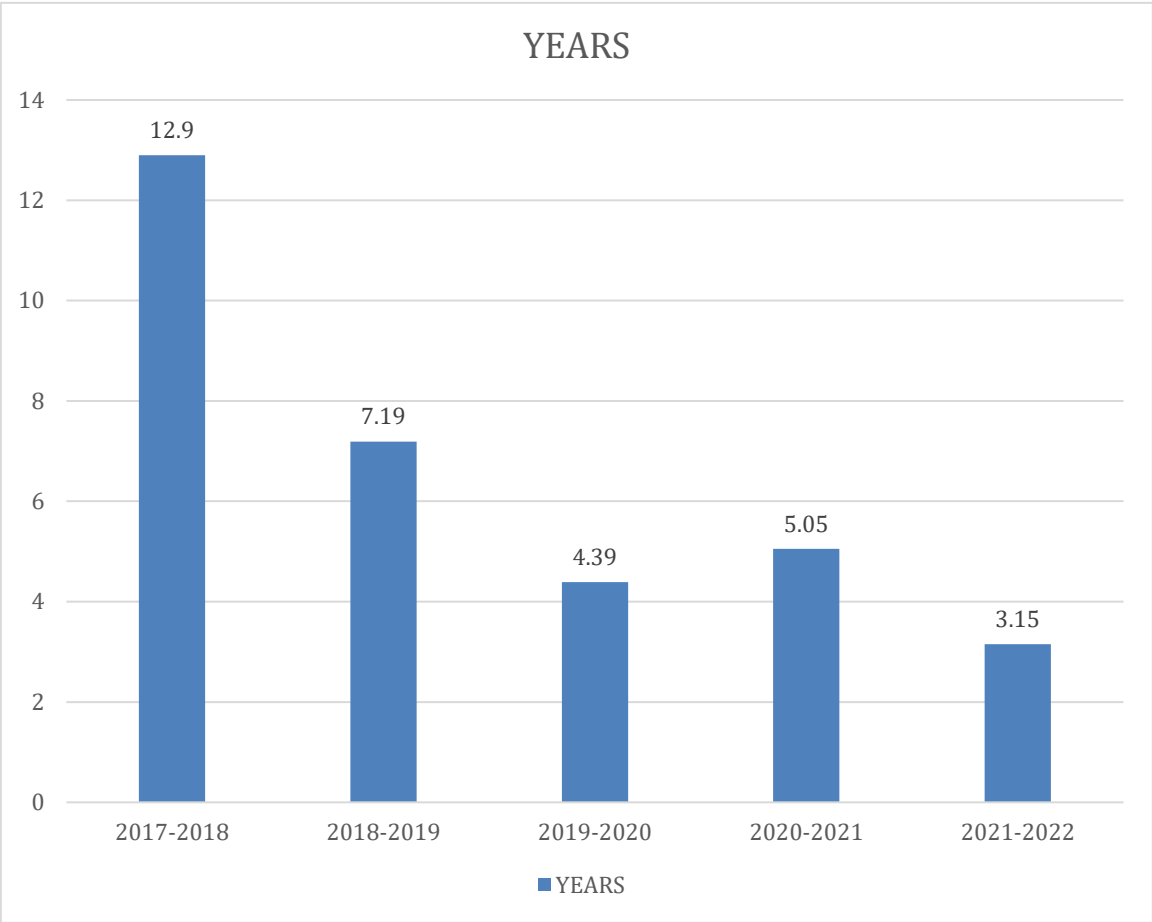
Years	Current Ratio
2017-2018	12.9
2018-2019	7.19
2019-2020	4.39
2020-2021	5.05
2021-2022	3.15

(Source: Secondary Data)

Inference:

Current Ratio is calculated for knowing the company's status for investing purpose. The current ratio for the financial year 2017-2018 has a ratio of 12.9 considering it as the highest, but for the following financial year 2018-2020 the current ratio has fell down. So, from financial year 2018-2022 there has been a gradual increase in current ratio, but for 2018-2022, the company's current ratio is not adequate. This will affect the liquidity position of the company.

Chart 4.1 (Current Ratio)



4.2 Liquid Ratio:

Table 4.2
Liquid Ratio

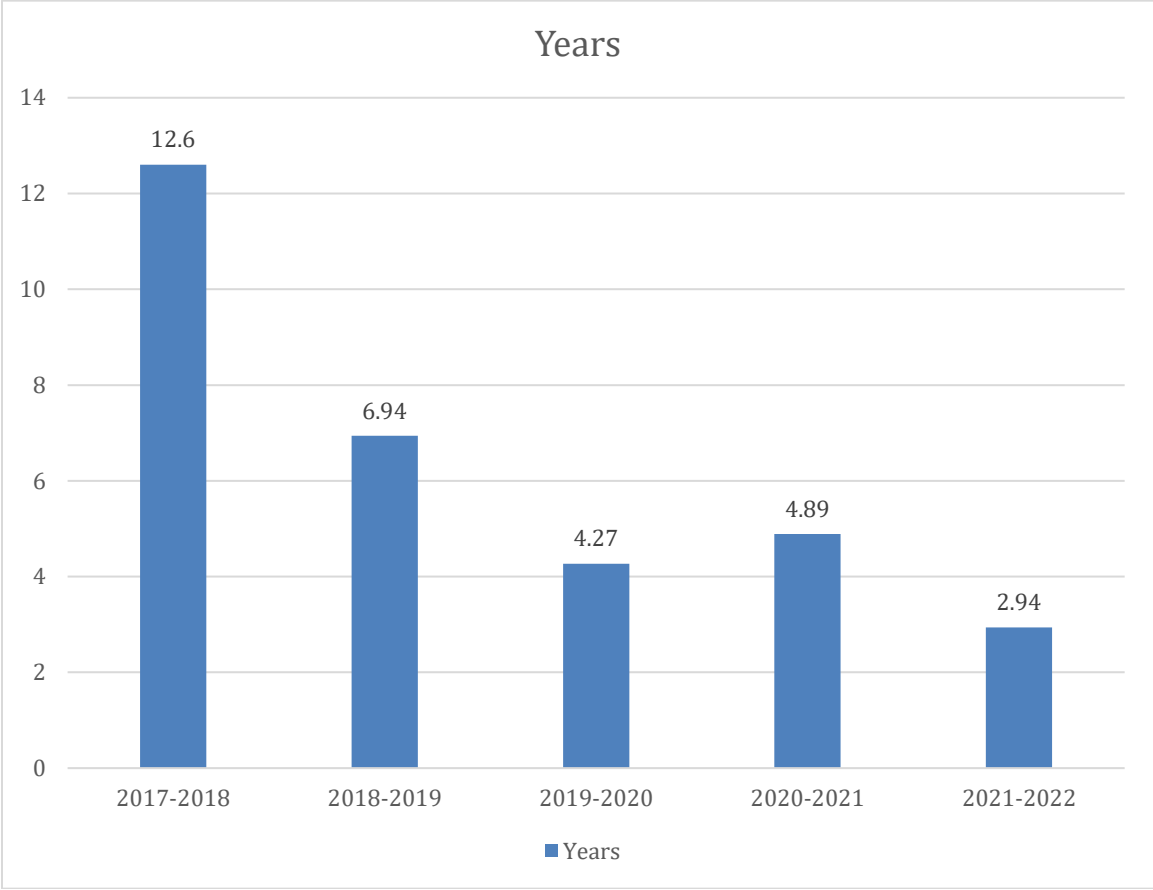
Years	Liquid Ratio
2017-2018	12.6
2018-2019	6.94
2019-2020	4.27
2020-2021	4.89
2021-2022	2.94

(Source: Secondary Data)

Inference:

Liquid Ratio is used to calculate the liquid assets like stock, prepaid expenses of the company to know its financial health and ability to face hardships. This ratio helps to maintain the cash or fund flow of the company with the ratio 1:1 for each year. From financial year 2018-2022 there is a gradual increase in liquid ratio but from 2018-2021 there is an deflect in cash flow which will affect, and the company should maintain liquid ratio.

Chart 4.2 (Liquid Ratio)



4.3 Gross Profit Ratio:

Table 4.3
Gross Profit Ratio

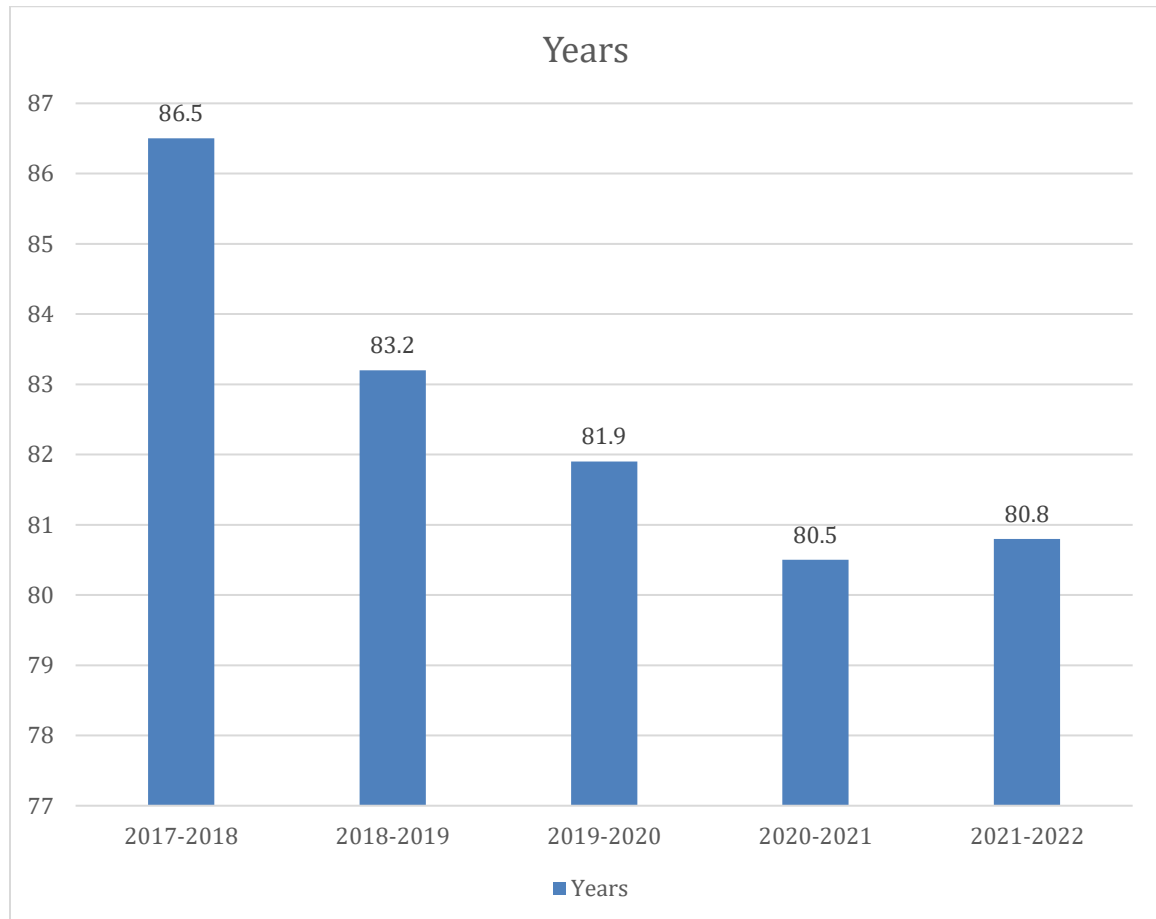
Years	Gross Profit Ratio
2017-2018	86.5
2018-2019	83.2
2019-2020	81.9
2020-2021	80.5
2021-2022	80.8

(Source: Secondary Data)

Inference:

This ratio can be used to know how to cover all the expenses and provide the profit. A higher ratio indicates greater profit. For the financial year 2018-2022, there is a gradual increase in ratio which increases profit, but for the financial year 2018-2022, there is a slow decrease which in forth-coming year will affect the overall profit of the company.

Chart 4.3 (Gross Profit Ratio)



4.4 Operating Ratio:

Table 4.4
Operating Ratio

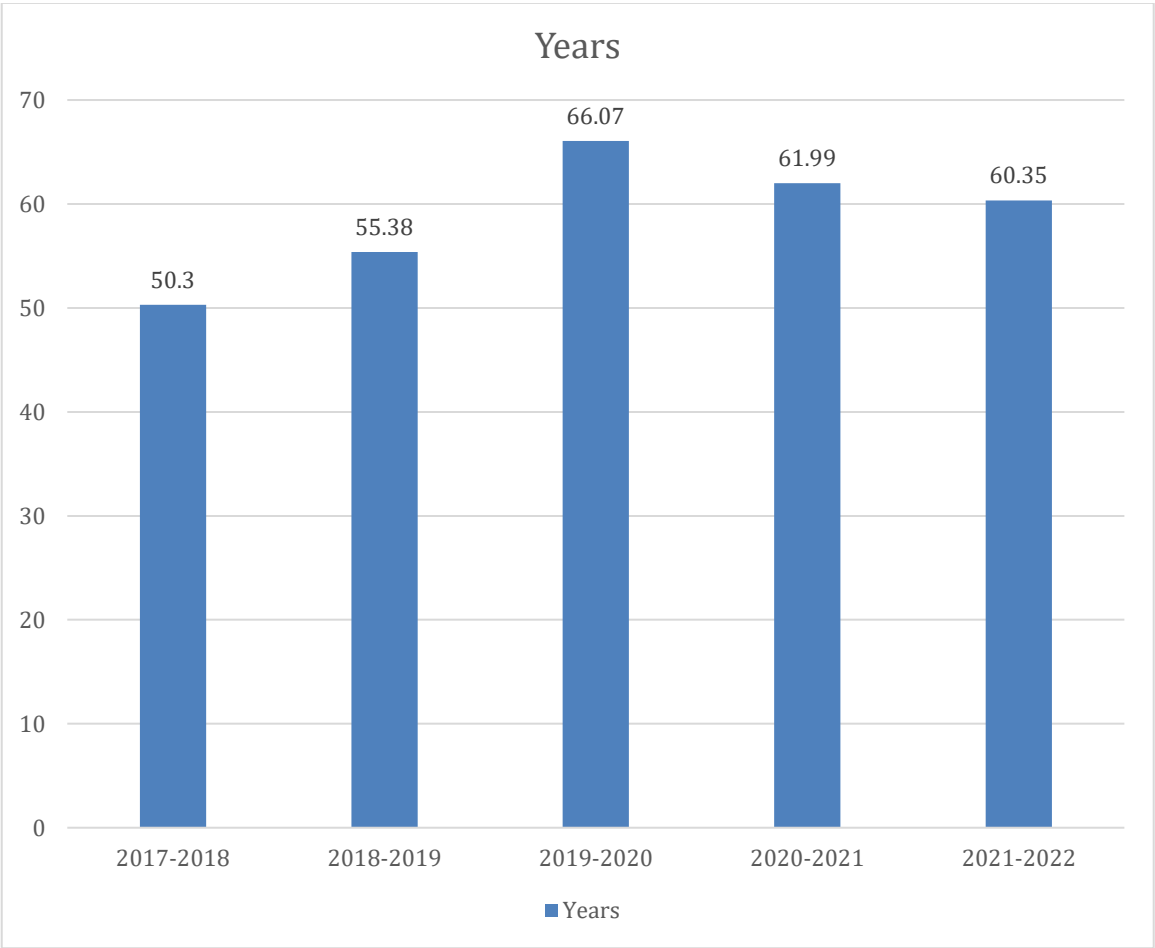
Years	Operating Ratio
2017-2018	50.30
2018-2019	55.38
2019-2020	66.07
2020-2021	61.99
2021-2022	60.35

(Source: Secondary Data)

Inference:

This ratio is used to analyze the operational efficiency of the company over a period of time. The smaller the operational ratio, the more efficient the company is at generating revenue apart from total expenses. From the data, for the financial year 2017-2022, there has been massive increase in ratio which indicates increase in expenses. For this to reduce, the company should implement cost controls for margin improvement.

Chart 4.4 (Operating Ratio)



4.4 Operating Profit Ratio:

Table 4.5 Operating Profit Ratio

Years	Operating Profit Ratio
2017-2018	50.07
2018-2019	38.65
2019-2020	36.21
2020-2021	40.42
2021-2022	36.68

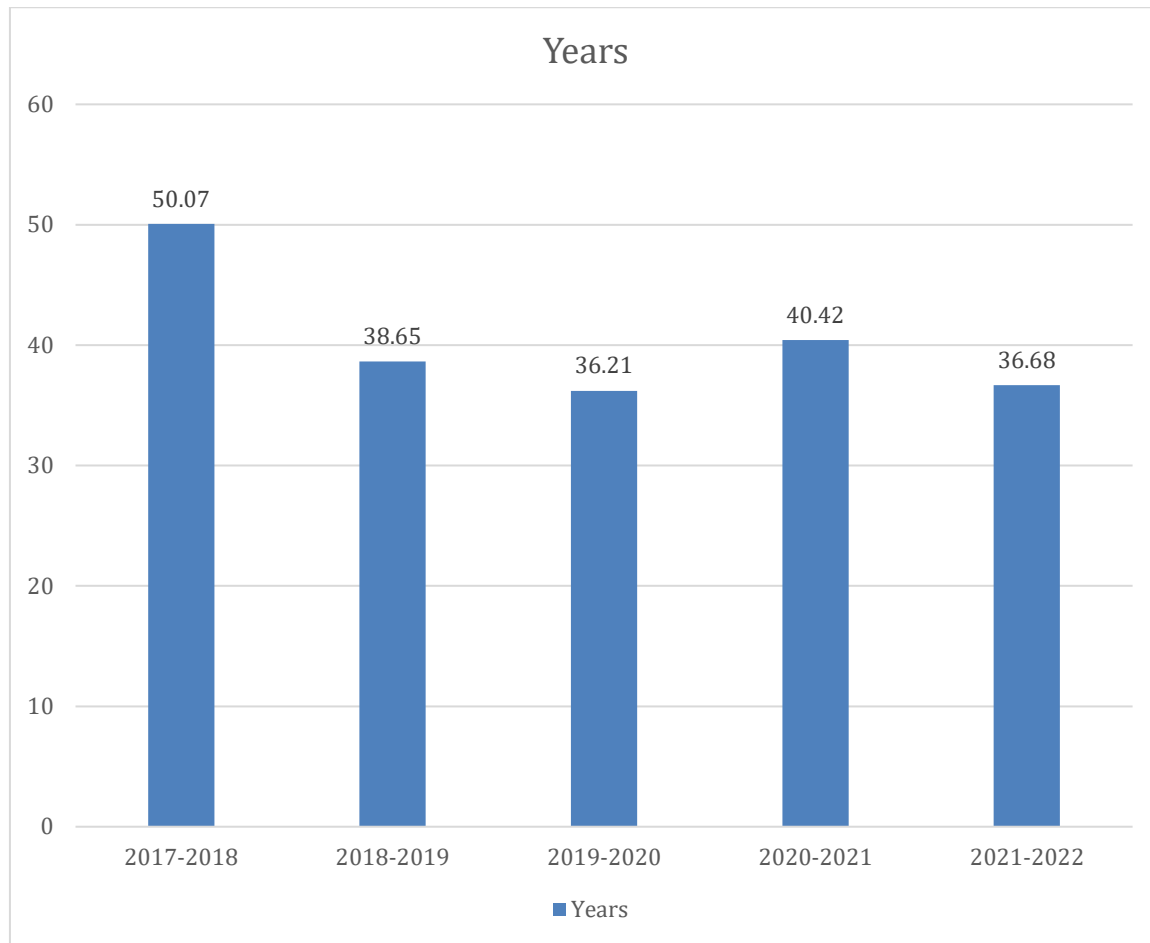
(Source: Secondary Data)

Inference:

This ratio is used to find the profit after the operational activities and subtracting taxes and interest rates. For a good operating profit ratio, should be greater than 15%.

Almost every financial year has ratio rate of more than 15%, but for financial year 2017-2022, there is a rapid decrease in operational things which indicates a major loss of profit.

Chart 4.5 (Operating Profit Ratio)



4.5 Proprietary Ratio:

Table 4.6
Proprietary Ratio

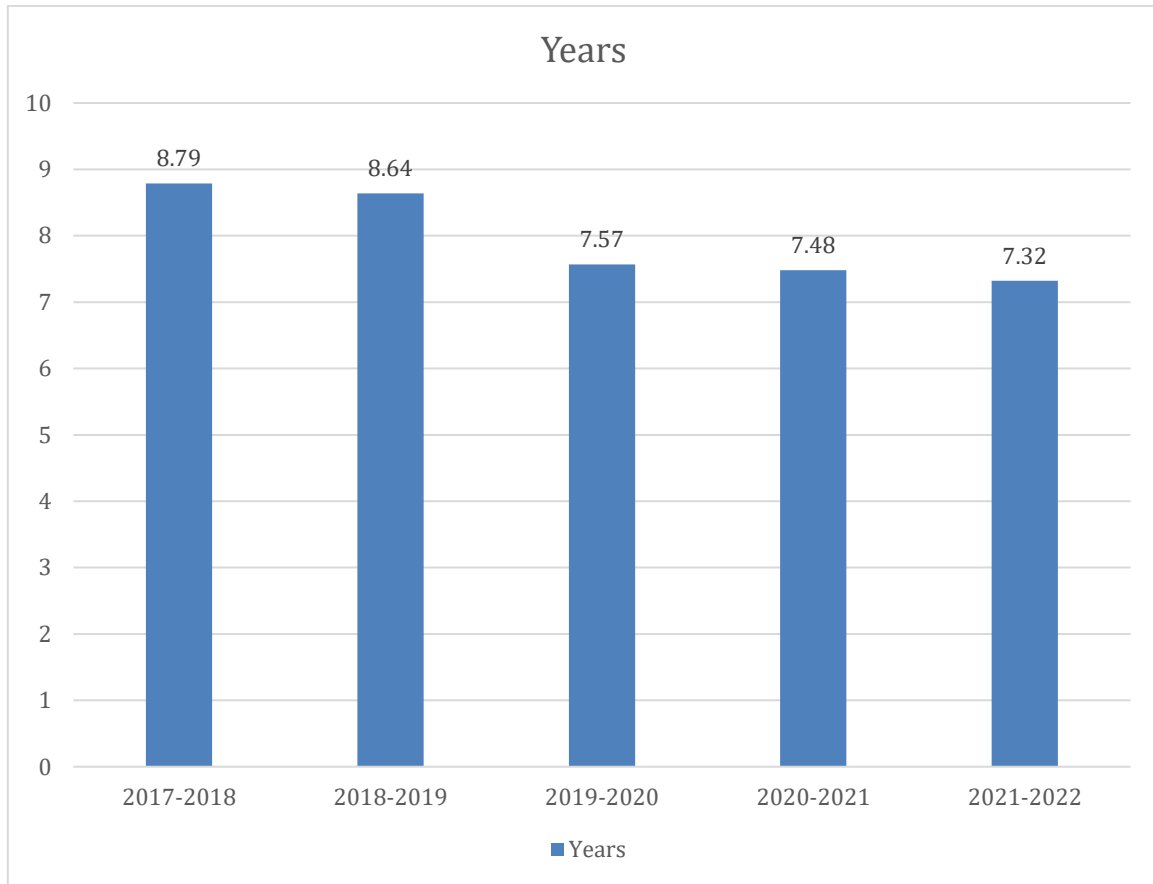
Years	Proprietary Ratio
2017-2018	8.79
2018-2019	8.64
2019-2020	7.57
2020-2021	7.48
2021-2022	7.32

(Source: Secondary Data)

Inference:

This ratio helps to examine the statement of cash flows for a better overview of financial circumstances. The company should have high proprietary ratio, indicates company has sufficient equity to support the functions of company. There has been a gradual decrease for financial year 2019-2020, which indicates that the company will bankrupt and it will lose its stockholders.

Chart 4.6 (Proprietary Ratio)



4.6 Debt Equity Ratio:

Table 4.7 Debt Equity Ratio

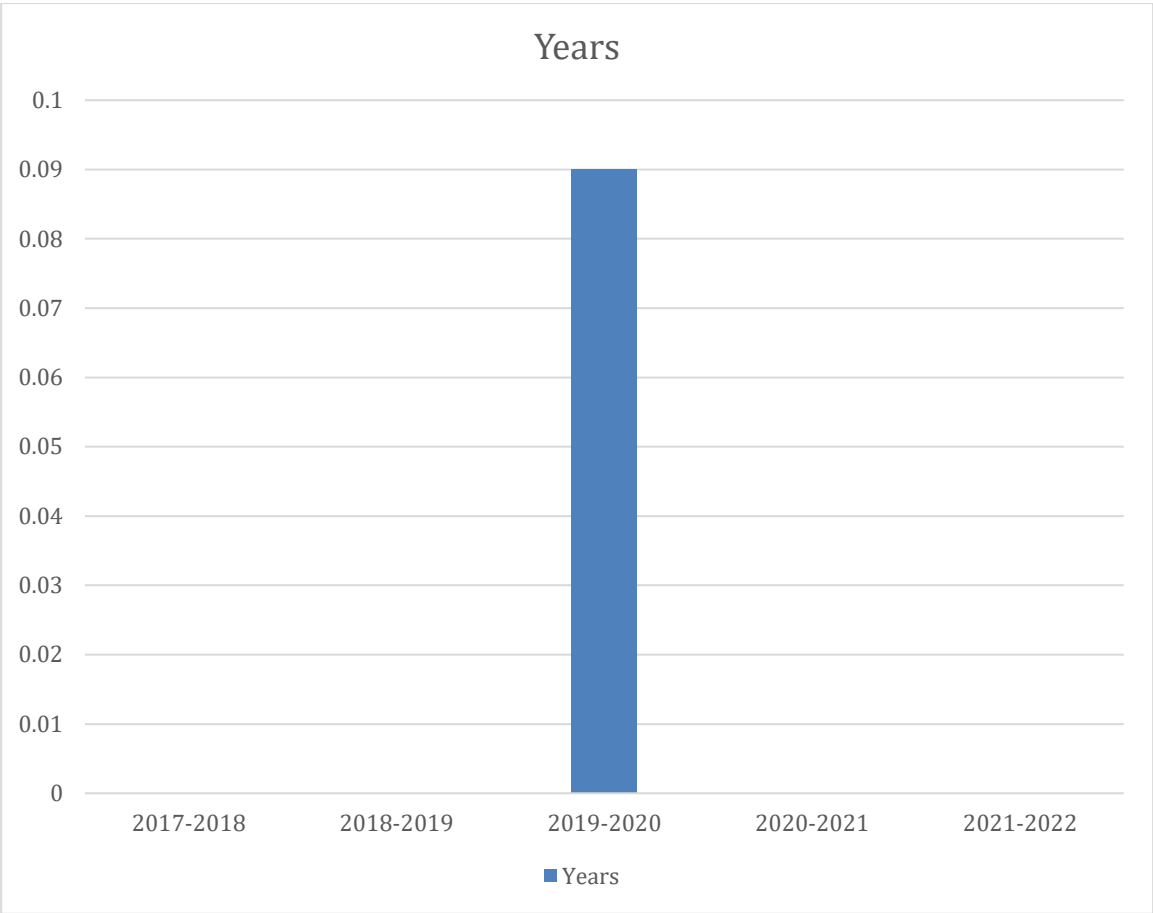
Years	Debt Equity Ratio
2017-2018	0.0
2018-2019	0.0
2019-2020	0.09
2020-2021	0.0
2021-2022	0.0

(Source: Secondary Data)

Inference:

This ratio helps to analyze the company's debt relative of its net assets. The debt equity ratio should be less than 2.0. From the above, for financial years 2017-2019, there is a low ratio indicating low risk or risk free from bankruptcy at economic downturn.

Chart 4.7 (Debt Equity Ratio)



4.7 Net Profit Ratio:

Table 4.8 Net Profit Ratio

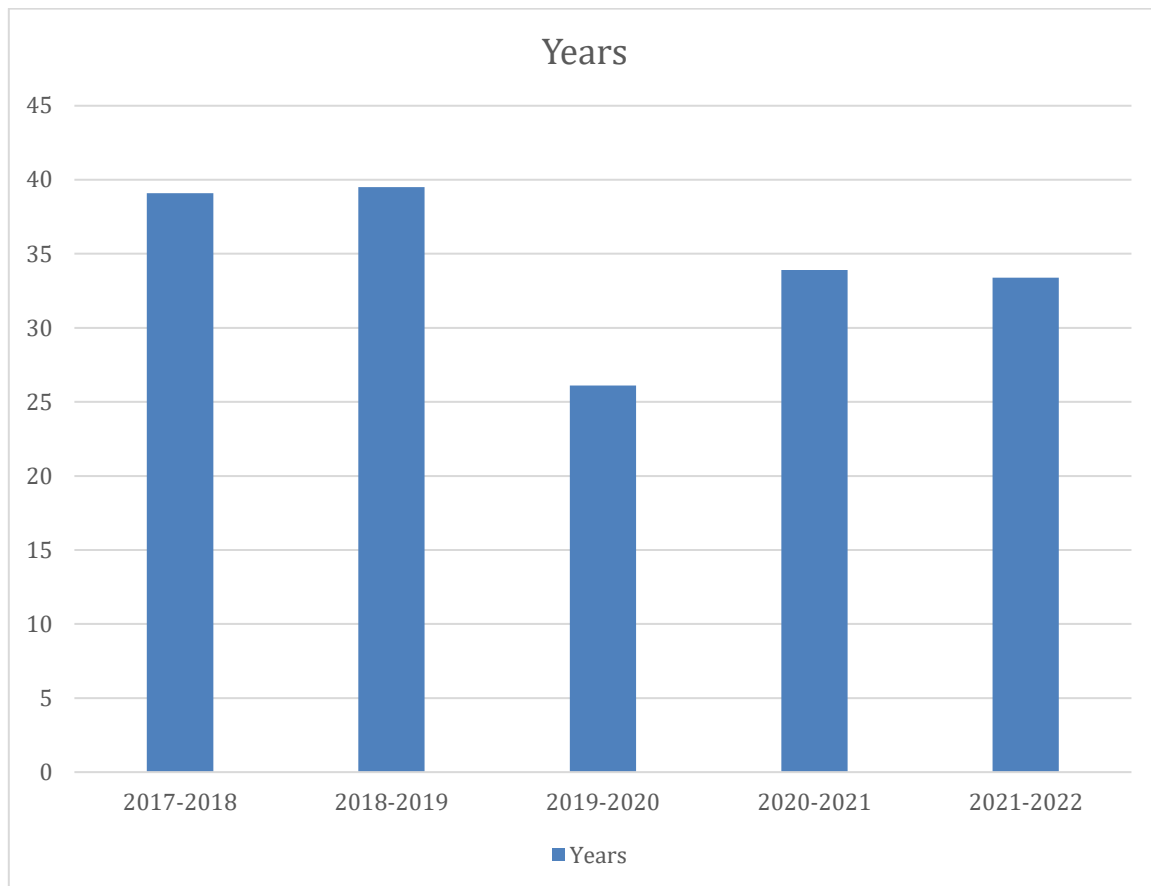
Years	Net Profit Ratio
2017-2018	39.1
2018-2019	39.5
2019-2020	26.1
2020-2021	33.9
2021-2022	33.38

(Source: Secondary Data)

Inference:

This ratio helps to evaluate the profitability of the company from its primary operations. From above case, for financial year 2019-2020, the net profit ratio is 0.62 which is less than 10% is considered below average and for year 2018-2019, the ratio (39.5) is at peak indicating the company is exercising good cost control.

Chart 4.8 (Net Profit Ratio)



4.8 Earnings Per Share:

**Table 4.9 Earnings
Per Share**

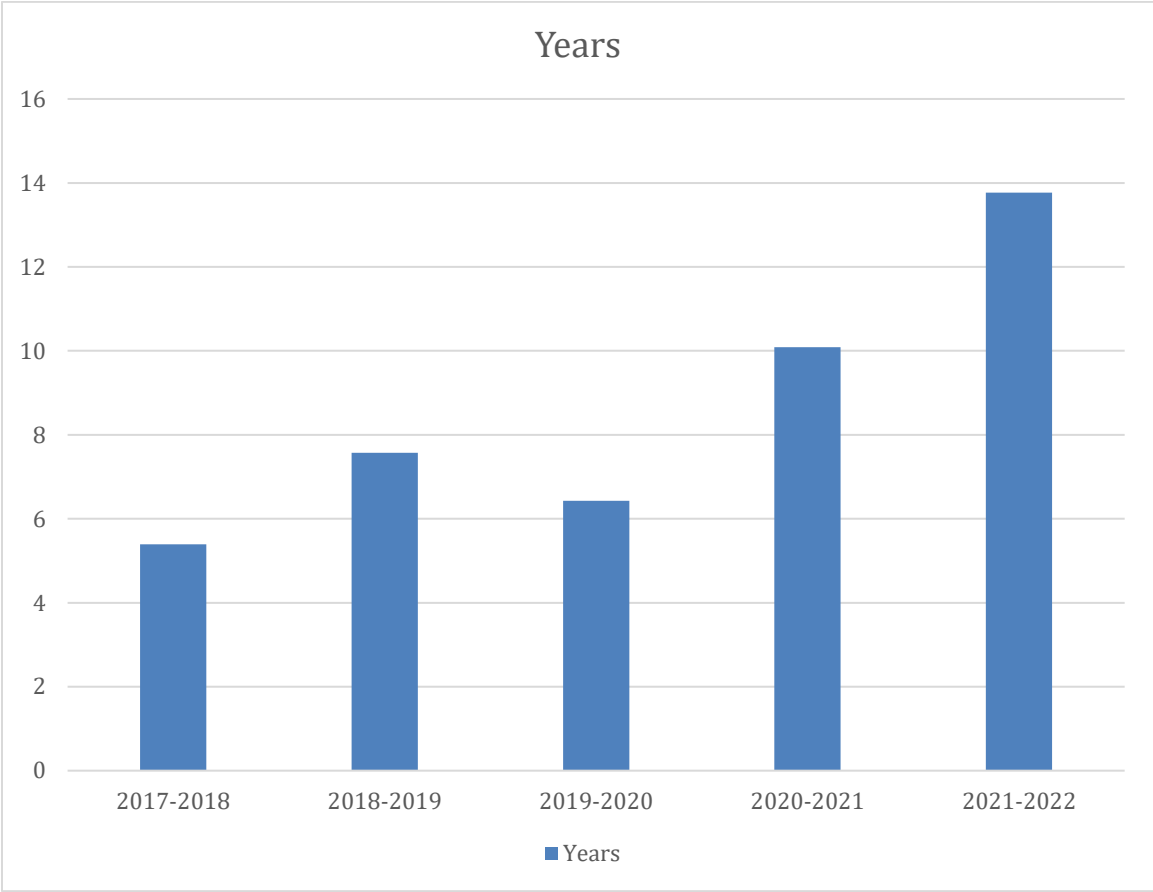
Years	Earnings Per Share
2017-2018	5.39
2018-2019	7.57
2019-2020	6.43
2020-2021	10.09
2021-2022	13.77

(Source: Secondary Data)

Inference:

Earnings Per Share is measured in scale of 1 to 99 for each company. From the above table, we can find that, for financial years 2017-2020 it is below one indicating that value of the stockholder's is decreasing which affects the share and profit of the company.

Chart 4.9 (Earnings Per Share)



4.9 Pre-Tax Profit:

Table 4.10 Pre-Tax Profit
in millions USD

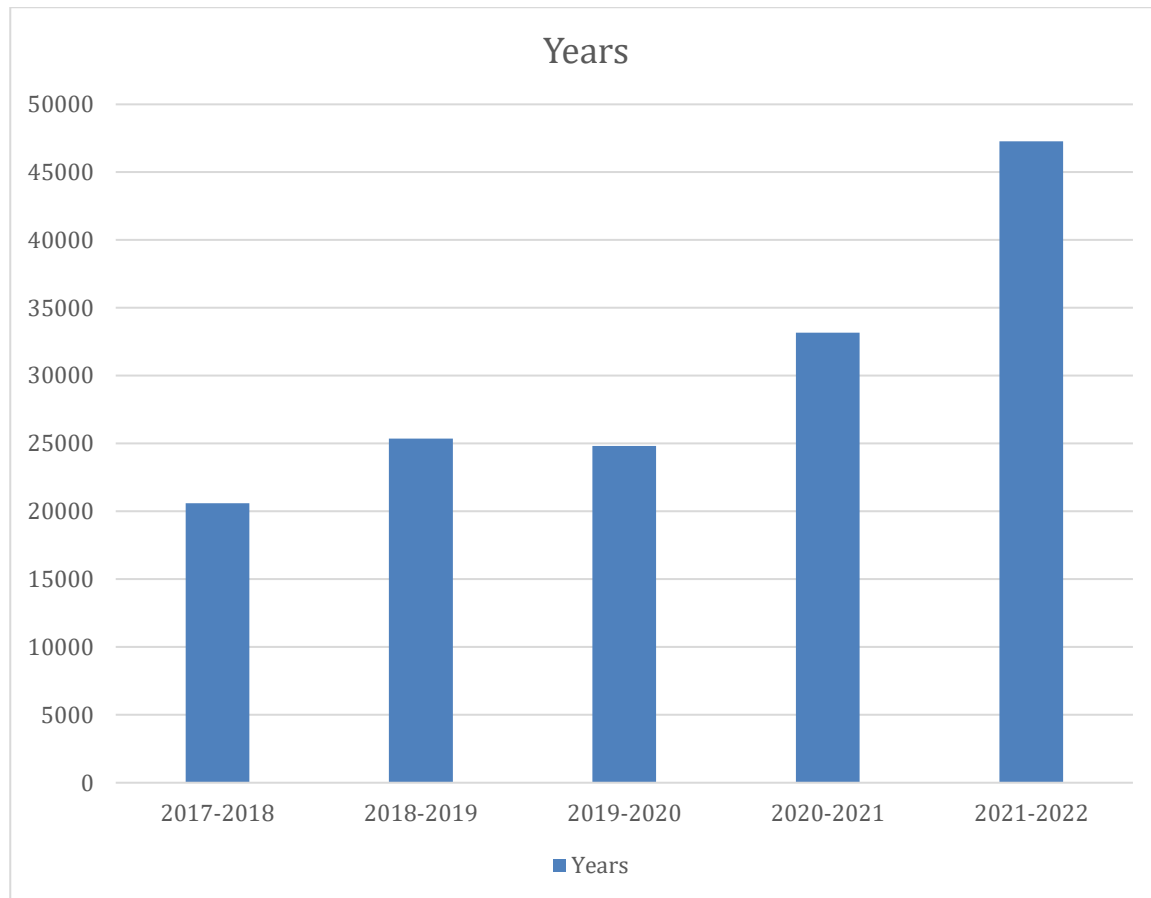
Years	Pre-Tax Profit
2017-2018	20594
2018-2019	25361
2019-2020	24812
2020-2021	33180
2021-2022	47284

(Source: Secondary Data)

Inference:

From the above, Pre-Tax Profit for financial years 2017-2022 has been gradually increasing which acts as a good sign in-terms of sales and will be in better position to meet its tax expenses. It will provide the equity shareholders with higher returns.

Chart 4.10 (Pre-Tax Profit)



4.10 Return on Assets:

**Table 4.11 Return
on Assets**

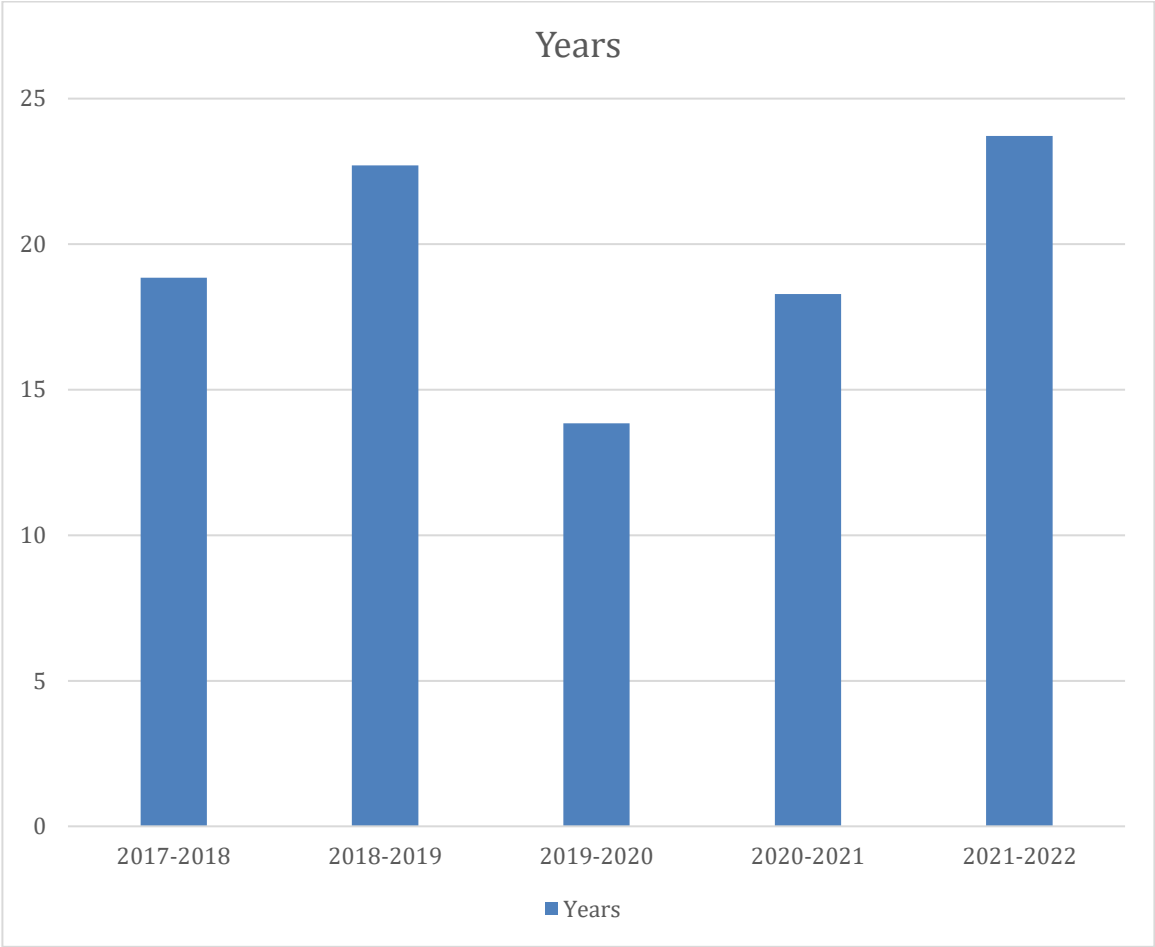
Years	Return on Assets
2017-2018	18.85
2018-2019	22.71
2019-2020	13.85
2020-2021	18.29
2021-2022	23.72

(Source: Secondary Data)

Inference:

Higher Return on Assets indicates more asset efficiency. From the above, for financial year 2020-2021, the asset allocation has been very low (18.29) and the average ratio of 5% is considered good.

Chart 4.11 (Return on Asset)



4.11 Return on Capital:

**Table 4.12 Return
on Capital**

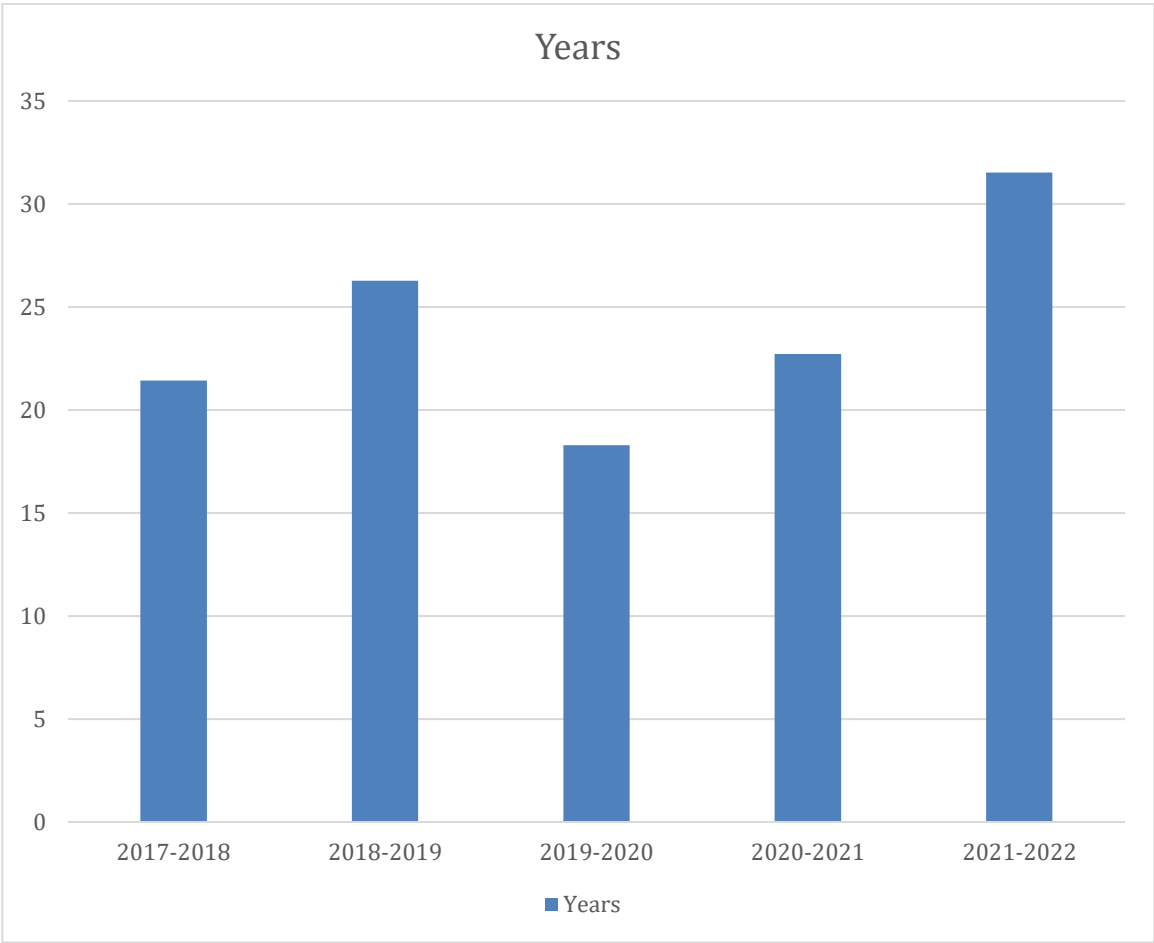
Years	ROI
2017-2018	21.43
2018-2019	26.28
2019-2020	18.29
2020-2021	22.71
2021-2022	31.52

(Source: Secondary Data)

Inference:

Return on Capital varies according to type of industry. For the financial year 2019-2020, there is a moderate breakdown in percentage (18.29). The ratio is at its peak in the financial year 2021-2022 indicating high return for shareholders and profit for the company.

Chart 4.12 (Return on Capital)



CHAPTER – 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS OF THE STUDY:

The financial performance of the firm is analyzed in terms of Ratio analysis. The results are displayed as follows:

- **Current Ratio:** A ratio of 2:1 or above is considered as a satisfactory level in the current ratio, and the firm has met the requirements, but there is a gradual decrease in financial year 2019-2022.
- **Liquid Ratio:** From financial year 2018-2022, there is a gradual increase in liquid ratio, but from 2018-2022 there is a defect in cash flow which will affect and the company should maintain liquid ratio.
- **Gross Profit Ratio:** For the financial year 2018-2022, there is a gradual increase in ratio which increases profit, but for the financial year 2018-2022, there is a slow decrease which in forth-coming year will affect the overall profit of the company.
- **Operating Ratio:** The smaller the operational ratio, the more efficient the company is at generating revenue apart from total expenses. From the data, for the financial year 2012-2013, there has been massive increase in ratio of 116.2% which indicates increase in expenses. For this to reduce, the company should implement cost controls for margin improvement.
- **Operating Profit Ratio:** For a good operating profit ratio, should be greater than 15%. Almost every financial year has ratio rate of more than 15%, but for financial year 2012-2013 of -16.23%, there is a rapid decrease in operational things which indicates a major loss of profit.
- **Proprietary Ratio:** The company should have high proprietary ratio, indicates company has sufficient equity to support the functions of company. There has

been a gradual decrease for financial year 2019-2020 which is 7.57, which indicates that the company will bankrupt and it will lose its stockholders.

- **Debt Equity Ratio:** This ratio helps to analyze the company's debt relative of its net assets. The debt equity ratio should be less than 2.0. From the above, for financial years 2014-2019, there is a low ratio indicating low risk or risk free from bankruptcy at economic downturn.
- **Net Profit Ratio:** This ratio helps to evaluate the profitability of the company from its primary operations. From above case, for financial year 2012-2013, the net profit ratio is 0.62 which is less than 10% is considered below average and for year 2018-2019, the ratio of 39.5 is at peak indicating the company is exercising good cost control.
- **Earnings Per Share:** Earnings Per Share is measured in scale of 1 to 99 for each company. From the above table, we can find that, for financial years 2016-2022 it is below one indicating that value of the stockholder's is decreasing which affects the share and profit of the company.
- **Pre-Tax Profit:** From the above, Pre-Tax Profit for financial years 2012-2022 has been gradually increasing which acts as a good sign in-terms of sales and will be in better position to meet its tax expenses. It will provide the equity shareholders with higher returns.
- **Return on Assets:** Higher Return on Assets indicates more asset efficiency. From the above, for financial year 2012-2013, the asset allocation has been very low of 0.35 and the average ratio of 5% is considered good.
- **Return on Capital:** Return on Capital varies according to type of industry. For the financial year 2015-2016, there is a moderate breakdown in percentage (0.345). The ratio is at its peak in the financial year 2019-2022 indicating high return for shareholders and profit for the company.

5.2 SUGGESTIONS:

Planning has become the primary function of the management related to individual situations and individual proposals. Ratio Analysis is used as an essential tool by management for controlling the overall wealth of the company. The following suggestions are listed below based on the study:

- The current ratio has been decreasing gradually and the company should work to at least maintain in-order to have enough resources to meet short-term obligations.
- Liquidity is ability to convert assets into cash quickly and the company has capability to increase the safety margin to meet its current liabilities by the next financial year.
- The company has been increasing which is a good sign of profit made before deducting selling cost and administrative cost.
- Operating Ratio of the firm should be decreased in-order to manage the operating costs which doesn't include debts.
- Operating Profit ratio has been increased and there is a setback in last financial year which indicates flaws and improper management of resources.
- The firm should mainly focus on how to maintain or increase the proprietary ratio for upcoming financial year to make sure shareholder's equity and not to depend upon debts for the operations.
- For the firm should try to maintain a very low debt equity ratio for low risk of loan default and the company from becoming bankrupt.
- The important factor for making a profit is by increasing the net profit ratio which the firm is doing and uplifts the business wealth of the firm.
- Increase in Working Capital of the firm is a good sign to measure the liquidity, operational efficiency and short-term financial health.
- Major defects in Earnings Per Share ratio indicating that the company should increase each share price in-order to make large profits for the company,

- Pre-tax profit of the firm has been increasing which is a good sign for all non-operating activities to increase the net income.
- Comparing the total assets of the company, it should focus on the how to convert investments into profits in a period of time.
- The firm is good at allocating its capital or resources under its control for a profitable investment by maintaining a high return on capital.

5.3 CONCLUSION:

Every Organization has a set of predetermined objectives and goals but attaining those objectives and goals by proper planning and executing those economically is not an easy task. The organization needs the capable personalities to execute these plans and survive in the global market.

The aim of this study is to analyze the cash or fund flow through the firm and the financial position of the firm. Ratio Analysis is used as a tool for evaluating the financial performance of the firm in this study.

Facebook, INC. plans to make the utilization of resources effective and implementing various strategies by upgrading to future technology development and also create an ambience for the its employees.

But because of the study, it is come to know that the firm is not having a strong financial wealth in-spite of large profits. Major factor is earnings per share which is low indicating to how much the shareholders can invest on the firm. This is due to increase in debt to equity which indicates debt to increase along with profits which is not a good sign. Moreover, the current market conditions prevail against the firm as the operating ratio is increasing.

The firm should be capable of handling various operations and also on the same time handle the profits. Upgrading software should be used to create innovative and various strategies to survive in the future global market.

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ANNEXTURE-1 FINANCIAL STATEMENT

INCOME STATEMENT

Particulars	31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18
Revenue	116,609	117,929	85,965	70,697	55,838
Cost of revenue	-25,249	-22,649	-16,692	-12,770	-9,355
Gross profit	91,360	95,280	69,273	57,927	46,483
Research and development	-35,338	-24,655	-18,447	-13,600	-10,273
Marketing and sales	-15,262	-14,043	-11,591	-9,876	-7,846
General and administrative	-11,816	-9,829	-6,564	-10,465	-3,451
Income from operations	28,944	46,753	32,671	23,986	24,913
Interest income	452	476	686	924	661
Interest expense	-176	-15	-14	-20	-9
Foreign currency exchange losses, net	-81	-140	-129	-105	-213
Other income (expense), net	-320	210	-34	27	9
Interest and other income (expense), net	-125	531	509	826	448
Income before provision for income taxes	28,819	47,284	33,180	24,812	25,361
Provision for income taxes	-5,619	-7,914	-4,034	-6,327	-3,249
Net income	23,200	39,370	29,146	18,485	22,112

BALANCE SHEET

Particulars	31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18
Cash and cash equivalents	14,681	16,601	17,576	19,079	10,019
Marketable securities	26,057	31,397	44,378	35,776	31,095
Accounts receivable, net	13,466	14,039	11,335	9,518	7,587
Prepaid expenses and other current assets	5,345	4,629	2,381	1,852	1,779
Current assets	59,549	66,666	75,670	66,225	50,480
Non-marketable equity securities	6,201	6,775	6,234	86	—
Property and equipment, net	79,518	57,809	45,633	35,323	24,683
Operating lease right-of-use assets	12,673	12,155	9,348	9,460	—
Intangible assets, net	897	634	623	894	1,294
Goodwill	20,306	19,197	19,050	18,715	18,301
Other assets	6,583	2,751	2,758	2,673	2,576
Non-current assets	126,178	99,321	83,646	67,151	46,854
Total assets	185,727	165,987	159,316	133,376	97,334

Particulars	31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18
Accounts payable	4,990	4,083	1,331	1,363	820
Partners payable	1,117	1,052	1,093	886	541
Operating lease liabilities, current	1,367	1,127	1,023	800	—
Legal-related accruals	4,795	3,254	1,622	5,998	—
Accrued compensation and benefits	4,591	3,152	2,609	1,704	1,203
Accrued property and equipment	2,921	1,392	1,414	1,082	1,531
Accrued taxes	2,339	1,256	2,038	624	491
Finance lease liabilities, current	129	75	54	55	—
Other current liabilities	4,777	5,744	3,797	2,541	2,431
Accrued expenses and other current liabilities	19,552	14,873	11,534	12,004	5,656
Current liabilities	27,026	21,135	14,981	15,053	7,017
Operating lease liabilities, non-current	15,301	12,746	9,631	9,524	—
Long-term debt	9,923	—	—	—	—
Income tax payable	6,645	5,938	5,025	5,651	4,655
Finance lease liabilities, non-current	558	506	469	418	—
Other liabilities, excluding finance leases	561	783	920	1,676	1,535
Other liabilities	7,764	7,227	6,414	7,745	6,190
Non-current liabilities	32,988	19,973	16,045	17,269	6,190
Total liabilities	60,014	41,108	31,026	32,322	13,207
Common stock, \$0.000006 par value	—	—	—	—	—
Additional paid-in capital	64,444	55,811	50,018	45,851	42,906
Accumulated other comprehensive income (loss)	-3,530	-693	927	-489	-760
Retained earnings	64,799	69,761	77,345	55,692	41,981
Stockholders' equity	125,713	124,879	128,290	101,054	84,127
Total liabilities and stockholders' equity	185,727	165,987	159,316	133,376	97,334

