Analysis and Assessment of Enterprise "Vtorchermet" Financial Sustainability

Zyuzina N.N., Krovopuskov P.A.

Abstract:. The success or survival of an organization depends on the information quality provided, at the modern world. Properly prepared statements will help determine the impact of internal and external factors affecting the enterprise development. The purpose of the company financial condition analysis is to save financial resources and increase its financial significance, aimed at improving the use impact, identifying opportunities for improving the enterprise activities. Any financial statements allow any economic entity to use the adopted system of financial indicators to attract potential customers, as well as to confirm its reliability as a potential partner. Making sound management decisions requires the ability to "read" financial statements, which, accordingly, makes it possible to develop a correct prediction of a future partnership success, since it allows a timely a property assessment and a partner financial situation. The sustainability assessment of the commercial relationships future development is necessary both for the companies themselves and for their potential partners who wish to receive reliable information about the stable financial condition and reliability of their counterparty (client or customer). For this reason, an increasing potential counterparties circle is involved in conducting research and assessing the particular company financial sustainability.

Index Terms: financial stability, analysis, assessment, financial sustainability indicators.

I. INTRODUCTION

The information role is growing every day, and the organization depend condition on how the financial statements are made.At the modern world, the success or survival of an organization depends on the information quality provided. Properly prepared statements will help determine the internal impact and external factors affecting the enterprise development.This allows not only improving the forecasting situations quality in the market, but also developing effective measures to minimize negative impact factors [1].

Analysis precedes management decisions, justifies them and serves to objectively evaluate production management and its effectiveness. In the new business environment, enterprise management cannot be based on the manager' intuition and professionalism only. Enterprise management should be based on accurate calculations, in-depth and comprehensive analysis of both the economic enterprise activity and its external environment. Analytical research neglect leads to errors in planning and management, leading to tangible material losses [2].

The research purpose is to analyze and assess the enterprise "VTORCHERMET" financial condition.

II. METHODOLOGY

Problems of the compiling theory and analyzing financial statements have always been the object for scientists close attention. A significant contribution to these problems solution was made by such Russian researchers as Bakanov M.I., Barnoglts S.B., Vakulenko T.G., Vakhrushina M.A., Vinogradskaya N.A., Voitolovsky N.V., Vrublevsky N.D., Gilyarovskaya L.T. and others.The literary sources analysis on the researched issue shows that the financial condition definitions most often include the distribution and financial resources use. Somers authors also highlight such parameters as, for example, the availability and financial resources amount, liquidity and solvency, competitiveness, financial stability, relations with other market actors, creditworthiness, reliability, enterprise potential, funds mobility degree, etc. [3].In Russian sources which are devoted to the problems of financial analysis, there is no single approach in determining the boundaries and the tasks list that are solved in the process of financial analysis. Research review to analyzing methods the company financial condition was conducted in two directions:

- setting purpose and goals for financial analysis;
- researching a guidelines for solving problems.

It should be noted that most authors don't identify goals and define the analysis tasks. At the same time, some authors note that one of the analysis purposes is to determine reserves for increasing capital turnover.

On based a sources review on financial analysis, it was revealed that financial resources and move financial resources as a financial analysis subject.

The analysis purpose of the company financial condition is to preserve the enterprise financial resources and increase its financial significance, aimed at improving the using efficiency, identifying opportunities for improving the enterprise activities.

Financial condition analysis for any enterprise should be carried out by indicators groups:

- absolutely solvent company;
- practically solvent;
- an enterprise with a high solvency loss risk;
- critical situation at the enterprise;
- insolvent enterprise [4].

The indicators are evaluated in the following groups: assessment of the

enterprise property status and the structure for its assets and liabilities; enterprise effectiveness assessment; business performance assessment [5].

After the calculations, the conclusion is made about the company's ability or inability to settle its short-term liabilities at the expense of highly liquid and medium liquid assets (cash, short-term financial investments, the presence or a cash deficit absence, dependence on the debtors' reliability, etc.).

III. RESULTS

The organization financial condition is characterized by its competitiveness (solvency, creditworthiness). It reflects all organization's activities aspects, its end results, which are interest not only to managers and the entire organization's personnel, but also to its owners, lenders and investors, suppliers and other business partners. The main element of analytical procedures information support is the company's financial reporting, presented worldwide to a interested users range.

Enterprise "VTORCHERMET" is a commercial organization that is actively working to create new production and procurement areas and equip these areas with modern technology from leading European manufacturers. The company is the leader among enterprises engaged in the collection and scrap processing and ferrous metals waste in the territory of Lipetsk, Voronezh and Tambov regions. Visually equity change is presented in Figure 1.
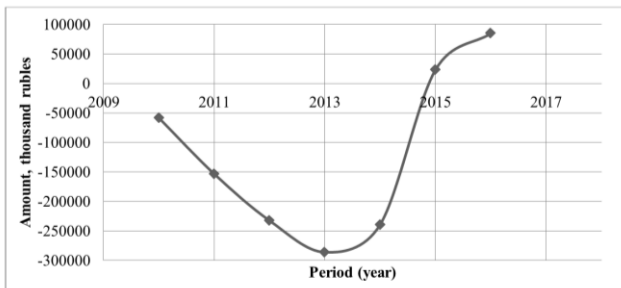

Figure1. Dynamics of enterprise "VTORCHERMET" own funds for the 2010 - 2016 periods

The funds raised consist of deferred tax liabilities, borrowed funds, accounts payable, deferred income and estimated liabilities.

During the analyzed period, there was a rapid increase in revenue (Fig. 2) by 786 198 thousand rubles (up to 2 815 978 thousand rubles). During the entire analyzed period, there was almost always a steady increase in revenue (except for 2014, when revenue fell by 4.74 %).
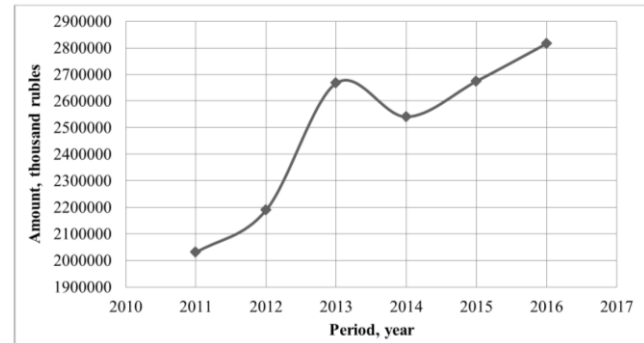

Figure2. Dynamics of revenue for the 2011 - 2016 periods

For 2016, the profit from sales amounted to 57 824 thousand rubles. The financial result from sales during the analyzed period (December 31, 2011 - December 31, 2016) increased sharply (150 332 thousand rubles). In addition, the linear trend confirms the same trend during the period.

ANALYSIS THE ENTERPRISE "VTORCHERMET" FOR LIQUIDITY AND PAYMENT

The asset and liability management quality, including production equipment, depends directly on the balance sheet liquidity - the solvency and enterprise liquidity basis [6]. Therefore, we will assess the enterprise "VTORCHERMET" for liquidity and solvency.

Table1. Analysis enterprise "VTORCHERMET"for balance sheet assets liquidity

Assets	Period, year						
	2010	2011	2012	2013	2014	2015	2016
A1	284	4624	7686	5523	2504	1 191	4 180
A2	39417	60600	51973	19150	24841	8 438	26 929
A3	52494	67447	66437	74198	64751	76 264	107 172
A4	83250	96413	74038	82040	67204	65189	55524
TOTAL	175445	229084	200134	180911	159300	151 082	193 805

As can be seen from table 1, the total value of the enterprise in 2015 decreased from 159 300 thousand rubles to 151 082 thousand rubles, but increased again in 2016 to 193 805 thousand rubles.

The total amount of the most liquid assets began to decline in 2013 from 7 686 thousand rubles to 5 523 thousand rubles, while reducing the proportion in 2010 - 2015 from 0.161% to 0.788% but increased in 2016 to 4 180 thousand rubles or 2.15%. During the analyzed period, the slowly growing assets (stocks) a part increased significantly (their share increased from 29.92% to 55.298%).

In 2016, the increase in the value of rapidly marketable assets indicates that the organization has significantly increased accounts receivable. This can be considered a negative trend; because accounts receivable are funds diverted into calculations, therefore, the organization cannot freely dispose for these funds.

Table2. Analysis enterprise "VTORCHERMET"for balance sheet liabilitiesliquidity

Liabilities	Period, year						
	2010	2011	2012	2013	2014	2015	2016
L1	134455	216038	245871	314832	193418	105304	87878
L2	98024	159033	174380	136187	184434	95	95
L3	1502	7463	12397	16066	20778	22696	21218
L4	-58536	-153450	-232514	-286174	-239330	22987	84614
TOTAL	175445	229084	200134	180911	159300	151082	193805

Table 2 shows that the total amount for organization liabilities in 2015 decreased to 151 082 thousand rubles, but increased in 2016 to 193 805 thousand rubles.

At the same time, for the analyzed period, the most urgent liabilities decreased from 134 455 thousand rubles to 87 878 thousand rubles, and their share decreased from 76.636% to 45.343%. As a rule, the reduction of the most urgent obligations has a positive effect on the organization solvency.

The short-term liabilities amount increased in 2014 to 184 434 thousand rubles, and decreased in 2015 to 95 thousand rubles, and the long-term liabilities value in 2015 increased to 22 987 thousand rubles and the proportion was 15.022%, although in 2016 this decline is again observed to 21 218 thousand rubles.

To assess the balance sheet liquidity, it is necessary to compare the results of the grouped assets and liabilities (Table 3).

Table3. Analysis enterprise "VTORCHERMET" for balance sheet liquidity

Absolute balance	Period, year						
	2010	2011	2012	2013	2014	2015	2016
A1≥L1	A1≤L1	A1≤L1	A1≤L1	A1≤L1	A1≤L1	A1≤L1	A1≤L1
A2≥L2	A2≤L2	A2≤L2	A2≤L2	A2≤L2	A2≤L2	A2≥L2	A2≥L2
A3≥L3	A3≥L3	A3≥L3	A3≥L3	A3≥L3	A3≥L3	A3≥L3	A3≥L3
A4≤L4	A4≥L4	A4≥L4	A4≥L4	A4≥L4	A4≥L4	A4≥L4	A4≤L4

With regards to the last analyzed year, from the four inequalities corresponding to the balance absolute liquidity, all but one is executed. The enterprise "VTORCHERMET"does not have enough liquid assets to pay off the most urgent liabilities (the most urgent liabilities exceed the highly liquid assets by 83 698 thousand rubles). According to the optimal asset structure principles,

short-term receivables should cover medium-term liabilities (current liabilities minus accounts payable). In our case, this ratio is satisfied – the amount of the organization short-term receivables is sufficient to repay its short-term liabilities.

Calculate the financial stability indicators of enterprise "VTORCHERMET"for the 2010 - 2016 periods.

Table4. Financial stability indicators of enterprise "VTORCHERMET"for the 2010 - 2016 periods

Index	Period, year						
	2010	2011	2012	2013	2014	2015	2016
1. Autonomyratio	-0,325	-0,670	-1,162	-1,582	-1,502	0,155	0,437
2. Financialstabilityratio	-0,325	-0,670	-1,149	-1,563	-1,489	0,171	0,447
3. Dependencyratio	1,325	1,670	2,162	2,582	2,502	0,845	0,563
4. Financialactivityratio	-4,075	-2,493	-1,861	-1,632	-1,666	5,470	1,290

5. Ownworkingcapitalratio	-1,538	-1,883	-2,411	-3,690	-3,305	-0,462	0,224
6. Own working capital stocks ratio	-2,702	-3,863	-4,613	-4,953	-4,718	-0,521	0,290
7. Owncapitalflexibilityratio	2,485	1,628	1,322	1,290	1,283	-1,532	0,358
8. Account and crediting arrears relationshipratio	0,293	0,281	0,211	0,061	0,128	0,080	0,306
9. Fundingratio	-0,245	-0,401	-0,537	-0,613	-0,600	0,183	0,775
10. Investmentratio	-0,685	-1,592	-3,105	-3,447	-3,529	0,397	1,559

The financial stability index for the study period increased by 0.772% (0.447 - (- 0.325)). In 2016, its value reached 0.447%, but this is not enough, so the standard value should be equal to 0.75% and higher. Such a situation may indicate the occurrence of the company chronic insolvency risk, as well as its falling into financial dependence on creditors.

The leverage ratio characterizes the share of financing borrowed sources in the liabilities total amount, and shows the degree of the company's dependence on external creditors [8]. During the research period, it decreased by 0.762% (0.563-1.325) and amounted to 0.563% in 2016, which indicates a positive company development from the point of investors and potential borrowers view. That is, the company's desire to increase the amount of its own funds to ensure the economic activity stability will be favorable.

The financial activity ratio (in other words, financial leverage, financial leverage arm) should not exceed 1. In 2016, it amounted to 1.290, which shows an unfavorable situation for investors. In 2015, borrowed funds are more than own. And in the 2010 - 2014 periods the organization had insufficient own funds. The organization is interested in greater attraction of financing loan sources.

The own working capital ratio in 2016 amounted to 0.224. The indicator increased significantly value during the analyzed period (by 1.762). At the end of the analyzed period, the indicator value has a normal value (the indicator must be higher than 0.1). At the same time, at the analyzed period beginning, the indicator had a negative value, which was due to the working capital lack.

For 6 years, the material stocks ratio increased sharply – from -2.702% to 0.29% (i.e. -2.992). The index values during the analyzed period were below the standard (0.5 and above). By the period end, the indicator value is also below the norm.

The financial flexibility ratio (the own capital flexibility ratio) shows how much the organization's own funds are used to finance current activities, i.e. invested in working capital, is a movability [9]. This ratio in 2016 amounted to 0.358%, which can be considered quite an optimal indicator.

The receivables and payables ratio in 2016 was 0.306 %, which is less than the standard value; obviously, the company has attracted significant borrowed resources, and now uses them inefficiently in current activities.

The financing ratio in 2016 was 0.775, which is below the optimal value, which is ≥1. Companies may face bankruptcy due to their heavy dependence on external financing. Over the entire research period, the financing ratio increased by 1.02%, which indicates a positive development trend.

For the entire period under consideration, the investment ratio rapidly grew by 2.244% and in 2016 amounted to 1.559%. The ratio value as of December 31, 2016 significantly corresponds to the normative one. During the period under review, there was a decrease in the investment coverage ratio, which was replaced by growth.

IV. CONCLUSION

The organization solvency means that the organization has sufficiently highly liquid assets (cash and cash equivalents) to immediately pay off accounts payable.

The consequences of the organization insolvency are:

- failure to fulfill obligations to the budget for taxes and fees;

- failure to comply with the requirements of legal entities and individuals who filed property claims to the organization.

Organization's solvency evaluation is based on a liquidity analysis, and includes an analysis of all relative liquidity indicators (ratios).

Liquidity ratios take into account the share of various groups' assets, which are considered to cover the most urgent liabilities. Liquidity indicators provide an opportunity to conduct a detailed analysis of balance sheet liquidity and, accordingly, the losses risk for stakeholders various categories.

The calculated indicators of enterprise "VTORCHERMET" confirmed that the organization has an unstable financial position for the entire analyzed period. And in absolute and relative terms, indicators are not sustainable.

REFERENCES

1. Financial statements analysis: the textbook / Ed. M.A. Vahrushinoy. Moscow: INFRA-M, 2015. 367 pp.
2. Bakanov M.I., Sheremet A.D. Economic analysis theory: the textbook. Moscow: Finance and Statistics, 2014. 416 pp.
3. Barnoglts S.B. Economic analysis of enterprises and associations economic activities. Moscow: Finance and Statistics, 2016. 427 pp.

4. Butynets F.F., SokolovYa.V., Pankov D.D., Goretskaya L.L. Accounting in foreign countries.Zhytomyr: Ruta, 2013. 660 pp.
5. Accounting financial statements: the textbook / Ed. Yu.I. Sigidova and A.I. Trubilin. Moscow: INFRA-M, 2014. 366 pp.
6. Vakulenko T.G., Fomina L.F. Financial statements analysis for management decisions: the textbook. SPb.:Gerda Publishing House, 2015. 457 pp.
7. Vakhrushin M.A. Management accounting. Moscow: Higher Sc., 2014. 528 pp.
8. Vinogradskaya N.A. Diagnostics and optimization of the enterprise financial and economic condition: financial analysis. Moscow: Publishing House MIS&A, 2014. 217 pp.
9. Voytolovskiy N.V. Economic analysis. Theory Fundamentals.Comprehensive analysis of the organization economic activities. Moscow: Yurayt, 2014. 576 pp.
10. Wroblewski N.D. Management accounting of production costs and economy production costs in sectors. Moscow: Accounting publishing house, 2013. 154 pp.
11. Dr. Zyuzina Natalya Nikolaevnais an Assistant Professor at Lipetsk State Technical University, Lipetsk, Russia. Zyuzina Natalya Nikolaevnais a Candidate of Economic Sciences. E-mail: natazuzi@yandex.ru
12. KrovopuskovPavelAnatolyevich is a Head of Science Department at Lipetsk State Technical University, Lipetsk, Russia. E-mail:pavel_anatolevich84@mail.ru