1. INTRODUCTION

1.1. E-Commerce and its Effects

E-Commerce is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet.

Positive Effects: Convenient, Time Saving, Information availability and Price Comparison, Greater Choice, Access 24/7, Pre-Orders.


1.2. About ‘AMAZON’

Amazon.com, Inc., commonly known as Amazon, is an American electronic commerce and cloud computing company based in Seattle, Washington that was founded by Jeff Bezos on July 5, 1994. The tech giant is the largest Internet-based retailer in the world by total sales and market capitalization.

Figure 1.1 Evolution of Amazon Logo
Amazon.com started as an online bookstore and later diversified to sell DVDs, CDs, video downloads/Streaming, MP3 downloads/Streaming, audiobook downloads/Streaming, Blu-rays, software, video games, electronics, apparel, furniture, food, toys, and jewellery.

The company also produces consumer goods like electronics—notably, Fire TV, Kindle e-readers, Fire tablets and Echo—and is the world’s largest provider of cloud infrastructure Services. Amazon also sells certain low-end products like USB cables under its in-house brand Amazon Basics.

1.3. Types of Business Amazon provides

Amazon.com’s product lines available at its website include several media (books, DVDs, music CDs, videotapes and software), apparel, baby products, consumer electronics, beauty products, gourmet food, groceries, health and personal-care items, industrial & scientific supplies, kitchen items, jewellery, watches, lawn and garden items, musical instruments, sporting goods, tools, automotive items and toys & games. In India, Amazon is now gearing up to play a role in the grocery retail sector aimed at delivering customer needs.

Amazon.com has a number of products and services that includes:
• AmazonFresh
• Amazon Prime
• Amazon Web Services
• Alexa
• Appstore
• Amazon Drive
• Echo
• Kindle
• Fire tablets
• Fire TV
• Video
• Kindle Store
• Music
• Music Unlimited
• Amazon Digital Game Store
• Amazon Studios
• AmazonWireless

1.4. Mission and Vision statement of Amazon

“Our Vision is to be Earth’s most consumer-centric company; to build a place where people can come to find and discover anything they might want to buy online.”

Different modes of business:

Figure 1.4 Various Products/ Services of Amazon
1.5. Founders and Board of Directors

Founder: Jeff Bezos

![Jeff Bezos](image)

Figure 1.5 Jeff Bezos

Board of Directors:

- Jeff Bezos, President, CEO, and Chairman.
- Tom Alberg, Managing Partner, Madrona Venture Group.
- John Seely Brown Visiting Scholar and Advisor to the Provost at University of Southern California
- Bing Gordon, partner, Kleiner Perkins Caufield & Byers
- Jamie Gorelick, partner, Wilmer Cutler Pickering Hale, and Dorr
- Judy McGrath, former CEO, MTV Networks
- Alain Monié, CEO, Ingram Micro
- Jon Rubinstein, former Chairman, and CEO, Palm, Inc.
- Thomas O. Ryder, former Chairman, and CEO, Reader's Digest Association
- Patty Stonesifer, President, and CEO, Martha's Table
- Wendell P. Weeks, Chairman, President, and CEO, Corning Inc.
- Brian T Olsavsky, CFO

1.6. Market Share and Future Challenges

Market Share

- In USA 43% of all online purchases
- In India 30% and growing, with possibilities of overtaking flipkart by the year end
- Across the globe Amazon has a market share of more than half of the online sales, with a massive 53%.
1.7. Competitors in the Market

In USA
: Ebay.com
: shopusa.com
: BestBuy.com for electronics
: Macys.com for clothing
: footlocker.com for footwear
: target.com

In Europe
: ie.boohoo.com
: eu.topshop.com

In India
: flipkart.com
: shopclues.in
: myntra.in
: jabong.in

In China
: Alibaba.com
: aliexpress.com

Future Challenges

With growing revenue of Walmart and Target, it possess a danger to Amazon even though they don’t sell much online. With a good record of innovating and reshaping consumer experience, Amazon will have an upper hand, but recent failures worry amazon to innovate new products as many consumers are shifting preference to other online shopping websites.
2. ROLE OF ACCOUNTING

2.1. Importance of Accounting in a Business

To run a business you need data, records, reports, analysis, accurate information about assets, debts, liabilities, profits; and that is why Accounting is Important for any business activities. The accounting information is very important for the management or the decision making body of an organization. Management cannot make decision without reasonable information’s for backing it up. To make a decision, it has to be based on genuine facts and figures. For making decision at every level of management, information is crucial. Accounting gives the management, the information regarding the financial position of the business, such as; profit and loss, cost and earnings, liabilities and assets, etc.

2.2. Financial Statements maintained by Limited Companies

Financial Statements represent a formal record of the financial activities of an entity. These are written reports that quantify the financial strength, performance and liquidity of a company. Financial Statements reflect the financial effects of business transactions and events on the entity.

Types of Financial Statements:

1. Statement of Financial Position

Statement of Financial Position, also known as the Balance Sheet, presents the financial position of an entity at a given date. It is comprised of the following three elements:

- **Assets**: Something a business owns or controls (e.g. cash, inventory, plant and machinery, etc.)
- **Liabilities**: Something a business owes to someone (e.g. creditors, bank loans, etc.)
- **Equity**: What the business owes to its owners. This represents the amount of capital that remains in the business after its assets are used to pay off its outstanding liabilities. Equity therefore represents the difference between the assets and liabilities.

Figure 2.1. Assets
Table 2.1 Statement of Financial Position Format

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and Machinery</td>
<td>XX</td>
<td>(XX)</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Furniture</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Receivable</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Closing Stock</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Net Loss</td>
<td>(XX)</td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Drawing</td>
<td>(XX)</td>
<td></td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Repayable</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td><strong>Current Liability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Payable</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Accruals</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Bank Overdraft</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL AND LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Income Statement

Income Statement, also known as the *Profit and Loss Statement*, reports the company's financial performance in terms of net profit or loss over a specified period. Income Statement is composed of the following two elements:

![Figure 2.2 Income and Expenses](image-url)
Table 2.2 Income Statement Format

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (- returns inward)</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Less Cost of Sales:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Inventory</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Purchases(- returns outward)</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Carriage Inward</td>
<td>XX</td>
<td>(XX)</td>
</tr>
<tr>
<td>Closing Inventory</td>
<td>(XX)</td>
<td>(XX)</td>
</tr>
<tr>
<td>Gross Profit/Loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: Other Incomes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Received</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Commission Received</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Discount Received</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Gross Profit/Loss</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>Less: Overheads</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Carriage Outwards</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Discount Allowed</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Sundry Expenses</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>Other Expenses</td>
<td>XX</td>
<td>(XX)</td>
</tr>
<tr>
<td>NET PROFIT/LOSS</td>
<td></td>
<td>XX</td>
</tr>
</tbody>
</table>

3. Cash Flow Statement

Cash Flow Statement, presents the movement in cash and bank balances over a period. The movement in cash flows is classified into the following segments:

- **Operating Activities:** Represents the cash flow from primary activities of a business.
- **Investing Activities:** Represents cash flow from the purchase and sale of assets other than inventories (e.g. purchase of a factory plant)
Figure 2.3 Investing Activities

- **Financing Activities**: Represents cash flow generated or spent on raising and repaying share capital and debt together with the payments of interest and dividends

Table 2.3 Cash Flow Statement Format

<table>
<thead>
<tr>
<th>Operating Activities</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Received from Customers</td>
<td>XX</td>
</tr>
<tr>
<td>Cash Paid to Suppliers and Employees</td>
<td>(XX)</td>
</tr>
<tr>
<td>Cash Generated from Operations</td>
<td>XX</td>
</tr>
<tr>
<td>Dividends Received</td>
<td>XX</td>
</tr>
<tr>
<td>Interest Received</td>
<td>XX</td>
</tr>
<tr>
<td>Interest Paid</td>
<td>(XX)</td>
</tr>
<tr>
<td>Tax Paid</td>
<td>(XX)</td>
</tr>
<tr>
<td>Cash Generated from Operations</td>
<td>XX</td>
</tr>
<tr>
<td><strong>Net Cash Flow from Operating Activities</strong></td>
<td>XX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investing Activities</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addition to Equipment</td>
<td>(XX)</td>
</tr>
<tr>
<td>Replacement of Equipment</td>
<td>(XX)</td>
</tr>
<tr>
<td>Proceeds from Sale of Equipment</td>
<td>XX</td>
</tr>
<tr>
<td><strong>Net Cash Flow from Investing Activities</strong></td>
<td>XX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Activities</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from Capital Contributed</td>
<td>XX</td>
</tr>
<tr>
<td>Proceeds from Loan</td>
<td>XX</td>
</tr>
<tr>
<td>Payment of Loan</td>
<td>(XX)</td>
</tr>
<tr>
<td><strong>Net Cash Flow from Financial Activities</strong></td>
<td>XX</td>
</tr>
<tr>
<td>Net Increase/Decrease in Cash</td>
<td>XX</td>
</tr>
<tr>
<td>Cash at the Beginning of the Period</td>
<td>XX</td>
</tr>
<tr>
<td>Cash at the End of the Period</td>
<td>XX</td>
</tr>
</tbody>
</table>
4. Statement of Changes in Equity

Statement of Changes in Equity, also known as the Statement of Retained Earnings, details the movement in owners’ equity over a period. The movement in owners’ equity is derived from the following components:

- Net Profit or loss during the period as reported in the income statement
- Gains or losses recognized directly in equity (e.g. revaluation surpluses)
- Share capital issued or repaid during the period
- Dividend payments
- Effects of a change in accounting policy or correction of accounting error

**Figure 2.4 Profit**

<table>
<thead>
<tr>
<th>Table 2.4 Equity Changes Statement Format</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ordinary Share</strong></td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Start of the Year</td>
</tr>
<tr>
<td>Prior Year Adjustments</td>
</tr>
<tr>
<td>Adjusted</td>
</tr>
<tr>
<td>Issue of Shares</td>
</tr>
<tr>
<td>Surplus on Revaluation Land</td>
</tr>
<tr>
<td>Profit for the Year</td>
</tr>
<tr>
<td>Dividends</td>
</tr>
<tr>
<td>End of the Year</td>
</tr>
</tbody>
</table>

2.3. Importance of GAAP and IFRS

GAPP- Generally accepted accounting principles: They are a common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements. GAAP is a combination of authoritative standards (set by policy boards)
and the commonly accepted ways of recording and reporting accounting information. GAAP improves the clarity of the communication of financial information.

IFRS- International Financial Reporting Standards: They are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board, and they specify exactly how accountants must maintain and report their accounts. IFRS were established in order to have a common accounting language, so business and accounts can be understood from company to company and country to country.

Importance of GAAP: Without GAAP, companies wouldn't be held to a strict set of standards, which means they'd have a lot more leeway in deciding what information they choose to share or keep hidden. GAAP, therefore, serves the very-important function of making sure companies and organizations can't "cheat" on their financial reporting.

Figure 2.5 Generally Accepted Accounting Principles

GAAP allows investors to easily evaluate companies simply by reviewing their financial statements. If an investor is torn between two companies in the same industry, that investor can compare their respective statements to determine which is doing a better job at generating revenue and managing cash flow. GAAP also helps companies gain key insights into their own practices and performance. Furthermore, GAAP minimizes the risk of erroneous financial reporting by having numerous checks and safeguards in place. The information provided in GAAP-compliant financial statements can therefore generally be regarded as reliable and accurate.
Importance of IFRS: Running a business is not just about earning profits, depositing money in the bank, paying employees, and luring more clients and customers. It is about knowing if the business is thriving or if the owner is just investing on something that is not going to earn at all. Businesses have to have accounting standards to ensure that everything goes smoothly and that cash flow is running perfectly. These accounting measures for businesses also have to adhere to the accounting standards set by regulating bodies like the FASB and the IASB.

By employing accounting standards, investors’ interests are ensured as the documents they review are definitely accurate and genuine. As investors, they are interested to know that their money will eventually earn and go back to them. Accounting standards increase the investors’ confidence in the business. Government regulators set accounting standards that have to be adhered to by all companies. This is both beneficial to the investor or business owner as well as to the customers or clients because it protects them from frauds in businesses. It also promotes transparency among the business’ transactions which will eventually lead to the improved efficiency of the markets. Following accounting standards set by the FASB and the IASB will help prevent a company or business from spending on legal actions initiated by the government against it.

2.4. Role of an Auditor

An auditor is an official whose job it is to carefully check the accuracy of business records. An auditor might be either an internal auditor, external auditor or independent auditor for accounting firms in the public or private sector. Auditors can also work for many different entities, such as the IRS or a state government.
Types of Auditor

- Internal Auditor
- External Auditor
- Independent Auditor
- Government Auditor

**Figure 2.7 Auditor**

**Internal Auditor:** An employee of a company charged with providing independent and objective evaluations of the company’s financial and operational business activities, including its corporate governance. Internal auditors also provide evaluations of operational efficiencies and will usually report to the highest levels of management on how to improve the overall structure and practices of the company.

**Role:**

- Verify the existence of assets and recommend proper safeguards for their protection;
- Evaluate the adequacy of the system of internal controls;
- Recommend improvements in controls;
- Assess compliance with policies and procedures and sound business practices;
- Assess compliance with state and federal laws and contractual obligations.
- Review operations/programs to ascertain whether results are consistent with established objectives and whether the operations/programs are being carried out as planned;
- Investigate reported occurrences of fraud, embezzlement, theft, waste, etc.

**External Auditor:** An external auditor performs an audit, in accordance with specific laws or rules, of the financial statements of a company, government entity, other legal entity, or organization, and is independent of the entity being audited. Users of these entities’ financial information, such as investors, government agencies, and the general public, rely on the external auditor to present an unbiased and independent audit report.

**Role:**

- *Represent Interest of Shareholders:* One of the primary roles of external auditors in corporate governance is protecting the interests of shareholders. This is possible
because external audition reports are conducted independent of the company’s influence.

- **Promote Accountability:** External auditors may introduce measures and policies designed to compel accountability in the workplace.

- **Risk Assessment and Mitigation Planning:** External auditors help promote corporate governance by conducting period risk assessment. Auditors review the security measures that a company has in place against corporate fraud or corruption.

- **Crisis Management:** External auditors can help ensure good corporate governance by developing efficient crisis-management plans to be used in the event of allegations of fraud or corruption. The plan typically involves assigning responsibilities to different administrative officials

- **Maintain Strong Relationship with Regulators:** The efforts of an external auditor help foster a good relationship with regulators. Most regulators are supportive of companies and agencies that appear to have transparent operations.

### 2.5. Importance of Accounting Ethics

**Accounting Ethics:** Accounting ethics is primarily a field of applied ethics and is part of business ethics and human ethics, the study of moral values and judgments as they apply to accountancy. It is an example of professional ethics. Accounting introduced by Luca Pacioli, and later expanded by government groups, professional organizations, and independent companies. Ethics are taught in accounting courses at higher education institutions as well as by companies training accountants and auditors.

**Importance:** The nature of the work carried out by accountants and auditors requires a high level of ethics. Shareholders, potential shareholders, and other users of the financial statements rely heavily on the yearly financial statements of a company as they can use this information to make an informed decision about investment. They rely on the opinion of the accountants who prepared the statements, as well as the auditors that verified it, to present a true and fair view of the company. Knowledge of ethics can help accountants and auditors to overcome ethical dilemmas, allowing for the right choice that, although it may not benefit the company, will benefit the public who relies on the accountant/auditor's reporting.
3. **MERGER & ACQUISITION**

Mergers and acquisitions (M&A) are defined as consolidation of companies. Differentiating the two terms, Mergers is the combination of two companies to form one, while Acquisitions is one company taken over by the other. M&A is one of the major aspects of corporate finance world. Merger is the combination of two or more firms, generally by offering the shareholders of one firm's securities in the acquiring firm in exchange for the acquiescence of their shares. Merger is the union of two or more firms in making of a new body or creation of a holding company.

In other words when two firms combine to create a new firm with shared resources and corporate objectives, it is known as merger. It involves the mutual resolution of two firms to merge and become one entity and it may be seen as a choice created by two "equals". The mutual business through structural and operational benefits secured by the merger will reduce cost and increase the profits, boosting stockholder values for each group of shareholders. In other words, it involves two or more comparatively equal firms, which merge to become one official entity with the goal of making that's value over the sum of its components.

### 3.1. Types of Mergers and Acquisition

**Mergers:**

1. *Conglomerate:* A merger between firms that are involved in totally unrelated business activities. There are two types of conglomerate mergers: pure and mixed. Pure conglomerate mergers involve firms with nothing in common, while mixed conglomerate mergers involve firms that are looking for product extensions or market extensions.

   *Example:* A leading manufacturer of athletic shoes, merges with a soft drink firm. The resulting company is faced with the same competition in each of its two markets after the merger as the individual firms were before the merger. One example of a conglomerate merger was the merger between the Walt Disney Company and the American Broadcasting Company.
2. **Horizontal Merger**: A merger occurring between companies in the same industry. Horizontal merger is a business consolidation that occurs between firms who operate in the same space, often as competitors offering the same good or service. Horizontal mergers are common in industries with fewer firms, as competition tends to be higher and the synergies and potential gains in market share are much greater for merging firms in such an industry.

*Example:* A merger between Coca-Cola and the Pepsi beverage division, for example, would be horizontal in nature. The goal of a horizontal merger is to create a new, larger organization with more market share. Because the merging companies' business operations may be very similar, there may be opportunities to join certain operations, such as manufacturing, and reduce costs.

3. **Market Extension Mergers**: A market extension merger takes place between two companies that deal in the same products but in separate markets. The main purpose of the market extension merger is to make sure that the merging companies can get access to a bigger market and that ensures a bigger client base.
Example: A very good example of market extension merger is the acquisition of Eagle Bancshares Inc by the RBC Centura. Eagle Bancshares is headquartered at Atlanta, Georgia and has 283 workers. It has almost 90,000 accounts and looks after assets worth US $1.1 billion.

Figure 3.3 Market Extension Merger

4. **Product Extension Mergers:** A product extension merger takes place between two business organizations that deal in products that are related to each other and operate in the same market. The product extension merger allows the merging companies to group together their products and get access to a bigger set of consumers. This ensures that they earn higher profits.

Example: The acquisition of Mobilink Telecom Inc. by Broadcom is a proper example of product extension merger. Broadcom deals in the manufacturing Bluetooth personal area network hardware systems and chips for IEEE 802.11b wireless LAN. Mobilink Telecom Inc. deals in the manufacturing of product designs meant for handsets that are equipped with the Global System for Mobile Communications technology. It is also in the process of being certified to produce wireless networking chips that have high speed and General Packet Radio Service technology. It is expected that the products of Mobilink Telecom Inc. would be complementing the wireless products of Broadcom.
5. **Vertical Merger**: A merger between two companies producing different goods or services for one specific finished product. A vertical merger occurs when two or more firms, operating at different levels within an industry's supply chain, merge operations. Most often the logic behind the merger is to increase synergies created by merging firms that would be more efficient operating as one.

*Example*: A vertical merger joins two companies that may not compete with each other, but exist in the same supply chain. An automobile company joining with a parts supplier would be an example of a vertical merger. Such a deal would allow the automobile division to obtain better pricing on parts and have better control over the manufacturing process. The parts division, in turn, would be guaranteed a steady stream of business. Synergy, the idea that the value and performance of two companies’ combined will be greater than the sum of the separate individual parts is one of the reasons companies’ merger.

### 3.2. Need for Merger and Acquisition in Market Scenario

**Basic need for Merger and Acquisition:**

- Increasing capabilities
- Gaining a competitive advantage or larger market share
- Diversifying products or services
- Replacing leadership
- Cutting costs
- Survival
Market Scenario:

The Marketing Scenario is a practical tool designed to help you make sure that you have a winning marketing strategy to support your brand. You will do a reality check on those dreams of success to learn if they make any sense.

Advantages:

- The most common reason for firms to enter into merger and acquisition is to merge their power and control over the markets.
- Another advantage is Synergy that is the magic power that allow for increased value efficiencies of the new entity and it takes the shape of returns enrichment and cost savings.
- Economies of scale is formed by sharing the resources and services. Union of 2 firm's leads in overall cost reduction giving a competitive advantage, that is feasible as a result of raised buying power and longer production runs.
- Decrease of risk using innovative techniques of managing financial risk.
- To become competitive, firms have to be compelled to be peak of technological developments and their dealing applications. By M&A of a small business with unique technologies, a large company will retain or grow a competitive edge.
- The biggest advantage is tax benefits. Financial advantages might instigate mergers and corporations will fully build use of tax- shields, increase monetary leverage and utilize alternative tax benefits.

Disadvantages:

- Loss of experienced workers aside from workers in leadership positions. This kind of loss inevitably involves loss of business understand and on the other hand that will be worrying to exchange or will exclusively get replaced at nice value.
- As a result of M&A, employees of the small merging firm may require exhaustive re-skilling.
• Company will face major difficulties thanks to frictions and internal competition that may occur among the staff of the united companies. There is conjointly risk of getting surplus employees in some departments.

• Merging two firms that are doing similar activities may mean duplication and over capability within the company that may need retrenchments.

• Increase in costs might result if the right management of modification and also the implementation of the merger and acquisition dealing are delayed.

• The uncertainty with respect to the approval of the merger by proper assurances.

• In many events, the return of the share of the company that caused buyouts of other company was less than the return of the sector as a whole.

### 3.3. Strategies and Ways used by Amazon to expand their Market Share

**Strategies**

1. **Be like the Godfather: Make them an offer they can't refuse:** In 2004, Amazon set its sights on the Melville House. The boutique publisher of serious fiction and nonfiction based in Brooklyn, N.Y., was just a fledgling company when things got tense with Amazon. Co-owner Dennis Johnson recalls his distributor calling him and describing negotiations with Amazon "like dinner with the Godfather," As the New Yorker reports, Amazon "wanted a payment without having to reveal how many Melville House books were sold on the site."

2. **Don't give up information unless absolutely necessary:** Amazon didn't tell Melville House how many of its books were sold on the site. Amazon also stays mum on Kindle sales, and won't say how many employees it has in Seattle. Moreover, the floor where the Kindle team works at the Seattle headquarters is called Area 51, since you can't set foot there unless you're directly involved with the product. Bezos, it seems, likes to deliver information - and create Amazon's narrative - in his own way, such as his carefully crafted shareholder letters.

3. **Keep teams small enough that members can be fed with two pizzas:** Bezos is famous among management nerds for his Two Pizza Rule: No team should be larger than can be fed with two large pizzas. That means that task forces are limited to just five to seven people,
allowing teams to test their ideas without too many onlookers, which guards against groupthink - one of Bezos's pet peeves. Those tiny teams have led to big innovations, like the Gold Box deals, a popular promotion that gave customers limited-time deals.

4. **Stop talking so much:** At an off-site retreat in the early 2000s, word was going around that groups needed to communicate more. Bezos got up and said, "No, communication is terrible!" How could talking too much be a problem? Cross-team communication limits team independence and leads to people agreeing too much, he estimated, which stands in opposition to the creative conflict that defines Amazon's culture.

5. **Get adversarial:** "The people who do well at Amazon are often those who thrive in an adversarial atmosphere with almost constant friction," writes Brad Stone, author of "The Everything Store," which chronicles Amazon's rapid growth. Why? Bezos can't stand "social cohesion," the cloying tendency of people who like to agree with each other and find consensus comfortable.

**WAYS**

1. **Increased Competition from E-Commerce Giants Such As Alibaba and eBay:** We believe Alibaba could emerge as a key competitor for Amazon in the coming years. This is as the slowing economy within China will push Alibaba to expand quickly into international markets to sustain its historical high growth rates. At the same time, eBay (after the recent spin-off of PayPal) is also looking to gain a larger share of the overall e-commerce pie within international markets. Hence, we think increased competition from these two players, could limit market share gain for Amazon over our forecast period.

![Figure 3.5 Ecommerce Competitor](image)

2. **Increased Competition from Traditional Retailers As well As New Entrants:** Besides the global giants, traditional brick-and-mortar retailers are also expected to enhance their competitive plays in the coming years. This is as the rapid surge in online retail sales is eating
into their profits globally. Recently, Target started matching prices with more than 20 other websites aggressively. Additionally, the entry of newcomers such as Jet.com — which was seen as the fourth largest player by GMV just a month after its launch — could also add to the challenges for Amazon over the next 5-10 years.

Figure 3.6. Retailer Competitor

3. Inability to Gain Market Share in Certain High-Growth Geographies Such as China: Over the previous 5-10 years, Amazon has made several unsuccessful attempts to enhance its market share in China. In the event, Amazon is unable to win in similar high-growth geographies such as India, then it will limit its market share gain in the international e-commerce market.

3.4. Major Acquisitions and Merger by Amazon

First in 1998, PlanetAll a remainder service based, in Cambridge Massachusetts.

Figure 3.7 Amazons First Merger Company

Amazon’s top 5 Acquisitions are:

1. In 1998, IMBD for $55 million, it has over 190 million users monthly, and also is the world’s largest movie website.
2. In 2008, Audible for $300 million, the world’s largest seller of downloadable audiobooks, with over 350,000 audio programmes per year
3. In 2008 when Zappos became a billion dollar company, Amazon closed a deal of $1.2 billion in stocks.

4. In 2013 when Goodreads hit 20 million members, Amazon acquired the company for an undisclosed amount. Currently with over 50 million members, it is surely doing justice to Amazon.

5. In 2012, comiXology was one of the top 3 selling apps on the iPad, in 2014 Amazon purchased it and it currently has over 100,000 digital comics.

Figure 3.8 Top Five Amazons Acquisition Companies
The most Recent Mergers of Amazon are:

1. March 27 2017: Souq.com a leading online shopping Brand in the Middle East for $580 million.
3. July 7 2017: GameSparks an Ireland based video-gaming firm for $10 million.

Figure 3.9 Amazons Recent Acquisition Companies
4. ANALYSIS OF FINANCIAL REPORTS

4.1. Meaning of Analysis of Financial Statements

Financial statement analysis is the process of reviewing and evaluating a company's financial statements (such as the balance sheet or profit and loss statement), thereby gaining an understanding of the financial health of the company and enabling more effective decision making. Financial statements record financial data; however, this information must be evaluated through financial statement analysis to become more useful to investors, shareholders, managers and other interested parties. Financial statement analysis allows analysts to identify trends by comparing ratios across multiple time periods and statement types. These statements allow analysts to measure liquidity, profitability, company-wide efficiency and cash flow.

4.2. Types of Analysis of Financial Statements

On the Basis of Concerned Parties

1. External Analysis: When the analysis is undertaken by outside parties namely existing and prospective investors, suppliers, lenders, government agencies, customers etc., it is external financial statement analysis. These external parties do not have any access to the internal records of the company; nor do they have any scope to know the hidden accounting policy, if any, of the management. So, they have to depend almost entirely on the published financial statements and other additional information supplied by the management.

2. Internal Analysis: This analysis is undertaken by the management of the company to monitor its financial and operating performance. As the analysis is done by the party who has access to the internal records and policies, it is expected to be more effective and reliable.

On the Basis of Time Period of the Study

1. Horizontal Analysis: This analysis refers to the study of past consecutive balance sheets, income statements or statements of cash flow at a time. The analysis can be made between two periods or over a series of periods. The relevant accounting numbers of all years of the study are presented horizontally in a statement over a number of columns each representing a year. Those figures can also be graphically presented. The figures of each year are compared with
those of the base year i.e., the beginning year of the study. This analysis is also called ‘Dynamic Analysis’ as it covers several years for study. This analysis is very much effective for understanding the direction and trend of the organisation particularly when it is undertaken for several years. Comparative statements and trend analysis are two important tools that can be employed for horizontal analysis.

2. Vertical Analysis: When the analysis is restricted to the financial statements of one particular period only, it is known as vertical analysis of financial statements. In this analysis each item of a particular financial statement is expressed as percentage of a base figure selected from the same statement. It is also known as ‘Static Analysis’ as it concentrates solely on one year’s financial statement. Common-size statements and accounting ratios are two important tools used for vertical analysis. This analysis is very much useful for understanding the structural relationship of various items in a financial statement. Vertical analysis can also be done for studying the relationship within a set of financial statements at a point of time.

3. Ratio Analysis: A ratio analysis is a quantitative analysis of information contained in a company’s financial statements. Ratio analysis is based on line items in financial statements like the balance sheet, income statement and cash flow statement; the ratios of one item – or a combination of items - to another item or combination are then calculated. Ratio analysis is used to evaluate various aspects of a company’s operating and financial performance such as its efficiency, liquidity, profitability and solvency. The trend of these ratios over time is studied to check whether they are improving or deteriorating. Ratios are also compared across different companies in the same sector to see how they stack up, and to get an idea of comparative valuations. Ratio analysis is a cornerstone of fundamental analysis.

Financial ratios are the most common and widespread tools used to analyse a business’ financial standing. Ratios are easy to understand and simple to compute. They can also be used to compare different companies in different industries. Since a ratio is simply a mathematically comparison based on proportions, big and small companies can be use ratios to compare their financial information. In a sense, financial ratios don't take into consideration the size of a company or the industry. Ratios are just a raw computation of financial position and performance.

Ratios allow us to compare companies across industries, big and small, to identify their strengths and weaknesses. Financial ratios are often divided up into seven main categories:
liquidity, solvency, efficiency, profitability, market prospect, investment leverage, and coverage.

*Comparative Ratio:* Comparative analysis, also described as comparison analysis, is used to measure the financial relationships between variables over two or more reporting periods. Businesses use comparative analysis as a way to identify their competitive positions and operating results over a defined period. Larger organizations may often comprise the resources to perform financial comparative analysis monthly or quarterly, but it is recommended to perform an annual financial comparison analysis at a minimum.

### 4.3. Interested Users of Financial Statements

**External users of accounting information are:**

- Investors
- Creditors
- Customers
- Suppliers
- Employees
- Government organizations

**Financial accounting for external users:** Financial accounting provides information for external users. Financial accounting information is used for decision making by external users, such as investors and creditors.

**Internal users of accounting information are:**

- Management
- Managers of operations

**Managerial accounting for internal users:** Managerial accounting provides information for internal users. Managerial accounting information is used for decision making by internal users, such as the management or operational managers.
4.4. Uses of Ratio Analysis

Uses of Ratio Analysis to Investors

Liquidity Ratios: Liquidity ratios measures a firm’s ability to pay its bills as they come due. Three commonly used liquidity ratios are the current ratio, the quick ratio and the cash ratio. The current ratio is found by dividing current assets by current liabilities. A ratio of 1 means the business has just enough current assets to pay current liabilities. Ratios above 1 mean a firm has more current assets than current liabilities; ratios below 1 mean more current liabilities than current assets.

Profitability Ratios: Profitability ratios measure a firm’s ability to generate profits. Gross profit margin, return on assets and return on equity are three commonly used ratios. Gross profit margin, also known as gross margin, indicates the percentage of net sales (sales minus cost of goods sold) going toward profit and fixed costs. Investors prefer high gross margins because they mean more money to cover fixed costs and more profit. Return on assets reveals how well a firm uses its assets to generate income. It is found by dividing net income by total assets.

Uses of Ratio Analysis to Owners

Current Ratio: Your current ratio, also known as a working capital ratio, is a good indication of whether or not your business will be able to pay its debts over the next year, and it will guide you when you are considering taking on more debt. It is also a good indicator of whether a business is making good use of its cash.

Profit Margin Ratio: Business owners need to compare their current profit margins with historic numbers to ensure their business stays on track and remains profitable. A high profit margin is a good indicator that your business has sufficient cash flow to meet its obligations and can finance any intended growth, but a low one indicates you may need to cut expenses or make some other adjustment, such as a price increase.

Uses of Ratio Analysis to Other Stakeholders

Profitability: Shareholders, for obvious reasons, are most concerned about profitability. Their investments are at risk and they expect to gain the maximum. Investors scrutinize profitability numbers and pounce upon the slightest signs of mismanagement. For the shareholders, the
profitability ratios are the beginning point. They then follow the trail the ratios leave. However over the past two decades the focus has been steadily shifting towards cash flow ratios.

**Cash Flow and Liquidity:** Debt holders and suppliers are concerned whether they will be paid the amount promised to them at the date that was promised to them. It is for this reason that they are very concerned about the liquidity of the firm. Slightest signs of liquidity issues are met with supply cutbacks from suppliers.

### 4.5. Meaning and Importance of Comparative Analysis

#### Meaning

Comparative analysis, also described as comparison analysis, is used to measure the financial relationships between variables over two or more reporting periods. Businesses use comparative analysis as a way to identify their competitive positions and operating results over a defined period.

#### Importance

The investments that your competition makes: Knowing the investments your clients make on different sections of their business acts as a great reveller, not only in knowing their business worth but also their expansion plans. To understand their budget in advertising domain gives you glimpse of their market strategy and the extent of their market presence.

The advertising mediums: Analysing the competitive advertising mediums tells you about their target audience and their line of thought. Studying the psyche of your competition through their business analysis gives you obvious edge above them. Another important gainer in this line is tapping the non-existent medium. If you realize that your competition has neglected a particular medium of advertising, it becomes a point for your potential gain.

### 4.6. Analysis of Financial Statements of Amazon

#### Ratio Analysis

Asset Turnover: net revenues ÷ average total assets

2015: 1.78

2016: 1.83
Inventory Turnover: cost of goods sold ÷ average inventory

2015: 7.73
2016: 8.13
2017: 9.11

Comparative Analysis

Revenue: 2016 v/s 2017
$135,987 million- 2016
$150,124 million- 2017
Difference: $14,137 million

Net Income: 2016 v/s 2017
$2371 million- 2016
$1922 million- 2017
Difference: -$449 million

4.7. Changes in Liquidity and Profitability Ratios

Liquidity ratio: Liquidity ratios measure the amount of liquidity (cash and easily converted assets) that you have to cover your debts and provide a broad overview of your financial health.

Quick ratio: Indicates a company’s ability to meet immediate creditor demands, using its most liquid assets (cash or assets that are easily converted into cash), also called quick assets.

Current ratio: Indicates whether a business has sufficient cash flow to meet its short-term obligations, take advantage of opportunities and attract favourable credit terms.

2016:

Current Ratio: Current Assets / Current Liabilities
54.89 ÷ 52.54 = 1.04

Quick Ratio: (cash + short-term marketable securities + accounts receivable) / current liabilities
(31.15+ 10) ÷ 52.54 = 0.78
2017:

Current Ratio: Current Assets / Current Liabilities

\[ \frac{46.72}{46.16} = 1.01 \]

Quick Ratio: (cash + short-term marketable securities + accounts receivable) / current liabilities

\[ \frac{(24.44 + 9.17)}{46.16} = 0.72 \]

Note: 2017- till half year end

- **Profitability Ratio**: Profitability ratios are used not only to evaluate the financial viability of your business, but also to compare your business to others in your industry.
- **Net profit margin**: Measures the percentage of sales revenue retained by the company after operating expenses, interest and taxes have been paid.
- **Return on equity**: Indicates the amount of after-tax profit generated for each dollar of equity.
- **Return on Assets**: Measures how much profit is generated compared to how much a company has invested to generate those profits.

2016:

Net Profit Margin: net income ÷ net revenue

: 1.74

Return on Equity: net income ÷ total stockholder’s equity

: 14.52

Return on Assets: net income ÷ total assets

: 3.19

2017:

Net Profit Margin: net income ÷ net revenue

: 1.28

Return on Equity: net income ÷ total stockholder’s equity

: 9.67

Return on Assets: net income ÷ total assets

: 2.52

Note: 2017- till half year end
Table 4.1 Quick/ Current Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>QUICK RATIO</th>
<th>CURRENT RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.78</td>
<td>1.04</td>
</tr>
<tr>
<td>2017</td>
<td>0.72</td>
<td>1.01</td>
</tr>
</tbody>
</table>

Table 4.2 Profitability Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>NET PROFIT MARGIN</th>
<th>RETURN ON EQUITY</th>
<th>RETURN ON ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.74</td>
<td>14.52</td>
<td>3.19</td>
</tr>
<tr>
<td>2017</td>
<td>1.28</td>
<td>9.67</td>
<td>2.52</td>
</tr>
</tbody>
</table>

4.8. Graphical Representation

Figure 4.1 Liquidity Ratio - 1: 2016  2: 2017
Figure 4.2 Profitability ratio - 1: 2016   2: 2017
5. LEARNINGS AND FINDINGS

The Project helped me learn about the topic Merger and Acquisition, which would also help me in Business and Economics in the future. I found various information about the company Amazon.

Researching about the Role of Accounting in a business helped me understand relation between the subjects Accounts, Business and Economics clearly. A study about GAAP and IFRS helped me understand the usage of accounting principles in depth. It also helped me know more about the role of an Auditor in a firm, and the responsibility he has on his shoulders.

Having done an analysis of the different types of financial statements, it has made it easier for me to know the role and importance of each in a huge business, such as Amazon. I also was able to know more about the company Amazon, as Amazon is a website that one uses at least once a week, in order buy any daily needs.

With this project, I was able to understand the following:

- The Mission Statement and the Vision Statement of Amazon
- 23 years history of Amazon
- The various services and products that Amazon provides to its customers
- That Amazon is the largest online retailer in the world
- The Mergers and Acquisitions of Amazon

Thus it has helped me to relate the websites I use on a daily basics.
6. CONCLUSION

E-Commerce is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet.

Amazon is the leading online retailer in the world. Found on July 5th 1994, by Jeff Bezos, Amazon is an American electronic commerce and cloud computing company based in Seattle, Washington. Amazon has a variety of services, ranging from AmazonFresh to AmazonWireless. Amazon also sells products from apparel to toys and games. Amazon faces competition from Ebay.com in USA, Flipkart.com in India, Alibaba.com in China and ie.boohoo.eu in Europe.

There are 4 types of Financial Statements
1. Statement of Financial Statement
2. Income Statement
3. Cash Flow Statements
4. Statement of Changes in Equity

An auditor is an official whose job it is to carefully check the accuracy of business records.

Types of Auditor

- Internal Auditor
- External Auditor
- Independent Auditor
- Government Auditor

Accounting ethics is primarily a field of applied ethics and is part of business ethics and human ethics, the study of moral values and judgments as they apply to accountancy. Mergers and acquisitions are defined as consolidation of companies. Differentiating the two terms, Mergers is the combination of two companies to form one, while Acquisitions is one company taken over by the other.
The types of Mergers are:

1. Conglomerate
2. Horizontal
3. Market Extension
4. Product Extension
5. Vertical

Amazons first acquisition was of Planet All. Its most famous mergers are IMBD, Goodreads, Audible… One of Amazons most recent top mergers are Whole Foods and Souq.com.

Types of analysis of financial Statements:

1. Basis of concerned parties
   - External
   - Internal
2. Basis of time period of study
   - Horizontal
   - Vertical
3. Ratio
4. Comparative

External users of accounting information

1. Investors
2. Creditors
3. Customers
4. Suppliers
5. Employees
6. Government organizations
4. https://www.stock-analysis-on.net/NASDAQ/Company/Amazoncom-Inc
8. http://searchcio.techtarget.com/definition/e-commerce
   analysis.asp?optly_redirect=integrated&lg=term-video-bid
33. https://quickbooks.intuit.com/r/financial-management/how-to-use-ratio-analysis-to-
   identify-financial-trends-in-your-small-business/