Service Analytics

Name

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KT Corporation's Success and the Practices that underpin it

Since 2014, KT reclaimed competitiveness and the telecom industry, enhanced the perceptions of its clients resulting in an increase in revenues in 2015 and over 10% YOY (year-over-year) operating profit growth in 2016 demonstrating that the telecom leader established its foundation for sustainable development (Seeking Alpha, 2017).

The company approached new segments in the wireless industry such as the GiGA LTE, and Y24 provided a list of different second device prototypes. This resulted in KT offering various services for a dynamic market and reaching out to particular client segments centered on that it maintained quality and growth amassing 19 million wireless customers with a total addition of 850000 YOY (Englander, 2014).

When considering the internet industry, GIGA has established itself as the leader in the market. Clients revered the unparalleled coverage, speed and quality of GIGA Internet with its subscriber base increasing to 2.5 million customers (Amdocs Management LTD, 2017). Moreover, KT was a pioneer in attaining 7 million clients in its PayTV segment.

Regarding the future operations of the company since the first commercialization of LTEM countrywide network in 2016, the firm has experienced growth in a variety of products and partners for IoT (internet of things) devices like the smart TV ensuring the KT's number one position in net addition market share for wireless IoT. In 2017, the organization is aiming at 1 trillion in earnings for future enterprises, and it is prioritizing some strategy executions that include the determined search for security and energy in business (Martin, 2012). This has transformed its core platform into large business and has exposed its solutions to the global market (Cary, 2016).

The firm is also the first in the world to present AI (artificial intelligence) TV centered on the consolidation of its wireless and fixed infrastructure. The company is revolutionizing big data and AI based on its IPTV, network assets, and new business competencies (Muncaster, 2014). KT intends to launch new converged services and products before its competition does. This has reinforced its entry into new markets and has strengthened its market domination (SenGupta, 2016).

A practice that can explain KT's success is its ability to offer the services that the clients need in the digital era, comprising personas and hierarchies, assisting to avert bill shock, shared price plans across several devices, and real-time notifications (PYMNTS, 2017). This way, the company can become exceptional when considering the customer experience it can provide to the South Korean market.

Objects of Measurement

Permanent assets (goodwill)

Long-lived assets are usually comprised of equipment and property and intangible assets, as well as goodwill. KT Corporation measures long-lived assets for impairment every time occurrences or shifts in scenarios demonstrate that an asset's carrying value might not be revocable. Furthermore, the firm assesses its long-lived assets for impairment on an annual basis for its yearly prediction procedure. An impairment loss will be identified when the recoverable amount of the asset is less than its carrying value. The amount that is recoverable in a long-lived asset is more than the asset's fair value (Hubbard, 2014). To evaluate impairment, the assets are classified at the lowest levels where there are independently distinguishable cash flows.

The amounts that can be recovered in the cash-generating units are centered on their value in use determined by using the yearly discount rate of 9.4% to the projected future cash

flows grounded on 5-year financial budgets. Annual growth rates that extended from 0.0% to 2.0% were employed for the cash flows anticipated to be earned at the end of the five years. When these assets are perceived as impaired, the impairment that should be realized is calculated as the value by which the assets' carrying cost surpasses the projected value of recovery.

Goodwill signifies the surplus of purchase price paid over the average value given to the distinguishable net assets of acquired enterprises. The measurement of the mean values of goodwill is centered on the discernment of the management on the anticipated cash flows of the cash-generating units to which the goodwill is assigned, including competition, economic factors, and competition in perspective. The calculation of impairments of goodwill comprises the application of approximations that incorporate the timing, cause, and amount of the impairment. Impairment relies on a variety of factors such as reductions in the KT's projected future cash flows, changes in presiding competitive conditions, shifts in the future accessibility of financing, growth anticipations in the telecom business, current replacement expenses, the obsolesce of technology, prices paid in similar transactions, and services' discontinuance. The measurement of these variables guarantee the company's dominance in the telecom industry and places it in a better position to make pioneering decisions.

Financial Assets

The average value of financial apparatuses like derivative instruments is measured by applying valuation strategies. KT's management uses its acumen in choosing a range of techniques and creates suppositions that are primarily centered on market conditions found at the close of every reporting period (KT Corporation, 2017). KT also documents obligations and

rights that come from derivative instruments like liabilities and assets that are stated in fair value.

Losses and profits that arise from a shift in the average value of derivative instruments are realized in current revenues. Still, for derivative instruments that are capable of cash flow hedge accounting, the efficient part of the loss or profit on the derivative instruments are documented as loss or profit on measurement of derivatives for cash flow hedge (KT Corporation, 2017).

When considering financial assets such as those categorized as available-for-sale and those carried at remunerated cost, KT Corporation develops an annual evaluation at the closing of every reporting data if these are independent proof that financial assets are impaired. For financial assets such as available-for-sale debt assets and those at recuperated cost, the asset is deemed impaired, and impairment damages are sustained only provided there is independent proof of impairment resulting from loss events that happened after the first realization of the financial asset (KT Corporation, 2017). These should be loss events that affected the projected cash flows of the financial assets that can consistently be anticipated. When considering equity investments categorized as available-for-sale, a substantial decrease in the average value of the security below its cost might be viewed as evidence of the asset's impairment.

When considering the assets carried at remunerated cost, the value of impairment is evaluated as the variation between the carrying amount of the asset and the current value of projected cash flows. Again, they are reduced at the initial effective interest rate of the asset, and asset's carrying amount is lowered, and the extent of the loss is acknowledged in the income statement (KT Corporation, 2017). The shortfall on this asset might also be assessed centered on evident market price provided there is a functional market for the asset (Hubbard, 2014). For

assets that are considered available-for-sale, the increasing loss, evaluated as the variation between the cost of acquisition and the current average value is eliminated from equity and documented in the income statement.

Essential management acumen is part of assessing if a loss event has happened. The assumptions and approximations applied by the administration to evaluate if a loss event has occurred can be affected by multiple factors. They include negative changes in the payment status of borrowers in the portfolio, breaches of contracts, removal of an existing market for the financial asset, financial conditions, and the short-term projections of the firm that KT has invested in (KT Corporation, 2017). The measurement of these investments should be under the general economic situation and its effect on capital markets. The measurement of these variables is important to the company since they provide it with the detailed overview of capabilities and weaknesses. Addressing various issues about these aspects is essential in ensuring that the corporation is active in its operations. These variables also give the firm a competitive advantage because they are more prepared for situations that can have an adverse impact on their revenues.

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