Evaluation of corporate performance

In 1994, Jeff Bezos was a 30-year-old hedge fund analyst with a degree in computer science and electrical engineering from Princeton University. It was at this time Bezos decided to put his business plan in play. Jeff pulled up a file that had the business model he intended to use, which had been write in early that year in the passenger seat of a 1988 Chevy Blazer. Amazon. com opened its virtual doors on the World Wide Web in July 1995 and offers Earth’s Biggest Selection. The company seeks to be Earth’s most customer-centric company.

Amazon. com is now a digital strip mall branching beyond books into music, DVDs, electronics and toys (Penenberg, 2000). Many people wonder how Amazon became on of the few dot-com companies to survive the dot-com bubble burst that took effect during 1997-2000. One of the best ways to evaluate Amazon’s performance is to complete a thorough review of its financial statement, pro forma financial statements, ratio analysis, return on equity, its calculated economic value added projects, and its financial policies.

Financial Statement Review Amazon’s 2012 financial statement is quite extensive. The statement reviews the business in general, risk factors, common stock, shareholder maters, and operational results. The business’ main goal is to be he Earth’s most customer-centric company for four primary customer sets: consumers, sellers, enterprises, and content creators. Customers are served through the organization’s retail website. The website focuses on selection, price, and convenience.

Amazon also offers programs that enable sellers to sell their products on its website and their own branded websites. The company serves developers and enterprises of all sizes by providing access to technology infrastructure that enables virtually any type of business. In addition, it serves authors and independent publishers with Kindle Direct Publishing. Knowing the general services of the business will be critical when trying to understand the aforementioned aspects of Amazon's financial statement.

In its 2012 financial statement, Amazon explores multiple risk factors. If any of the following risks occur, the organization, its financial condition, operating results, and cash flows could be materially adversely affected. As Amazon continues to rapidly evolve, it is repeatedly opening itself up to many competitors in different industries. Some of these industries include but are not limited to retail, e-commerce services, digital content, digital media devices, and web services.

In addition, many of the company's current and potential competitors have greater resources, longer histories, more customers, and greater brand recognition. Furthermore, Amazon's rapid expansion places a significant strain on its management team, operations, finances, and other resources. The organization also has a rapidly evolving business model. The trading price of its common stock fluctuates significantly in response to the following risks:

1. Changes in interest rates

2. Conditions or trends in the Internet and the e-commerce industry.

3. Quarterly variations in operating results.

4. Fluctuations in the stock market in general and market prices for Internet-related companies in particular.

5. Changes in financial estimates by Amazon or securities analysts and recommendations by securities analysts.

6. Changes in its capital structure including issuance of additional debt or equity to the public.

7. Changes in the valuation methodology of, or performance by, other e-commerce or technology companies.

8. Transactions in its common stock by major investors and certain analysts reports, news, and speculation.

The volatility of Amazon stock price could adversely affect its business and financing opportunities and force it to increase its cash compensation to employees or grand larger stock awards than it has historically. These larger compensations could hurt operating results or reduce the percentage of ownership of its existing stockholders, or both. Amazon common stock is traded on the Nasdaq Global Select Market under the symbol " AMZN. " The below table shows the high and low per share sale prices for its common stock for the periods indicated:

Amazon measures compensation cost for stock awards at fair value and recognizes it as compensation expense over the service period for awards expected to vest. The fair value of restricted stock units (RSU) is determined by the number of shares granted and the quoted price of Amazon common stock. In addition, Amazon utilizes the accelerated method rather than the straight-line method for recognizing compensation expense. Amazon has also seen amazing operational results. The company organizes its operations into two principal segments: North America and International.

Below is a table that represents the net sales in each one of these segments (in millions). The organization's net sales include product and services sales: [pic]*Retrieved from Amazon. com Annual Report Amazon product sales represent revenue from the sale of products and related shipping fees and digital content where Amazon is the seller of record. Services sales represent third-part seller fees earned (including commissions) and related shipping fees, digital content subscriptions, and non-retail activates.

The above net sales information is important to understand before moving into operating expenses because of the way the company segments itself for financial review. Amazon seems to invest a steady amount of its aforementioned net sales into its operating expenses each year. The below table details the company's operating expenses with and without stock-based compensation (in millions).