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A Study on Multi-variate Financial Statement Analysis of Amazon and eBay

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ABSTRACT
There are mainly three financial statements for any companies which are compulsory for every company to prepare and maintain globally including balance sheet, income statement and cash flow statement. To make the information useful to all stakeholders, one needs to analyze them by using financial analysis tools. In this study, tools like ratio analysis, common size statement analysis, trend analysis and Du-pont analysis have been used to find out financial performance of the two leading e-commerce players Amazon and eBay for three years 2016–2018. Based on data obtained after performing ANNOVA test, suggestions are given for improving effectiveness of the company.

Keywords: *Ratio analysis, trend analysis, common size statement, profitability, liquidity, solvency, management efficiency*

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INTRODUCTION
Companies from the e-commerce sector have been selected for this study. They have different business models. While Amazon sells products online directly to the customer's large amount of its earnings come from displaying ads and subscription plans. eBay buys and sells from customers and businesses. Different business models and decisions result differently and are reflected in company's reports and statements. Analyst uses these reports and uses tools to give meaning to those figures. The values when compared indicate which company is better than the other.

OBJECTIVES OF STUDY
The objectives of this study are:
- To interpret the meaning of different figures quoted in company's income statement and balance sheet by relating them with each other with help of financial ratios.
- To check the correctness of interpreted data with ANNOVA test at 95% probability.
- To compare the performance of the two companies based on data obtained.

TOOLS USED FOR STUDY
Ratio analysis, common size statement, trend analysis, Du-pont analysis and ANNOVA test.

LITERATURE REVIEW
Several studies in past on the same subject done by researchers, some of them were studied and their conclusions are quoted and drawn as under:

The results indicate that the investigation of financial information can be helpful towards the identification of FFS and highlight the importance of financial ratios such as the total debt to total assets ratio, the inventories to sales ratio, the net profit to sales ratio and the sales to total assets ratio [1].

The study conducted on ratio analysis at "Kaleeswarar Mills B", unit of National Textile Corporation Ltd" gives a view of analysis evaluation of liquidity position of the company [2]. Based on the tools used analysis and interpretation have been made giving way for useful and constructive suggestions. Thus the ratio analysis of the company is satisfactory. The company should enhance its performance for meeting challenges and exploiting opportunities in future. The project will guide to the management to interpret its weakness and problems this will certainly help the management to taking financial decision. However more efforts need to be taken to improve the financial position for the growth of the company.

Vijayalami and Saundarya [3], studied the financial performance of Bharti Airtel Limited. The main objective of this study is to know the short term and long-term financial position of the company and to know the profit level of the company. They concluded that the company has to stabilize its income without much increase in operating expenses.

This study was conducted to evaluate the financial performance analysis of Jeppiaar Cements Pvt Ltd, for the period of 5 years ranging from 2009–2013 [4]. It helps to explore the strength and weakness of the company. Examination and explanation of financial statements show that, the present financial position of Jeppiaar Cements Pvt Ltd has improved quite a lot from the previous years. The central focus of the study was to conduct an evaluative study of the financial state of the firm by using ratio investigation, comparative financial statements, and trend analysis by taking into accounts the past years of the company's financial statements. The study concluded that company overall financial performance is good [5, 6].

RESEARCH METHODOLOGY

The study is based on secondary research. The financial data has been taken from required websites and search engines. Sample selection i.e. two leading e-commerce players Amazon and eBay financial data are analyzed from 2016–2018. **(**Only for trend analysis, 2015 has been taken as base year). Several financial analyzing indicators for which specific ratios like gross profit ratio, current ratio, debt equity ratio, fixed asset ratio, inventory turnover ratio, creditor turnover ratio, price earnings ratio, earnings per share have been used [7, 8]. Common size statement throws light on how data forms part of total revenue, total assets and total Equity and liabilities. DuPont analysis helps to understand ROE in depth. Trend analysis helps to interpret the recent trend in performance of the companies.

INTERPRETATION, ANALYSIS AND FINDINGS

Common size statement is where each item of the financial statement is expressed as percentage of total revenue. As shown in Figure 1. The gross profit has increased from 35% to 40% while for eBay it has increased drastically from 22% to 78% which was maintained for two consecutive years after increasing by great extent [9]. Gross profits made by eBay are much higher than Amazon and have increased by much higher extent than Amazon. As shown in Figure 2, Operating income has increased from 3–5% for Amazon while for eBay it has decreased from 22–21%. Also, we observe that operating income of eBay is much higher than Amazon.

Trend Analysis statements for both companies, show that short term investments have increased from 70–142% for Amazon while for eBay short term investments have reduced drastically from 24% to -37%, in Table 1. Similar trend is observed in Interest paid over investments as it increases from 5% to 209% for Amazon. For eBay there is no interest paid.

Net receivables have increased for Amazon from 47–195% while for eBay increase is observed from -4% to 15%, as shown in Figure 3. It reflects that credit policy of eBay is better than Amazon, as large chunk of money is not at stake, and could be utilized for other business purposes.

Du-pont analysis shows the company's return on equity in depth by studying profit margin, asset turnover and financial leverage. As shown in Table 2 return on equity has increased from 9–23% for Amazon, while it has decreased for eBay from 69–40%. This is also shown by the Figure 4 quoted in capital structure statement which shows that amount of equity is higher for Amazon than its debt while for eBay debt is more than equity. This is again reflected in Table 3 the market price of share of both companies which show that from 2016, market price per share of Amazon has increased by 56% and then by 100%. Market price for eBay has increased by 27% and later decreased by 5% in 2018.

Profitability Position:
Fixed assets ratio shows how efficiently the assets of the company bring the revenue for the company. Ideally every one rupee invested in assets must bring equal revenue. Here considering both the companies are observed to be much above than academic literature. And eBay is smart enough to generate revenue from its investment in assets than Amazon, as shown in Tables 4 and Figure 5.

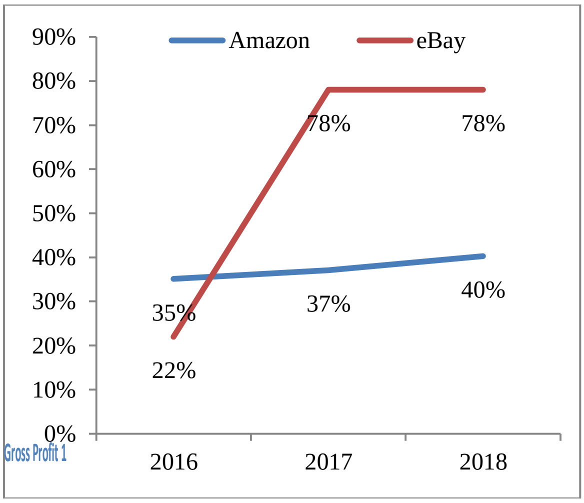

Fig. 1: *Gross profit*

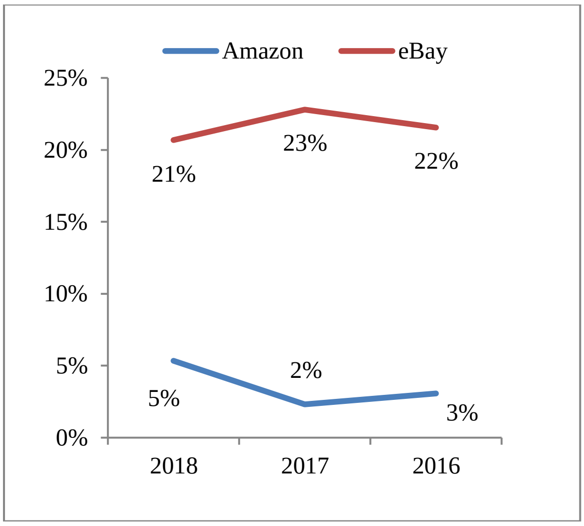

Fig. 2: *Operating income.*

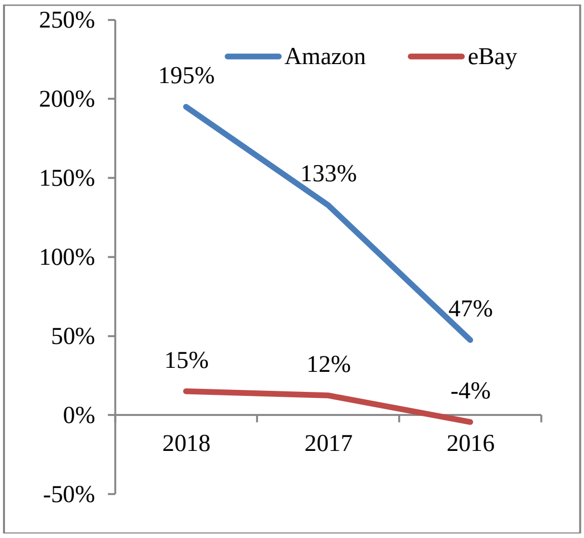

Fig. 3: *Net receivables (base year-2015).*

Gross Profit Ratio

It shows the relationship between companies's gross profit earned and net sales. Given in the Table 5 and Figure 6 gross Profit for Amazon is gradually increasing from 35% in 2016 to 40% in 2018. Gross profit for eBay is much higher and consistent at 78% for 2016–18 hence eBay's trading operations are satisfactorily done which shows management of eBay is more efficient comparatively.

Liquidity Position

Current Ratio

Current ratio is the relationship between current assets and current liabilities. Current ratio greater than 1 is an ideal situation, which would mean company has current assets to fulfill its current obligations. Given in Table 6, and represented in Figure 7, current ratio for Amazon ranges from 1.03 to 1.09. The current assets and current liabilities are relatively equal indicating efficient working capital management [10, 11]. Current ratio for eBay is decreasing from 2.3 in 2016 to 1.5 in 2018. Current ratio more than 2 indicates that eBay might not be utilizing its current assets efficiently concluding short term payment requirement situation reflected in terms of current ratio for Amazon has drastically improved from negative to positive in year 2018 whereas no changes for eBay as usual still needs to improve.

Quick ratio

The quick or acid-test ratio does not include inventory and current prepaid expenses narrowing the available current assets. It checks for immediate solvency indicating that the company is able to meet its short-term obligations. A quick ratio more than 1 is considered ideal. As given in the Table 7 and Figure 8 represents quick ratio of Amazon ranges from 0.78 to 0.84 which is much less than good quick ratio showing that company does not have sufficient assets that can be liquidated to pay off its liabilities [12, 13]. Quick ratio for eBay is same as current ratio as it doesn't hold any inventory. This indicates that company is not utilizing cash at hand efficiently, concluding immediate payment requirement situation, which is reflected in terms of quick ratio, for Amazon has drastically improved from negative to positive in year 2018, whereas no changes for eBay and it needs to improve.

Solvency Position:

Debt Equity Ratio

Debt to equity ratio is the relationship between company's total debt, and total shareholder's equity. Ideal Debt equity ratio is considered as 2. Table 8 and Figure 9 shows calculations of Debt to equity ratio for Amazon and eBay. Debt to equity ratio for Amazon is getting lower from 0.89 in 2017 to 0.53 in 2018. Debt to equity ratio for eBay gets higher and higher from 0.7 in 2016 to 1.22 in 2018. Considering academic literature ideally debt to equity is almost double and concluded from long term solvency testing point of view Amazon's position is far better than eBay

Growth Position

EPS is the portion of company's profit that is given to common shareholders on their investment. The higher the EPS, the more is the earning available to investors and more is the worth of company's stocks. This also indicates higher growth of the company in the future.As shown in table 9 and represented in fig 10 EPS for Amazon is getting higher each year indicating the bright future of the company. The company is investor friendly and is able to satisfy its shareholders by increasing their wealth. eBay's EPS is going down year by year.

Price earnings ratio (PER) reflects if the company is overrated or underrated in the market as well as higher risky or low risky. The Table 10 and Figure 11 clearly reflects that Amazon regained its less risky tag again in 2018 because of sharp reduction in PER and reached to the level of almost 137. And eBay rose from less risky to high risky stock because it's PER jumped from 39 to 146 Table 11 and Figure 12 shows that Book value per share for Amazon is increasing year by year, in previous year 2018 it rose to increase of 126% whereas absolutely reverse in manner for eBay is happening and in 2018 it provided negative 40%.

Table 1.

Amazon	**2018**	**2017**	**2016**	**2015**	**2018**	**2017**	**2016**
Short term Investments	9500000	10,464,000	6647000	3918000	142%	167%	70%
Interest	1417000	848000	484000	459000	209%	85%	5%
Ebay	**2018**	**2017**	**2016**	**2015**	**2018**	**2017**	**2016**
Short term Investments	2713000	3743000	5333000	4299000	-37%	-13%	24%
Interest	0	0	0	0	0%	0%	0%

Table 2.

Year	Amazon	eBay
2016	9%	69%
2017	11%	-13%
2018	23%	40%

Table 3.

	2018		**2017**		**2016**		**2018**		**2017**		**2016**	
	Amazon	eBay	Amazon	eBay	Amazon	eBay	Amazon	eBay	Amazon	eBay	Amazon	eBay
Debt	23495000	9231000	24,743,000	10,015,000	7694000	8960000	35%	60%	47%	55%	29%	46%
Equity	43549000	6281000	27,709,000	8,049,000	19285000	10539000	65%	40%	53%	45%	71%	54%
Total Equity and Debt	67044000	15512000	52,452,000	18,064,000	26979000	19499000	100%	100%	100%	100%	100%	100%

**Debt includes short term and long term debt.*

Table 4.

Year Ending	Net Sales (in thousand USD)	Fixed Assets (in thousand USD)	Fixed Asset Ratio for Amazon
31-12-2016	135987000	29114000	4.670845641
31-12-2017	177866000	48,866,000	3.639872304
31-12-2018	232887000	61797000	3.768580999
Year ending	**Net sales(in thousand USD)**	**Fixed Assets(in thousand USD)**	**Fixed Asset ratio for eBay**
31-12-2016	9298000	1516000	6.133245383
31-12-2017	9927000	1,597,000	6.216030056
31-12-2018	10746000	1597000	6.728866625

Table 5.

Year ending	Gross Profit(in thousand USD)	Net sales(in thousand USD)	Gross Profit Ratio for Amazon
31-12-2016	47722000	135987000	35%
31-12-2017	65,932,000	177866000	37%
31-12-2018	93731000	232887000	40%
Year ending	**Gross Profit**	**Net sales**	**Gross Profit Ratio for eBay**
31-12-2016	7294000	9298000	78%
31-12-2017	7706000	9927000	78%
31-12-2018	8364000	10746000	78%

Table 6.

Year Ending	Current Assets	Current Liabilities	Current Ratio for Amazon	Change
31-12-2016	45781000	43816000	1.044846631	100%
31-12-2017	60,197,000	57,883,000	1.039977195	0%
31-12-2018	75101000	68391000	1.098112325	5%
Year Ending	**Current Assets**	**Current Liabilities**	**Current Ratio for eBay**	**Change**
31-12-2016	8875000	3847000	2.306992462	100%
31-12-2017	7,744,000	3,559,000	2.175892105	-6%
31-12-2018	7126000	4454000	1.599910193	-31%

Table 7.

Year ending	(Current assets-Inventory)	Current Liabilities	Quick Ratio for Amazon	Change
31-12-2016	34320000	43816000	0.783275516	100%
31-12-2017	44,150,000	57,883,000	0.762745538	-3%
31-12-2018	57927000	68391000	0.846997412	8%
Year ending	**(Current assets-Inventory)**	**Current Liabilities**	**Quick Ratio for eBay**	**Change**
31-12-2016	8875000	3847000	2.306992462	100%
31-12-2017	7,744,000	3,559,000	2.175892105	-6%
31-12-2018	7126000	4454000	1.599910193	-31%

Table 8.

Year ending	Long term debt	Total Equity	Debt to Equity for Amazon
31-12-2016	7694000	19285000	0.398962925
31-12-2017	24,743,000	27,709,000	0.892958966
31-12-2018	23495000	43549000	0.539507222
Year ending	Long term debt	Total Equity	Debt to Equity for eBay
31-12-2016	7509000	10539000	0.712496442
31-12-2017	9,234,000	8,049,000	1.147223258
31-12-2018	7685000	6281000	1.223531285

Table 9.

Year ending	Net Income(in thousand USD)	No. of Outstanding Shares(in thousand USD)	EPS for Amazon(inUSD)	Change
31-12-2016	2371000	5000	474.2	100
31-12-2017	3,033,000	5000	606.6	28%
31-12-2018	10073000	5000	2014.6	325%
Year ending	**Net Income(in thousand USD)**	**No. of Outstanding Shares(in thousand USD)**	**EPS for eBay(in USD)**	**Change**
31-12-2016	7266000	2000	3633	100
31-12-2017	-1,017,000	2000	-508.5	-114%
31-12-2018	2530000	2000	1265	-65%

**No of outstanding shares include common stock only.*

Table 10.

Year ending	Market Price per share(in USD)	EPS(in USD)	PE Ratio for Amazon	Change
31-12-2016	749.87	2.574375679	291.282273	100
31-12-2017	1169.47	3.293159609	355.120959	22%
31-12-2018	1501.97	10.93702497	137.328936	-61%
Year ending	**Market Price per share(in USD)**	**EPS(in USD)**	**PE Ratio for eBay**	**Change**
31-12-2016	29.69	0.756599157	39.2413866	100
31-12-2017	37.74	-0.092902165	-406.23381	-1135%
31-12-2018	28.07	0.191695711	146.429984	273%

**Market price is as on 31,30 ,29 Dec for three years*

Management Efficiency

Inventory Turnover Ratio

When expressed in period which shows that for how much period in days/months/ weeks inventory is kept. Observing from the Table 12 and Figure 13 eBay is following JIT (Just in Time) and that is why it's financial statements for three years available to us shows the inventory as nil. And Amazon had inventory for the period of 24 days which increase to 26 days again came back to the level of 23 days.

Credit Turnover

Table 12 and Figure 14 shows that both companies credit policy especially on payment period since credit purchase data were not given in financial statements, accounts payable amount were taken into consideration as credit purchase and for average accounts payables both the years accounts payables amount were added and divided by 2 to arrive at payables turnover ratio. And thereby, based upon 12 months in a year the payment period for both the companies for all three years was calculated and, the result provided with uncomparable.

Both companies credit policy especially on collection period since credit sales data was not given in financial statements, accounts payable amount was taken into consideration as credit sales and for average accounts receivables both the years accounts receivables amount were added and divided by 2 to arrive at receivables turnover ratio. And thereby, based upon 12 months in a year the collection period for both the companies for all three years was calculated and the results provided here are not comparable.

Value of the Firm

Table 15 and Figure 15 compares the value of both the companies, Amazon company market share price is seven hundred fifty rupees per share in 2016 which rose to 1500 rupees, a jump of 100% in short span of two years. Whereas eBay in 2016 close to 30 rupees per share and in two years it reduced to 28 rupees per share. Which clearly reflects not just the market price of share but EPS also, above all the market capitalization on Amazon front is far superior than its counterpart eBay.

Table 11.

Year ending	Total Equity value(in thousand USD)	Total outstanding shares(in thousand USD)	Book Value per share for Amazon(in USD)	Change
31-12-2016	19285000	5000	3857	100%
31-12-2017	27,709,000	5000	5541.8	44%
31-12-2018	43549000	5000	8709.8	126%
Year ending	**Total Equity value**	**Total outstanding shares**	**Book Value per share for eBay**	**Change**
31-12-2016	10539000	2000	5269.5	100%
31-12-2017	8,049,000	2000	4024.5	-24%
31-12-2018	6281000	2000	3140.5	-40%

**Total outstanding shares are taken as common stock only.*

Table 12.

Year ending	Cost of goodssold(in thousand USD)	Average Inventory(in thousand USD)	Inventory turnover for Amazon	Stock Holding Period(in days)
31-12-2016	88265000	11461000	15.40267	24
31-12-2017	111,934,000	16,047,000	13.95077	26
31-12-2018	139156000	17174000	16.20543	23
Year ending	**Cost of Goods sold**	**Inventory**	**Inventory turnover for eBay**	
31-12-2016	2004000	0	0	0
31-12-2017	2221000	0	0	0
31-12-2018	2382000	0	0	0

Table 13.

Year ending	Accounts Payable(in thousand USD)	Average Accounts Payable(in thousand USD)	Creditor Turnover Ratio for Amazon	Credit Velocity for Amazon
31-12-2016	39048000	19524000	2	180
31-12-2017	52,786,000	26393000	2	180
31-12-2018	61855000	30927500	2	180
Year ending	**Accounts Payable**	**Average Accounts Payable**	**Creditor Turnover Ratio for eBay**	**Credit Velocity for eBay**
31-12-2016	2286000	1143000	2	180
31-12-2017	2,641,000	1320500	2	180
31-12-2018	2738000	1369000	2	180

Table 14.

Year ending	Credit Sales(Accounts receivable) (in thousand USD)	Average accounts receivable(in thousand USD)	Receivable Turnover Ratio for Amazon	Debtor Velocity Period
31-12-2016	8339000	4169500	2	6 months
31-12-2017	13,164,000	6582000	2	6 months
31-12-2018	16677000	8338500	2	6 months
Year ending	**Credit Sales(Accounts receivable)**	**Average accounts receivable**	**Receivable Turnover Ratio for eBay**	**Debtor Velocity Period**
31-12-2016	592000	296000	2	6 months
31-12-2017	696,000	348000	2	6 months
31-12-2018	712000	356000	2	6 months

Table 15.

Year ending	Market Price per share(in USD)	Total outstanding shares	Market Cap for Amazon
31-12-2016	749.87	5000	3749350
31-12-2017	1169.47	5000	5847350
31-12-2018	1501.97	5000	7509850
Year ending	**Market Price per share(in USD)**	**Total outstanding shares**	**Market Cap for eBay**
31-12-2016	29.69	2000	59380
31-12-2017	37.74	2000	75480
31-12-2018	28.07	2000	56140

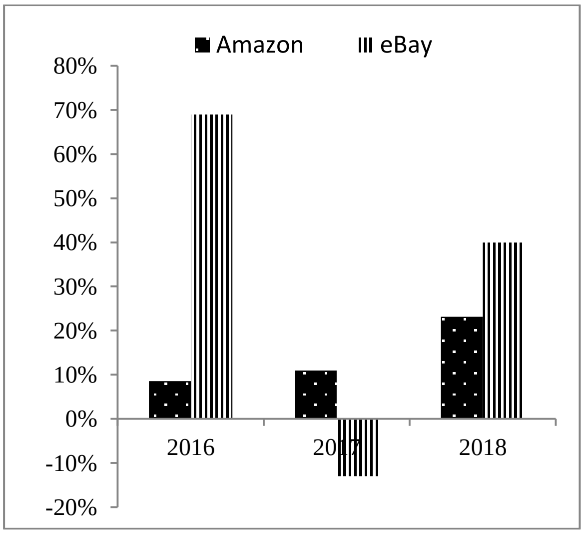

Fig. 4: *Du-pont Analysis*

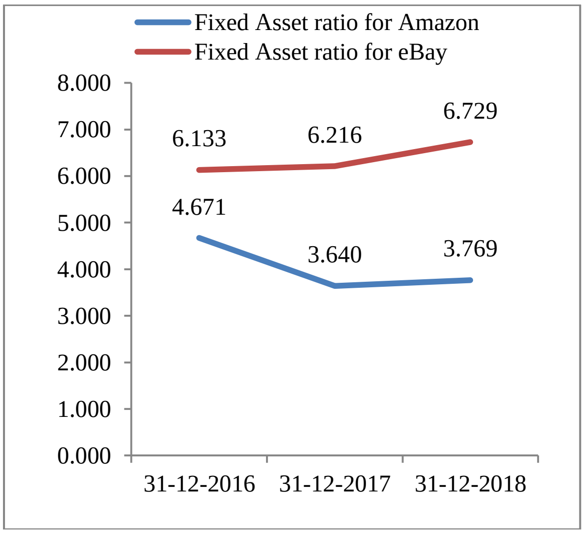

Fig. 5: *Fixed Asset Ratio.*

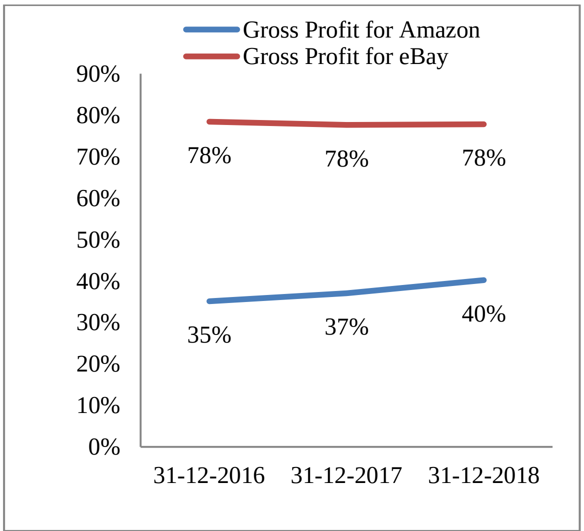

Fig. 6. *Gross profit.*

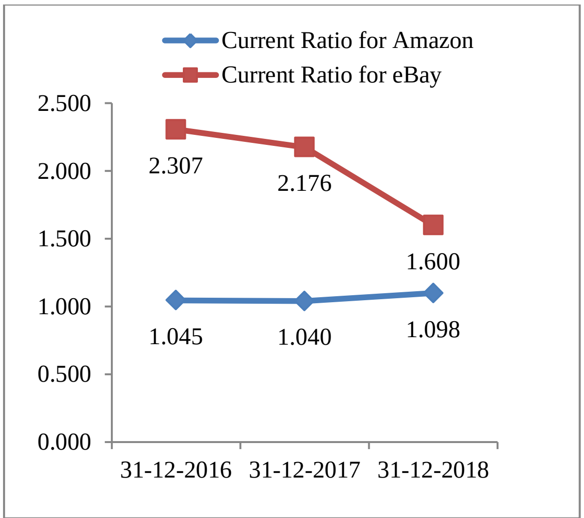

Fig. 7. *Current ratio.*

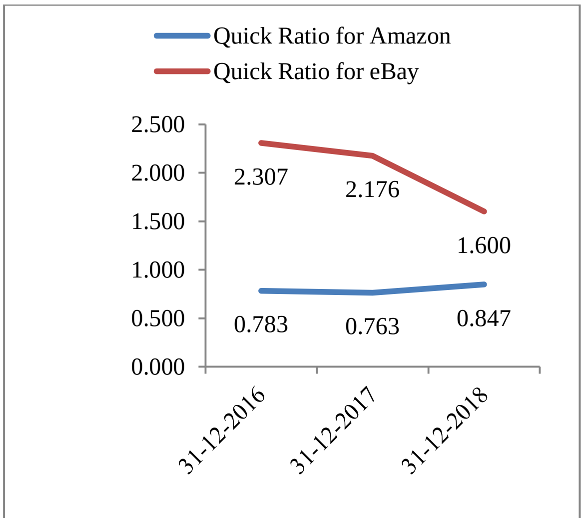

Fig. 8. *Quick ratio.*

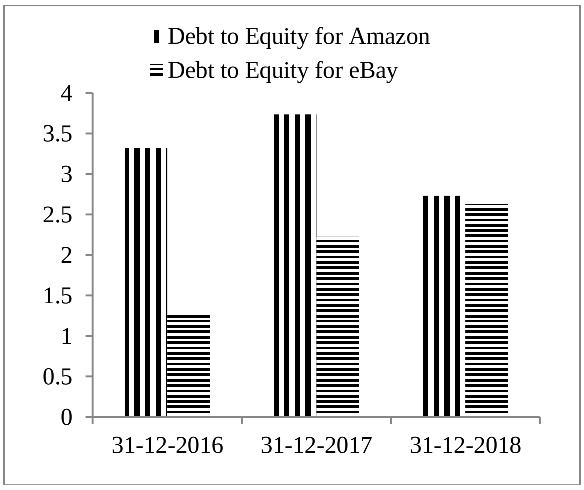

Fig. 9. *Debt to Equity.*

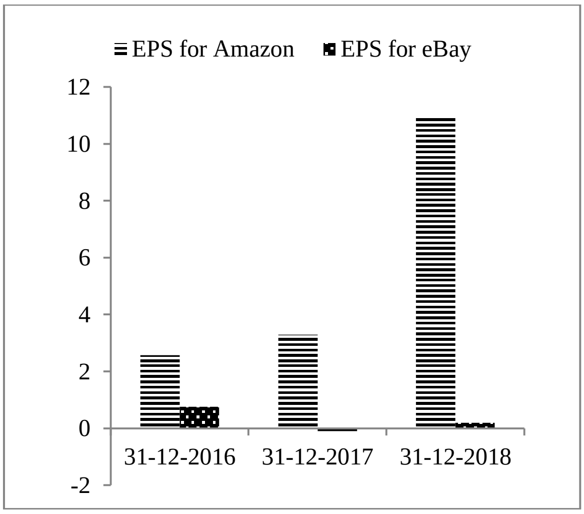

Fig. 10. *EPS.*

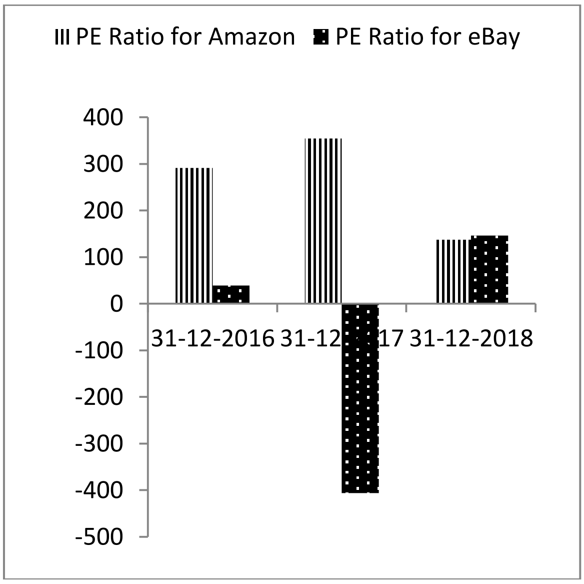

Fig. 11. *PE ratio.*

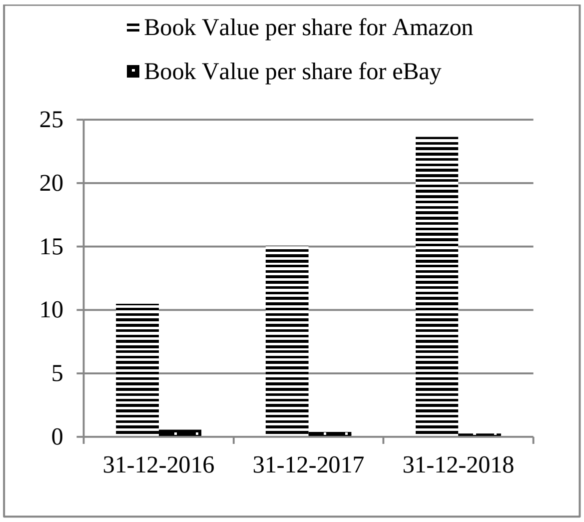

***Fig. 12.** Book value per share.*

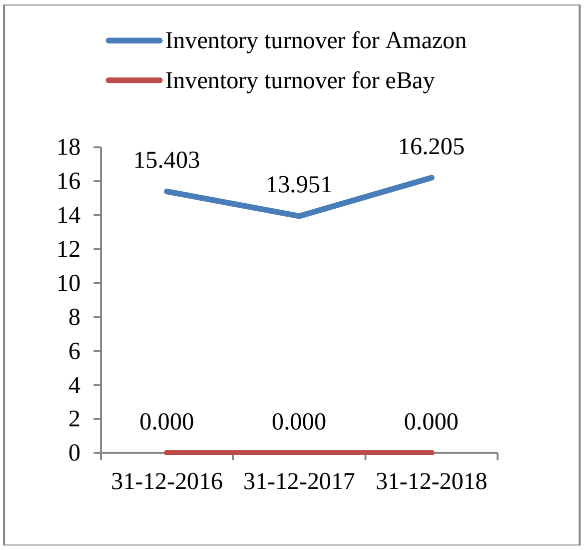

***Fig. 13.** Inventory turnover ratio.*

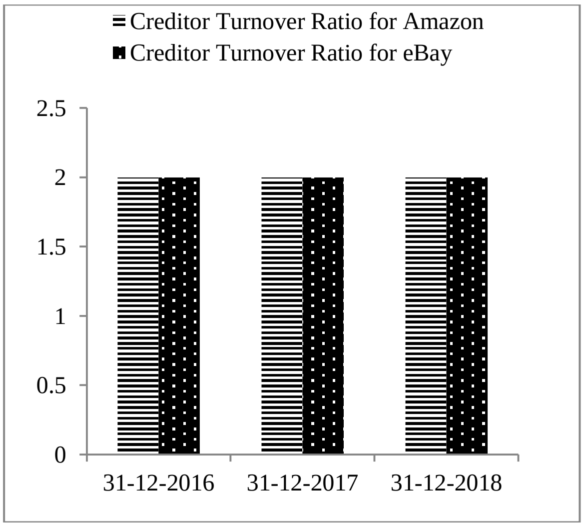

***Fig. 14.** Credit or turnover ratio.*

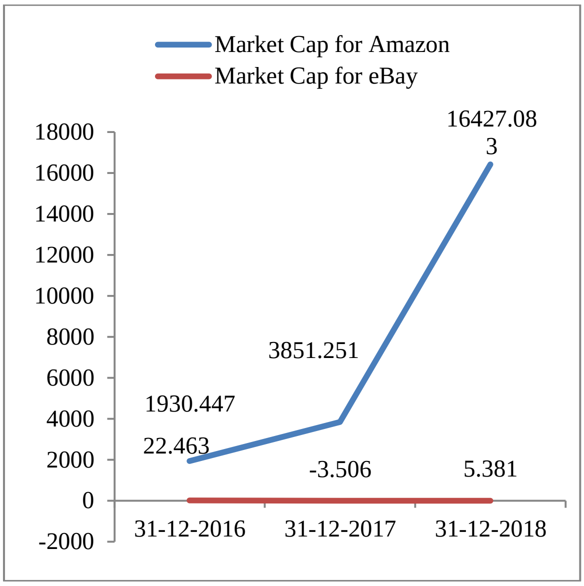

***Fig. 15.** Market capitalization.*

***Total outstanding shares are taken as Common Stock only**

Gross profit ratio for Amazon is 0.37 and that of for eBay is 0.78. There is significant difference found at (F = 708.55, 0.00). eBay's business operations for a eCommerce company much emphasized on its trading operations which is reflected through GP ratio. GP higher for the eBay shows that its trading operations far efficiently conducted.

Inventory turnover for Amazon is 15.19 and that of for eBay is 0. There is significant difference found at (F = 529.77, 0.00). Researchers can conclude that eBay is performing better than Amazon when it comes to inventory. As per the record eBay has zero inventory which must be the case for a business performer. eBay is perfectly following the principles of lean management.

Data analysis through ANNOVA

Days inventory outstanding for Amazon is 23.8 and that of for eBay is 0. There is significant difference found at (F = 505.96, 0.00). It shows that eBay is following the Japanese technique of more productivity that is JIT (Just In Time) which occurs when inventory is kept at zero level.

Total asset turnover for Amazon is 2.94 and that of for eBay is 0.83. There is significant difference found at (F = 148.03, 0.00). Here, company's sales and total assets investments relationship reflects that Amazon is utilizing its total assets in very efficient manner than eBay.

Interest coverage for Amazon is 7.83 and that of for eBay is 0. There is significant difference found at (F = 44.81, 0.00). Outsider's liability to cover on this front eBay is needed to improve in comparison with Amazon.

Fixed asset ratio for Amazon is 4.03 and that of for eBay is 6.36. There is significant difference found at (F = 38.9, 0.00) on Academic front, ideally one or 100% is treated as best, Amazon shows also far superior to this, but eBay is far on upper hand in utilizing its fixed asset investment in generating the company's revenue.

Acid test ratio for Amazon is 0.8 and that of for eBay is 2.03. There is significant difference found at (F = 31.64, 0.00). Academic literature writes its 1 or 100% is as bench mark and comparing the situation eBay is superior in terms of discharging its very short-term liabilities, say either daily, weekly, or fortnightly.

Shareholder's wealth maximization is the core object of any efficient financial management of any company and is achieved by company's market capitalization which is for Amazon is 5702183.33 and that of for eBay is 63666.67. There is significant difference found at (F = 26.86, 0.01). It shows higher for Amazon and efficient.

Current ratio for Amazon is 1.06 and that of for eBay is 2.03. There is significant difference found at (F = 19.67, 0.01). Company's short-term liquidity position point of view eBay is much comfortable in paying its short-term liabilities. Hence, liquidity position of eBay is far superior than Amazon, and is close to ideal academically position of two.

Cash ratio for Amazon is 0.58 and that of for eBay is 1.54. There is significant difference found at (F = 18.04, 0.01). eBay is performing better than Amazon. In the world of finance cash is treated as the king which shows that eBay is on this front.

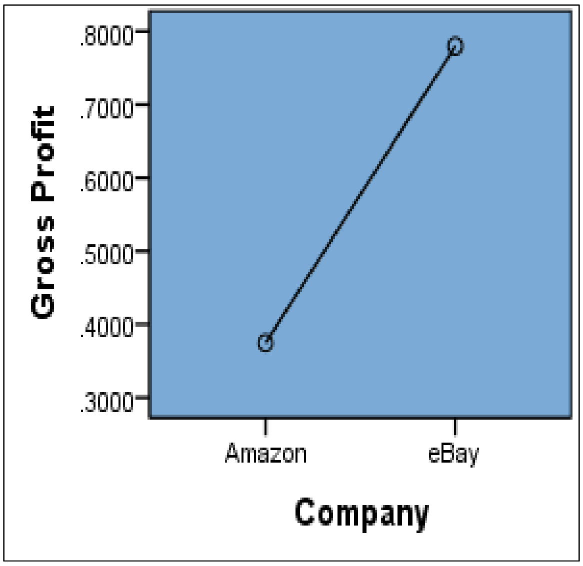

Fig. 16.Gross Profit

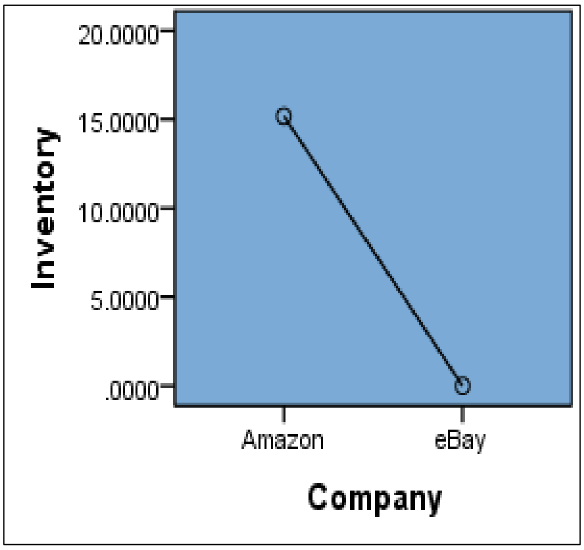

Fig. 17.Inventory

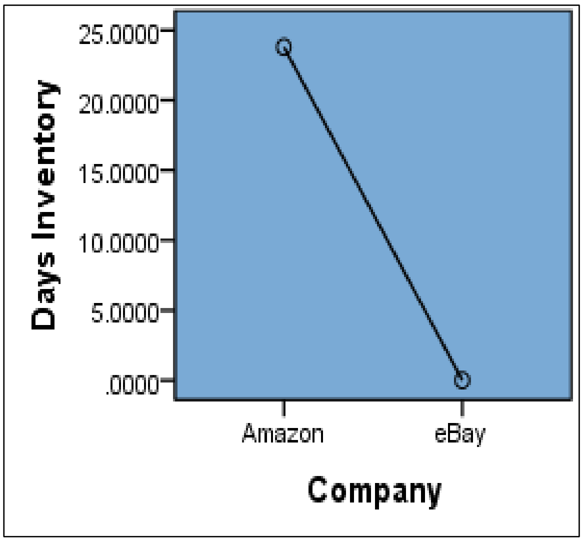

Fig. 18. Days Inventory

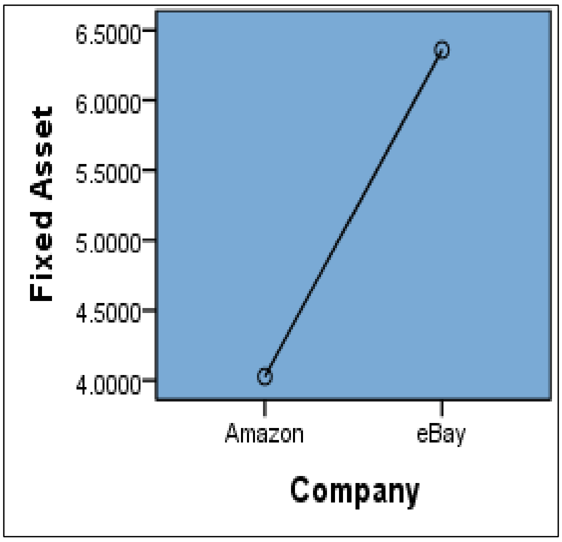

Fig. 21. Fixed Asset

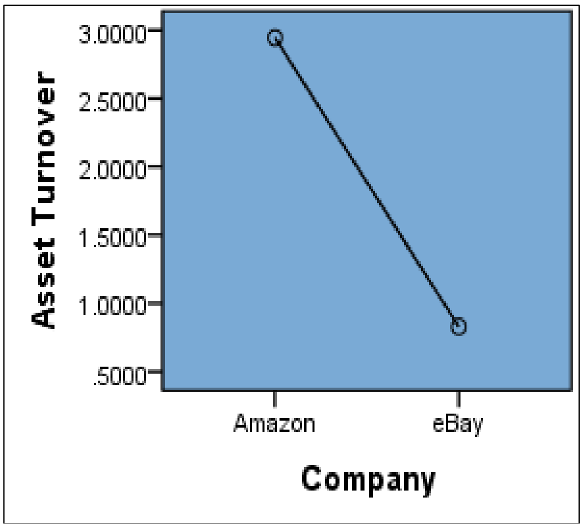

Fig. 19. Asset Turnover

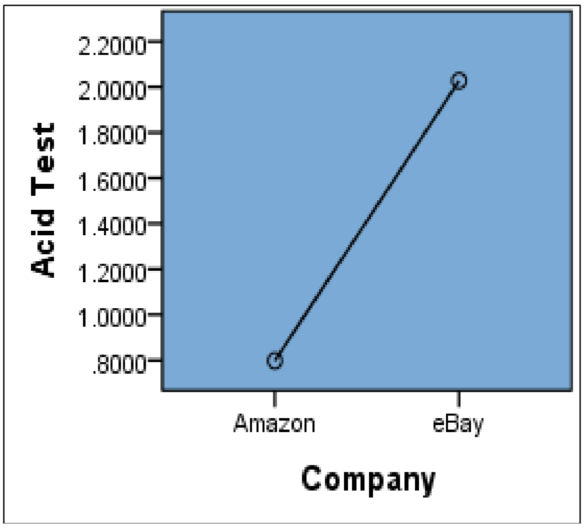

Fig. 22. Acid Test

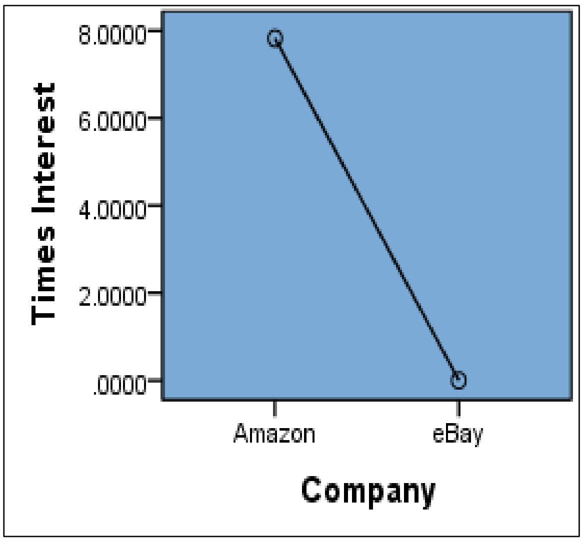

Fig. 20. Times Interest

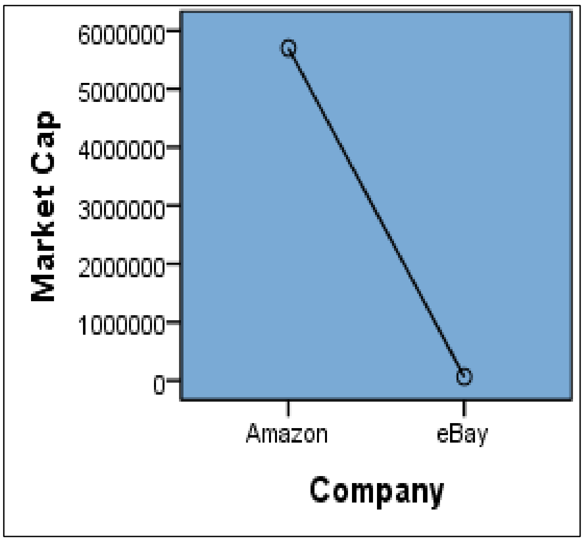

Fig. 23. Market Cap

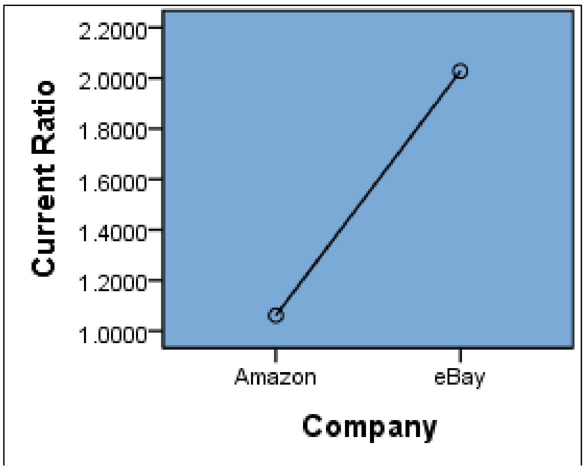

Fig. 24. Current Ratio

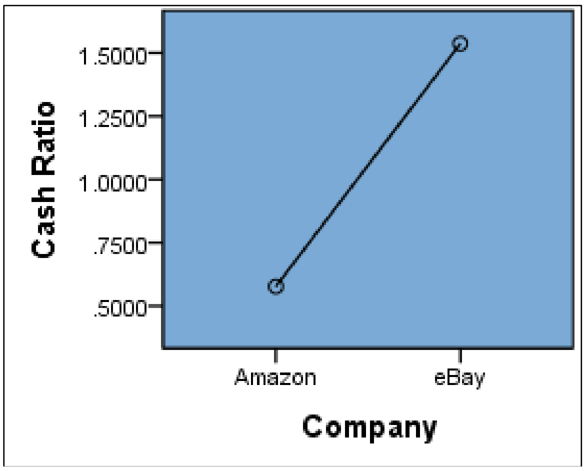

Fig. 25. Cash Ratio

NON-SIGNIFICANT

Equity ratio for Amazon is 0.24 and that of for eBay is 0.34. There is no significant difference found at (F = 3.91, 0.12). Debt ratio for Amazon is 0.76 and that of for eBay is 0.66. There is no significant difference found at (F = 3.91, 0.12). Debt-Equity Ratio for Amazon is 0.61 and that of for eBay is 1.03. There is no significant difference found at (F = 3.71, 0.13). Price-Earnings Ratio for Amazon is 261.24 and that of for eBay is -73.52. There is no significant difference found at (F = 3.42, 0.14). Book value per share for Amazon is 6036.2 and that of for eBay is 4144.83. There is no significant difference found at (F = 1.49, 0.29). Return on sales for Amazon is 0.03 and that of for eBay is 0.3. There is no significant difference found at (F = 1.17, 0.34). Return on assets for Amazon is 0.08 and that of for eBay is 0.25. There is no significant difference found at (F = 0.76, 0.43). Return on stockholder's Equity for Amazon is 0.31 and that of for eBay is 0.64. There is no significant difference found at (F = 0.48, 0.53). Earnings per Share for Amazon are 1031.8 and that of for eBay is 1463.17. There is no significant difference found at (F = 0.11, 0.76).

CONCLUSION AND SUGGESTIONS

Researchers have found out and conclude that on some financial parameters Amazon is doing better whereas on other financial parameters eBay is doing better. From common size statement, operating income increased for Amazon whereas it has decreased for eBay. Also through Trend analysis researchers conclude that credit policy of eBay is efficient than Amazon. Amazon is at better position in context of long term solvency. Both the companies should try to reduce their dependency on outside liabilities to keep their debt to equity ratio ideal. eBay could still try to monitor the use of its current assets to utilize funds for other growth areas. eBay could work on EPS to attract more investors thereby increasing its growth prospects.Net receivables analysis and current ratio analysis show that eBay has lot of current asset which could be utilized in expansion of its business. Amazon can try to improve its efficiency of utilizing fixed assets. Amazon can try to enhance its inventory management by using principles of lean management. eBay could make decisions which enhance its return on equity.

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