REFEREE'S REVIEW

Program:	Master in International Business
Student:	Anastasia Yarunicheva
Title of thesis:	A COMPANY'S PROFITABILITY PREDICTION BASED ON INDUSTRY-ADJUSTED DUPONT ANALYSIS: THE APPLICATION OF US METHODOLOGY TO RUSSIAN COMPANIES

Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.	**5**	4	3	2
Structure and logic of the text flow. Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.	5	**4**	3	2
Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.	**5**	4	3	2
Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.	5	**4**	3	2
Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.	5	**4**	3	2
Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.	5	**4**	3	2
Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references.	**5**	4	3	2

Each item above is evaluated on the following scale, as applicable: 5 = excellent, 4 = good, 3 = satisfactory, 2 = poor .

Additional comments:

The aim of the research is to analyze the applicability of industry-adjusted DuPont model for prediction of future RNOA in the Russian market.

The thesis consists of introduction, two chapters, conclusions, references and appendixes. First chapter gives an extensive overview of the literature mainly devoted to the DuPont analysis, use of DuPont analysis for profitability predictions, and mean reversion of financial ratios used in the research. Additionally, it introduces the procedure of formation of main hypotheses in the research. Second chapter describes the methodology of the study and research result, aimed at covering main variables construction process, selection of methods for hypotheses testing, and finally, main results of the research. Discussion of findings and conclusion finish the paper.

Some of the points to highlight:

1. It is necessary to define a "persistence of the components of PM and ATO" before the formulation of the hypothesis.
2. Russian format of income statement includes other income and expenses but not extraordinary income or extraordinary expenses.
3. According to opinion of the author Russian accounting standards requirements differ from GAAP. The author did not specify what GAAP she is talking about.
4. Annual information about the company's performance for 11-year period is used in the research. There is no explanation why 11 years have been chosen.
5. According to opinion of the author the comparability of results of companies in Russia and US are decreased by the difference in accounting standards. What are the arguments for such a statement?
6. Some page remarks:

Page 28. Extract: "Operating assets are calculated as total assets (line #290 in balance sheet) less long-term (#140 in balance sheet) and short-term investments (#250 in balance sheet) and cash (#260 in balance sheet). Operating liabilities are calculated as total assets (line #290 in balance sheet) minus total debt (line # 590) and book value of equity (line #490)". What about deferred taxes? Operating liabilities are calculated as total liabilities minus total debt.

Page 37. Extract: "It limits the comparability of the results with the conclusions obtained from financial statements based on GAAP. In Russia companies have started recently to publish financial statements based on IAS, which could be more comparable to GAAP. However in SKREEN database financial statements based on IAS are represented only for 2005-2009 time period. In order to test research hypotheses the financial statement information should be presented for minimum 5 years time period...". SKREEN database is not the only one available for data collection. Now IAS are called as IFRS.

Page 37. Extract: "Long-term investments (line #140 of balance sheet) are additionally subtracted from the total assets, as this line contains financial assets of the company. Such adjustments make the results based on Russian accounting standards more comparable with the results based on GAAP". It is not clear about what the author speaks?

Page 54. Extract: "Possible explanation can be the higher volatility of profitability and margins in the Russian market, where accounting standards are less strict about earnings consistency than in the US". How you can explain that in Russia accounting standards are less strict about earnings consistency.

Page 54. Extract: "Other differences between accounting standards, which are important for research, are allowance of frequent revaluation of assets in Russia". Can you specify what do you mean by frequent revaluation of assets in Russia?

Master thesis of Anastasia Yarunicheva meets the requirements of Master in International Business program, and deserves a "good" grade, thus the author can be given the desired degree.

Date: 15.06.2011

Referee: Yulia S. Leevik
                                                           Associate Professor,
                                                           Department of Finance and Accounting GSOM