

A Financial Analysis of Wanxin Media Company from the Perspective of the Harvard Analytical Framework

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Abstract: Based on a literature review, this paper analyzes the advantages of the Harvard Analytical Framework and traditional financial analysis. It examines the financial condition of Wanxin Media within the Harvard Analytical Framework, conducts a strategic analysis using the PEST method, and performs a SWOT analysis. A financial analysis of Wanxin Media is carried out, focusing on short-term solvency, long-term solvency, profitability, operating capacity, development capability, and accounts receivable, followed by a prospect analysis. The study reveals that Wanxin Media possesses strong solvency; however, its capital structure exhibits notable irrationalities, characterized by an excessively high proportion of shareholders' equity and a relatively small scale of liabilities, which fails to fully leverage the positive effects of financial leverage. Moreover, the excessive proportion of shareholders' equity also results in a relatively low return on equity. Overall, Wanxin Media's development strategy tends to be conservative. In the future, the company could moderately utilize financing and debt operations to reasonably reduce operating costs, while effectively deploying idle funds to expand its business scale and explore the market based on favorable demand conditions.

Keywords: Wanxin Media; Financial Analysis; Harvard Analytical Framework

1. Introduction

Changes in both internal and external environments have a profound impact on the financial management of listed companies. Traditional financial analysis methods rely on historical data and focus on accounting profits. These approaches resemble financial statement analysis and lack a holistic perspective for

comprehensively assessing a company's financial condition. The Harvard Analytical Framework enables the analysis of a company's financial position from a strategic standpoint, facilitating forecasts of its future development. Wanxin Media Company has a broad business scope, encompassing textbook publishing, book distribution, and other related activities. The company is a leading enterprise in Anhui Province. This paper takes Wanxin Media as the research subject and applies the Harvard Analytical Framework to conduct a financial analysis, rendering the analysis more comprehensive than traditional approaches. Conducting a thorough and accurate analysis of financial issues supports improved corporate decision-making.

2. Literature Review

Huang et al. employed the Harvard Analytical Framework and found that Group's differentiation strategy contributed to improved product quality, with the company demonstrating strong financial in dicatosr [1]. Li et al. also applied the Harvard Analytical Framework to analyze corporate strategy and financial performance [2]. Xie et al. integrated financial strategy with corporate development strategy [3]. Huang utilized the Harvard Analytical Framework to forecast the business performance of NetEase Group based on its financial data [4]. Lu found that the Harvard Analytical Framework drives innovation and development in internet companies [5].

Scholars have increasingly applied the Harvard Analytical Framework in practice. Zhang et al. employed the framework to evaluate the strategic performance [6]. Wang conducted a case study on HBDL Company, applying the Harvard Analytical Framework to assess its performance [7]. Ding et al. financial analysis of Bili bili based on the Harvard Analytical Framework [8]. Guo applied the framework to analyze corporate financial conditions and

scientifically evaluate business progress. Ding used financial data from ICT companies as a sample, employing the Harvard Analytical Framework to identify key factors affecting corporate development [9]. Zhu examined factors influencing corporate costs from the four dimensions of the Harvard Framework, proposing strategies for optimizing cost management.

In summary, the unique advantages of the Harvard Analytical Framework provide a comprehensive and systematic approach to financial condition analysis, a perspective that has gained recognition in both domestic and international academia. This paper takes Wanxin Media Company as the research subject and analyzes its financial performance within the Harvard Analytical Framework, offering insights for the company's scientific financial management.

3. Advantages of the Harvard Analytical Framework Compared to Traditional Financial Analysis

3.1 Components of the Harvard Analytical Framework

The Harvard Analytical Framework is a strategic approach to analyzing a company's financial condition, primarily encompassing strategic analysis, accounting analysis, financial analysis, and prospects analysis.

3.2 Advantages of the Harvard Analytical Framework

The comparison between the Harvard Analytical Framework and traditional financial analysis is shown in Table 1.

Table 1. Comparison between the Harvard Analytical Framework and Traditional Financial Analysis

Limitations of Traditional Financial Analysis	Advantages of Harvard Analysis
Untimeliness of financial analysis results	The Harvard Analytical Framework is more comprehensive
Excessively narrow scope of analytical methods	The Harvard Analytical Framework has clear logic
Lack of comparability	Data is more authentic

Limitations of Traditional Financial Analysis. Traditional financial analysis has limitations. Traditional financial analysis uses historical financial data and cannot predict the future. This method lacks analysis of the external environment. It also does not pay sufficient

attention to non-financial information and lacks strategic thinking about the enterprise. The results of traditional financial analysis are untimely, the scope of analytical methods is excessively narrow, and it lacks comparability. Advantages of the Harvard Analytical Framework Compared to Traditional Analytical Methods. The Harvard Analytical Framework is more comprehensive. Harvard analysis analyzes not only the internal environment of the enterprise but also the external environment of the enterprise. It analyzes not only financial data but also non-financial data. The Harvard Analytical Framework has clear logic. The Harvard Framework has a complete system. By applying the Harvard Analytical Framework, data is more authentic.

4. Financial Analysis of Wanxin Media Company under the Harvard Analytical Framework

Wanxin Media Company has developed its unique management approach. With the cultural industry as the leading force, it drives the coordinated development of other industries. The enterprise has also explored new businesses such as cross-border e-commerce and cross-border e-commerce platforms, which serve as a beneficial supplement to its traditional business. Advertising, games, and other services. A platform has been established within the company to provide customized services to customers, such as developing and promoting a game to attract users to purchase products through the game. These have become one of the enterprise's important businesses. The vigorous development of emerging businesses has also become one of the enterprise's main operational directions.

4.1 Strategic Analysis Based on the PEST Method

Digital technology and the construction of the public cultural service system bring new opportunities. Against the backdrop of rapid internet development, digital technology has gradually permeated people's lives and has become one of the main drivers of social and economic transformation and upgrading. The integration of information technology, led by digital technology, with the publishing industry has become an important wave of development. Therefore, how to utilize information technology to promote the transformation and

upgrading of the publishing industry has become one of the issues that urgently need to be addressed.

As a leading enterprise in Anhui's book industry, Wanxin Media Company plays a crucial role in promoting the construction of the physical bookstore system in the province, creating a cultural atmosphere for nationwide reading, advancing the development of cultural undertakings, and benefiting from policies.

From the perspective of the economic environment, as the pace of work resumption and production recovery accelerates in China, the consumer market remains consistently active.

From the perspective of industry development, the publishing and media industry continues to maintain a steady and relatively rapid growth momentum. In 2021, the total operating revenue of book publishing enterprises reached RMB 145.597 billion, an increase of 6.24% compared to the previous year; the net profit attributable to the parent company reached RMB 17.143 billion, an increase of 38.99% compared to the same period last year. Against the backdrop of overall industry downturn, publishing houses still achieved improved profitability and operational performance, with the growth rate of book sales exceeding the growth rate of main business revenue being one of the main reasons. Due to the spread of the COVID-19 pandemic across countries worldwide, many countries have implemented epidemic prevention measures, which have had a significant impact on the publishing industry. However, China's book publishing industry has not been affected by this; on the contrary, it has risen against the trend, showing a good development momentum. Even in countries that had not ventured into the streaming media field before the pandemic, the publication and sales channels of mainstream media books are now showing vigorous development, providing a rare opportunity for Wanxin Media Company to expand its market and achieve further development.

From the perspective of the social environment, firstly, the atmosphere for nationwide reading is strong. In current society, reading has become a widely participated cultural phenomenon. People have gained a deeper understanding of the value and significance of reading, and the reading atmosphere has become increasingly strong. Secondly, diversified reading demands bring new opportunities. With the vigorous

development of digital publishing, digital products emerge in an endless stream, and reading methods have begun to develop towards personalization, fragmentation, and intelligence. Against this historical backdrop, people have put forward new requirements for reading, while also providing opportunities for it. In the future, everyone's growth will rely more on the ability to continuously learn, innovate, and create, and reading ability has become an important source for cultivating these abilities. Whether for individuals or society, reading ability will become a core competitiveness. Reading is one of the important ways for humans to acquire knowledge, accumulate experience, improve literacy, and enrich life experiences. All countries attach great importance to it, and it is also a symbol of national comprehensive strength.

From the perspective of the technological environment, with the continuous improvement of information technology in China, from the initial 2G to the development of 5G and 6G, and even portable wireless WiFi, a more convenient platform has been provided for the digital transformation of Wanxin Media Company, making its network speed smoother and smart devices more diverse.

Wanxin Media Company has independently developed new technologies. The research and development of the new retail mini-program for Wanxin Media Company's cloud bookstore has been successfully launched, injecting new vitality into the enterprise's business development. Precise store positioning is achieved through big data. By utilizing the self-developed dual-end network matrix APP end, mini-program end, e-commerce sales network, WeChat public account matrix), three customer service scenarios-smart bookstores, online shopping, and government and enterprise services-have been constructed, realizing the establishment of dual main channels online and offline. At the same time, through the "Internet+" model integrated with offline physical stores, a new chain bookstore operation model characterized by "full category, full volume, one-stop" has been created. A series of functions such as membership usage, book borrowing and returning, scan-to-purchase, and online shopping malls have been realized, providing users with a comprehensive shopping experience.

4.2 SWOT Analysis

(1) Analysis of Strengths

In terms of internal strengths, the core competitiveness of the main business has formed new advantages. Cultural consumption. Accelerate the expansion of integrated public cultural service projects, establish operating service standards for public libraries, and win 68 public cultural service projects throughout the year, with a total bid amount of RMB 134 million. Accelerate the construction of the “15-minute reading circle”, and open up the last mile of reader services through various forms such as “Corporate Library”, “Yingshanhong Bookstore”, and “Neighborhood Library”, having undertaken the operation of 126 urban reading spaces and successfully completed the distribution and delivery tasks of textbooks and teaching materials. Closely follow changes in educational policies such as “simultaneous development of five aspects of education”, “new curriculum standards”, and “science education”, optimize the selection of key educational products, achieving annual sales of RMB 568 million, a year-on-year increase of 65.11%. Establish and operate 14 university campus bookstores in the province, effectively consolidating the position of campus service channels.

Full supply chain management. Optimize the supply chain business structure, increase the proportion of the livelihood supply chain to 12%, launch supply chain comprehensive management software, and fully implement whole-process risk control. The Lianbao Business Department expands external transportation business, with business scale growing by 27% year-on-year.

The smart business system creates a new ecosystem. New retail business system. The first batch of 29 stores were settled into the “Yangtze River Delta Government Affairs Map” of Wanshitong, and collaborated with mobile companies and the Provincial Radio and Television Group to provide members with diversified service scenarios and value-added rights.

Smart education service system. Beautiful Science promotes the visual international communication of Anhui’s cutting-edge technological innovation achievements through international copyright cooperation of original scientific visualization works.

Smart supply chain system. New achievements

have been made in new cultural business formats.

Accelerate the expansion of educational service innovation businesses. Woyi Intelligence has signed cooperation agreements with NIO, Guoxuan Battery, the Training Center of the State Post Bureau, and other units; the Hefei Vocational and Technical College training base constructed and operated by the company has been approved as a provincial-level industry-education integration training base. After-school service business has reached cooperation in Fuyang, Huaibei and other places, and teacher training has conducted nearly 100 online training sessions, serving over 150,000 teachers. Preschool education products and service systems are continuously being upgraded.

Cultural brand activities showcase a new image. Deepen and implement nationwide reading activities, with over 3.69 million participants. Carry out more than 1,200 grassroots reading services such as “Culture into Thousands of Households”, “Wanxin Exam Assistance and Warmth Delivery”, “New Era Rural Reading Season”, and “My Bookstore, My Dream”, promoting cultural services at the grassroots level. In 2022, over 100 educational public welfare activities such as “Summer Reading of a Good Book” for primary and secondary school students and “Famous Teachers’ Tour of Jianghuai” for reading were held.

Institutional and mechanism reforms stimulate new vitality. Strategic management has been further strengthened. Systematically implement the “Digital Wanxin” strategy, establish a Strategic Planning Implementation Committee, introduce Huawei’s strategic management tools, and compile closed-loop management operation guidelines for strategic planning from formulation to execution.

Corporate governance has been further deepened. Comprehensively consolidate the foundation for the construction of a modern enterprise system. Optimize the organizational operation mechanism, improve the company’s hierarchical decision-making item list. Improve the internal control system, compile the company’s internal control management manual, and continuously enhance risk prevention and control capabilities.

(2) Analysis of Weaknesses

Gross profit margin is relatively low. The overall gross profit margin of Wanxin Media

Company remains around 20%, which is lower than the industry average. The contribution to excess revenue growth mainly comes from supply chain and logistics services, educational equipment and multimedia, and other businesses with relatively low profitability.

Capital utilization efficiency is low. The balance of Wanxin Media Company's raised funds special account reached as high as RMB 2.162 billion as of June 30, 2022. The raised funds have not been fully invested in specific projects, with some projects either discontinued midway or canceled in advance. The company has a large amount of cash on its books annually, which has not been invested in industries but has instead been used for certain investment and wealth management activities, among which significant losses occurred from the investment in Kadewanli Factoring Company. Half of the balance of other accounts receivable in the 2021 annual report came from bad debts from Kadewanli Factoring Company.

(3) External Opportunities

China's cultural system reform provides opportunities for the innovative development of cultural enterprises that transcend regions, media, and ownership structures, which will also bring new development opportunities to Wanxin Media Company. The publishing and distribution industry establishes modern publishing mechanisms and systems through market-oriented operations, achieving optimal resource allocation. In this long historical process, tremendous potential has been demonstrated. Therefore, it is necessary to establish a set of scientific and effective management systems and operation mechanisms.

(4) External Threats

The risk of industry competition shows an upward trend. In the new economic environment, the market competition risks faced by China's traditional cultural industry development will become more prominent. In the "Internet+" era, traditional cultural enterprises have to cope with cross-border competition challenges from enterprises in other industries, which is a highly challenging competitive task.

Technological competition risks further intensify. At the same time, emerging media exhibit more diverse forms of communication and more realistic interactive experiences, providing unprecedented opportunities and

challenges for traditional cultural enterprises. New technologies force traditional media and traditional cultural enterprises to undergo transformation and upgrading. With the advent of the internet era, traditional industries have begun to penetrate emerging industries, industrial boundaries have become increasingly blurred, and the traditional cultural industry is also undergoing profound changes. If cultural enterprises want to achieve sustainable development, they must carry out comprehensive innovation and reform.

Facing the integration and transformation across different business formats, traditional cultural enterprises must choose cross-border breakthroughs. Therefore, the trend of cross-border integration in the cultural industry, namely "culture + education + technology + finance", will become the main direction for future development.

4.3 Financial Analysis

The financial analysis table of the company is shown in Table 2.

(1) Analysis of Short-Term Solvency

The company's current ratio in 2022 (2.4183) decreased compared to 2021 (2.5619), while the quick ratio (2.0687) increased slightly from 2021 (2.0495), and the monetary capital ratio in 2022 (1.733) increased slightly from 2021 (1.605). Although the company's current ratio decreased slightly, it remained within a reasonable range (between 2.4 and 2.6) from 2021 to 2022, indicating an overall reasonable level.

Analysis of the quick ratio, combined with data from Wanxin Media Company's balance sheet for 2021-2022, shows that the slight increase in the quick ratio was mainly due to reasonable management of quick assets. The overall quick ratio remained above 2.0, reflecting the company's strong immediate short-term solvency. Overall, Wanxin Media Company's monetary capital amount was nearly twice the amount of current liabilities, indicating strong overall short-term solvency; monetary capital provides solid financial guarantee for short-term solvency.

(2) Analysis of Long-Term Solvency

According to the parent company's financial statements, the company has no financial liabilities, thus there is no need to analyze the financial liability ratio of assets. The company's interest coverage ratio is low and negative (-

293.3324 in 2021, -257.881 in 2022). It should be clarified that a negative interest coverage ratio does not stem from operating costs exceeding input returns, but rather represents a reasonable financial phenomenon.

According to relevant data, listed companies in China generally have high financial leverage, and some listed companies are in a loss-making state, indicating significant risks in China's capital market. Wanxin Media's negative interest coverage ratio is fundamentally different from the financial situation of such loss-making enterprises, instead reflecting the effective utilization of the company's idle funds. Regarding the asset-liability ratio, although its value increased slightly from 2021 to 2022 (34.6944% in 2021, 35.2377% in 2022), it remained between 30% and 36% overall, at a relatively low level. The company's liabilities mainly consist of other payables and accounts payable within current liabilities, indicating that the company has sufficient capital reserves and

does not need to borrow to carry out operating activities. Its financial costs are relatively low, long-term solvency risk is minimal, and it possesses strong solvency.

On the other hand, the relatively low asset-liability ratio also reflects Wanxin Media Company's insufficient capacity for debt-financed operations, a relatively conservative corporate management style, and poor ability to utilize creditor capital for operating activities and obtain financial leverage gains, which in turn prevents the return on equity from being further improved through reasonable debt financing. Considering the company's current financial situation, the company has significant financing room in the future. Subsequently, while controlling risks and reasonably managing capital costs, it can moderately engage in debt-financed operations, ensuring corporate control while fully obtaining leverage benefits to promote improvement in corporate performance.

Table 2. Company Financial Analysis Table

Secondary Indicators	Tertiary Indicators	2021year	2022year
Short-term Solvency	Current Ratio	2.5619	2.4183
	Quick Ratio	2.0495	2.0687
	Monetary Capital Ratio	1.605	1.733
Long-term Solvency	Asset-Liability Ratio	34.6944	35.2377
	Interest Coverage Ratio	-293.3324	-257.881
Operational Capacity	Gross Profit Margin	20.18	19.55
	Core Profit Margin	19.88	19.2406
	Net Profit Margin on Sales	6.54	6.26
	Return on Total Assets	6.6954	7.0824
	Return on Equity	10.2524	10.9359
Profitability	Inventory Turnover Ratio	4.083	4.4007
	Inventory Turnover Days	21.1425	81.8052
	Fixed Asset Turnover Ratio	18.0195	18.1969
	Total Asset Turnover Ratio	0.6402	0.6157
	Total Asset Turnover Days	562.3243	584.7003
Development Capacity	Growth Rate of Main Business Revenue	14.2457	15.5742
	Growth Rate of Net Profit	3.4018	10.7176
	Growth Rate of Net Assets	3.2416	2.6332
	Growth Rate of Total Assets	15.2446	3.4942
Accounts Receivable	Accounts Receivable Turnover Ratio	17.0273	17.7628
	Accounts Receivable Turnover Days	21.1425	20.2671
	Accounts Receivable	49596	81987
	Operating Revenue	1011175	1168658
	Ratio of Accounts Receivable to Operating Revenue	4.90%	7.82%

(3) Analysis of Profitability

Wanxin Media's gross profit margin was relatively low from 2021 to 2022, at 20.18% and 19.55% respectively; the core profit margins were 19.88% and 19.2406% respectively, indicating that the company's main business revenue-generating capacity is

not strong; the net profit margins on sales were 6.54% and 6.26% in 2021 and 2022 respectively, showing a slight decline. The return on total assets was relatively low, at 6.6954% in 2021 and slightly increased to 7.0824% in 2022, but remained at a low level overall, with the core reason being the

company's low operating profit; the return on equity was also at a relatively low level, at 10.2524% and 10.9359% in 2021 and 2022 respectively. On one hand, this is due to the company's low operating profit; on the other hand, it is because the company's owners' equity accounts for too large a proportion of total assets, reflecting that Wanxin Media Company's capital structure is unreasonable and fails to fully leverage the role of financial leverage.

Comprehensive analysis shows that the company's overall profitability is relatively poor, with a low profit level, and the main source of profit is investment income, with a significant amount of idle cash; at the same time, although the growth rate of the company's operating revenue has increased, operating costs are relatively high, and the proportion of shareholders' equity in the capital structure is too high, further restricting the improvement of profitability.

(4) Analysis of Operational Capacity

Based on Wanxin Media's financial data from 2021 to 2022, the performance of its operational capacity-related indicators is as follows: The company's inventory turnover ratio was 4.083 and 4.4007 in 2021 and 2022 respectively, which are at relatively high levels and show a slight upward trend, indicating that inventory turnover can effectively reduce inventory accumulation; the fixed asset turnover ratio remained relatively stable at 18.0195 and 18.1969 in 2021 and 2022 respectively, indicating that the utilization efficiency of fixed assets is maintained at a reasonable level; the total asset turnover ratio was 0.6402 and 0.6157 in 2021 and 2022 respectively, indicating that the utilization efficiency of the company's overall assets has declined.

If a company remains in a state of low asset utilization efficiency for a long time, it will lead to a corresponding increase in operational risk. Because low asset utilization efficiency will cause assets to remain idle within the company for a long time, resulting in tight cash flow and further increasing operational risk. In this case, the company needs to optimize operational processes and revitalize idle assets to improve asset turnover as much as possible, reduce asset retention, and thereby reduce operational risk.

(5) Analysis of Development Capacity

Based on Wanxin Media's financial data from 2021 to 2022, the performance of its

development capacity-related indicators is as follows: First, the growth rate of main business revenue shows an upward trend (14.2457% in 2021, 15.5742% in 2022), with the growth rate increasing to over 15% in 2022, indicating that Wanxin Media Company's main business revenue has shown a steady upward trend over the two years, the company's operating condition is good, and the strategic implementation effect is significant. Second, the growth rate of net profit shows a trend of first decreasing and then increasing, from 3.4018% in 2021 to 10.7176% in 2022. The relatively low net profit growth rate in 2021 was mainly due to insufficient adaptability of the company's sales model and deviations in operating strategy. Wanxin Media Company timely adjusted its operating strategy, resulting in a significant rebound in net profit growth rate in 2022. Third, the total asset growth rate was 15.2446% and 3.4942% in 2021 and 2022 respectively, showing a significant downward trend. The total asset growth rate in 2021 was significantly higher mainly because the company expanded its asset operation scale that year, while in 2022 it moved towards steady development with a slower expansion pace; the net asset growth rate was 3.2416% and 2.6332% in 2021 and 2022 respectively, also showing a slight downward trend, remaining within a reasonable range overall, reflecting steady progress in the company's capital accumulation.

(6) Analysis of Accounts Receivable

Based on the analysis of Wanxin Media's financial data from 2021 to 2022, the proportion of accounts receivable to operating revenue was 7.82% and 4.90% in 2021 and 2022 respectively, showing an overall upward trend, with a relatively high proportion in 2022; at the same time, accounts receivable reached RMB 819.87 million in 2022, compared to RMB 495.96 million in 2021, a significant increase, indicating the potential risk that some accounts receivable may not be recoverable. It is worth noting that the accounts receivable turnover ratio was 17.0273% and 17.7628% in 2021 and 2022 respectively, and the accounts receivable turnover days were 21.1425 days in 2021 and 20.2671 days in 2022, indicating that the company's accounts receivable collection efficiency has improved.

According to the statistics in the "Wanxin Media Company 2022 Annual Report", the

significant amount of accounts receivable was RMB 993 million, accounting for 2.41% of total assets. "A large proportion of accounts receivable" is a common problem in the industry. The formation of accounts receivable is related not only to the characteristics of the industry in which the company operates but also to its own management level. Different companies have different accounts receivable management models due to different industry characteristics and business strategies, and reasonable and effective management measures need to be formulated based on the actual situation of the company.

The aging of Wanxin Media Company's accounts receivable is mostly within three years, with no accounts receivable within one year. Special attention should be paid to the situation where accounts receivable cannot be recovered, and reasonable provision for bad debts should be made. Regarding the provision for bad debts, RMB 1.3053 million of provision for bad debts was reversed due to recovery of payment, and RMB 4.7273 million of provision for bad debts was reduced due to write-off of bad debts. As of the end of 2021, the balance of provision for bad debts of receivables was RMB 580.6737 million. The provision and changes in the provision for bad debts also reflect the company's attention to accounts receivable risks.

According to relevant data, listed companies in China generally have high financial leverage, and some listed companies are in a loss-making state, indicating significant risks in China's capital market. Wanxin Media's negative interest coverage ratio is fundamentally different from the financial situation of such loss-making enterprises, instead reflecting the effective utilization of the company's idle funds. Regarding the asset-liability ratio, although its value increased slightly from 2021 to 2022 (34.6944% in 2021, 35.2377% in 2022), it remained between 30% and 36% overall, at a relatively low level. The company's liabilities mainly consist of other payables and accounts payable within current liabilities, indicating that the company has sufficient capital reserves and does not need to borrow to carry out operating activities. Its financial costs are relatively low, long-term solvency risk is minimal, and it possesses strong solvency.

On the other hand, the relatively low asset-liability ratio also reflects Wanxin Media

Company's insufficient capacity for debt-financed operations, a relatively conservative corporate management style, and poor ability to utilize creditor capital for operating activities and obtain financial leverage gains, which in turn prevents the return on equity from being further improved through reasonable debt financing. Considering the company's current financial situation, the company has significant financing room in the future. Subsequently, while controlling risks and reasonably managing capital costs, it can moderately engage in debt-financed operations, ensuring corporate control while fully obtaining leverage benefits to promote improvement in corporate performance.

(7) Prospects Analysis

After years of reform and development, Wanxin Media has cultivated its own core brands, achieving a relatively high level of comprehensive strength. Its core competitiveness is mainly reflected in six aspects: First, it has formed a scale-based competitive advantage, possessing high market visibility, a good industry reputation, and strong credibility. In multiple market surveys, it has been widely recognized by readers and publishers, firmly ranking among the popular distributors; Second, it has built a regional operation system based on administrative divisions with close linkages, firmly occupying a dominant market position; Third, it has established a wide and comprehensive distribution network covering both urban and rural areas, achieving deep channel penetration; Fourth, it has accumulated strong financial strength, providing solid financial support for corporate development; Fifth, it has built a professional distribution team with excellent professionalism and outstanding business capabilities; Sixth, it has established a broad and close social network, laying a good foundation for business expansion.

In the coming years, Wanxin Media will enter a critical stage of deepening reforms and overcoming challenges, while also ushering in an important period of strategic development opportunities. Guided by market orientation, through deepening reform measures such as restructuring and chain operations, Wanxin Media will surely achieve comprehensive transformation and upgrading, radiating new development vitality. The specific development trends are mainly reflected in five aspects:

First, the profit model will undergo a fundamental transformation, shifting from the traditional focus on textbook distribution to a core focus on general books and other businesses. As a special commodity, textbooks have the problem of mismatch between price and value. The previous profit model of “textbooks + books” had obvious monopoly characteristics. However, in the bidding process for the distribution of primary and secondary school textbooks (including free textbooks), Wanxin Media faces various uncertainties: if it wins the bid for all varieties, profit margins may be significantly compressed due to low bidding prices; if it only wins the bid for some products, it will also lead to a decline in profits; if it fails to win the bid, it may face the risk of losses, thereby affecting the company’s sustainable operations. Judging from the current pilot situation of textbook distribution bidding, Wanxin Media’s bidding process is not smooth. Although some provinces and cities have achieved certain results, there are still many places where progress has not been made and various problems exist. Even in the free textbook bidding in Yunnan, Gansu and other provinces, some varieties failed to meet the standards, which forces Wanxin Media to accelerate the exploration of new profit models to cope with market challenges.

Second, gradually break through the dual constraints of geography and ownership. From the overall trend of China’s economic development, the policy direction of breaking geographical barriers is already very clear. Wanxin Media’s development of cross-provincial chain operations is a concrete manifestation of its break through geographical restrictions. In terms of ownership, the state have put forward clear requirements for the reform of Wanxin Media. The requirement that state-owned shares account for more than 51% of the total share capital has become a rigid constraint. In this context, only enterprises with strong strength, standardized management, and good reputation can achieve sustainable development. However, whether the restriction of absolute state-owned holding will be broken in the future is still difficult to predict. In the process of industry integration, some local state-owned bookstores will be eliminated by the market, while a number of regional or large comprehensive bookstores are expected to break through and gain new vitality.

Third, facing the same risks of merger, acquisition, and bankruptcy as ordinary state-owned enterprises, such risks will have potential adverse effects on the company’s future operations and development. In response to market competition, the industry has shown three major development trends: first, building new marketing networks to adapt to the increasingly fierce market competition environment and consolidate the foundation for survival in the market mechanism of survival of the fittest; second, transforming to “large and comprehensive” to achieve integrated development of book production and operation; third, the emergence of “refined to coarse” differentiation, where some major brand exclusive sales models gradually transform into small workshop-style exclusive sales. Currently, Wanxin Media’s reform process shows an uneven trend, with some provincial branches leading in development, while the book market is no longer limited to simple book sales but needs to deeply meet readers’ cultural, spiritual and other needs and experiences.

Fourth, adapt to the trend of diversified market demand, achieve business transformation, upgrade from a single service provider to a diversified value-added service provider, deep distributor, content manufacturer, and capital operator, and gradually develop into a cross-field, cross-industry comprehensive large enterprise conglomerate.

Fifth, the value-added effect of sales channels will be significantly enhanced, further enhancing brand value and market share. By introducing the chain operation model, Wanxin Media has comprehensively reconstructed its existing distribution channels, breaking the limitations of a single product structure and strengthening channel functions. This has not only improved profitability per unit area and network channel utilization efficiency but also upgraded traditional single book sales venues into comprehensive venues covering culture, education, lifestyle, digital products, entertainment, and leisure, significantly enhancing the service quality, connotation, and core value of distribution channels.

5. Conclusion and Prospects

Based on the comprehensive financial analysis above, Wanxin Media has strong solvency, but there are obvious irrationality in the company’s capital structure. The proportion of

shareholders' equity is too high, and the scale of liabilities is relatively small, failing to fully leverage the positive role of financial leverage. At the same time, the high proportion of shareholders' equity also leads to a relatively low return on equity. Behind this phenomenon is the combined impact of issues such as low corporate profits, insufficient operating revenue, high operating costs, and low net cash flow from operating activities, resulting in overall weak profitability. From the perspective of operational capacity, the company's inventory turnover ratio is relatively high, reflecting good product sales prospects and considerable market demand. From the perspective of development capacity, the company's main business revenue shows an overall upward trend, but the profit level remains low. Overall, Wanxin Media's development strategy is relatively conservative. In the future, it can appropriately reduce operating costs through moderate financing and debt-financed operations; at the same time, effectively revitalize idle funds and rely on good market demand to expand business scale and explore markets.

From the perspective of business structure, the business is characterized by significant diversification. At the same time, the company undertakes the distribution of primary and secondary school textbooks in Anhui Province, provides wholesale and retail of audio-visual products, printing and copying, and printing technology services, engages in cultural relics exhibitions, performance activities and other fields, and also provides book rental, customization, and consulting services. Among various businesses, cash is the core input element. Currently, the company's cash flow is operating smoothly, asset turnover is at a reasonable level, investment activities are relatively frequent, and capital reserves are sufficient. The overall financial condition is good, with strong profitability, asset turnover capacity, and asset value preservation capacity.

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