Analysis of the financial condition and its importance for improving the efficiency of enterprise management

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ABSTRACT

Analysis of the financial condition of the company is an extremely important and urgent problem, both for each small business and for the state as a whole. Even in the recent past, when analyzing the work of the company, the main attention was paid to the rationing of working capital, various limits and funds were introduced, and profit was singled out from the main indicators. It was by this indicator that the financial condition of the company was judged. At present, such an approach is impossible: in the conditions of market relations, each company is interested in stability, solvency, economic growth opportunities, in modern methods of evaluation and analysis. In this regard, it is important not so much to take into account the amount of profit, return on equity, sales or assets, but to determine the entire amount of income received, the level of solvency and economic growth rates.

Keywords: Financial Condition, Analysis, Management Efficiency Improvement, Solvency, Financial Stability, Profitability, Economic Growth.

Relevance of the topic: The relevance of the study is due, on the one hand, to the great interest in the topic "Analysis of the financial condition and its importance for improving the efficiency of company management" in modern science, on the other hand, the insufficient development of the topic from the standpoint of analyzing the company in specific economic and social conditions. In particular, many theoretical works and practical studies are devoted to the analysis of the financial condition of companies and its importance for improving the efficiency of company management. However, the material presented in the educational literature is mainly of a general nature without taking into account modern conditions in the study of the problems of the designated topic, without considering the specifics of the company's activities, the industry in which it operates. At the same time, in modern literature, much attention is paid to studies of the small sector of the economy.

Consideration of issues related to this topic has both theoretical and practical significance. The results can be used to develop a methodology for financial analysis of companies operating in the field of land and property relations with intense competition in the territory of small towns.

The purpose of the study: to analyze the financial condition of a small business to improve the efficiency of company management.

As part of achieving this goal, the following research objectives were formulated:

1. To study the theoretical foundations of the financial condition of the company, its significance.

2. Calculate indicators for assessing the financial condition of the company.

3. Conduct an analysis of the company's financial performance.

4. Develop measures to improve the efficiency of company management.

The object of the study is to improve the efficiency of enterprise management.

The subject of the study is the analysis of the financial condition of the organization.

The methodological basis of the study was legal acts, statistical materials, works of leading and foreign authors devoted to the problem of the financial condition of enterprises presented in the works: I.T. Balabanova, I.A. Blanka, A.Yu. Bogomolov, V.V. , A.R. Gorbunova, L.V. Dontsova, A.A. Firsova, Y. Brigham, A.A. Gorbokon, S.V. Romanchin, A.A. Sidorina, E.S. Zavyalova and other educational and scientific literature, articles published in periodicals, as well as Internet resources.

Research methods:

- theoretical: literature analysis, generalization, modeling, design, schematization;
- empirical: observation, survey, collection of information, comparative analysis.

The “Financial and Credit Encyclopedic Dictionary” provides the following definition: “the financial position of an enterprise is a set of economic and financial indicators that characterize the ability of an enterprise to develop sustainably, including the ability to fulfill its financial obligations.” However, the direct essence of the concept of "financial condition" is not reflected here. Firstly, the financial condition is not an indicator, since, for example, current liquidity and autonomy ratios, being financial indicators, are only its meters. Secondly, there is no specification as to the principle and in what quantity indicators are included in the aggregate.

Let us consider in more detail the essence of the given parameters. From the economic literature, we know that the main indicator of the financial condition can be considered the financial stability of the company. That is, such an economic entity is financially stable, which covers the funds, invested assets at its own expense, while not allowing unjustified receivables and pays its obligations on time.

Therefore, to ensure financial stability, a company must not only have a flexible capital structure, but also be able to organize its movement in such a way as to have a constant excess of income over expenses, which will allow it to maintain solvency and create conditions for independent financing of production development.

In this context, it is appropriate to assume that the financial condition of an enterprise can be stable, unstable (pre-crisis) and crisis, and depends on the results of its production, commercial and financial activities. The characteristics of the types of financial stability are discussed in detail in Table 1.

Table 1

Characteristics of the types of financial stability of the enterprise.

Type of financial stability	3D indicator	Source of cost coverage used	Brief characteristics
1. Absolute financial stability	M=(1,1,1)	Own working capital	High solvency; the company is not dependent on creditors
2. Normal financial stability	M=(0,1,1)	Own working capital plus long-term loans	Normal solvency; efficient use of borrowed funds; high profitability of production activities
3. Unstable financial condition	M=(0,0,1)	Own working capital plus long-term and short-term loans	Violation of solvency; the need to attract additional sources; opportunity to improve the situation
4. Crisis financial	M=(0,0,0)	-	Insolvency of the

condition			enterprise; brink of bankruptcy

Indicators of the company's financial stability characterize the structure of its capital from the standpoint of solvency and financial stability of development and allow assessing the degree of protection of investors and creditors, as they reflect the company's ability to repay long-term obligations. The main indicators of the financial stability of the enterprise are shown in table 2.

Table 2
Indicators of the financial stability of the enterprise.

Name of financial ratio	Recommended value	Calculation formula	
		Numerator	Denominator
Financial Independence Ratio	0,1 – 0,2	Equity	Валюта баланса
Financial dependency ratio	≤ 2	Balance currency	Собственный капитал
Equity ratio	≥ 0,1	Own working capital	Current assets
Equity mobility ratio	≥ 0,3 – 0,5	Own working capital	Equity
The share of coverage of own working capital stocks	≥ 0,5	Own working capital	Current assets

In modern economic conditions, the ability of an organization (enterprise) to effectively use production and financial resources and increase the profitability of its core activity is very important. From this point of view, such indicators of the financial condition as the business activity of the enterprise and its profitability are of paramount importance. The rate of turnover of funds, liabilities and capital of the enterprise is the main manifestation of business activity. Profitability also reflects the economic efficiency of the company, as well as the efficiency of the use of its property and resources.

Comparative coefficients of these indicators are given in tables 3, 4.

Table 3
Profitability ratios for assessing the financial condition.

Name of financial ratio	Calculation formula	
	Numerator	Denominator
Profitability of sales (commercial profitability)	Profit from the sale of goods, products, works, services (net profit) in the period under review	Sales proceeds in current prices, excluding VAT and excises in the period under review
Economic profitability ratio	Profit before tax	Average assets at 100%
Return on equity (financial return)	Net profit from sales	Average annual cost of equity

Table 4
Basic turnover ratios.

Indicator	Numerator	Denominator
Total capital turnover ratio	Revenue from the sale of products (works, services)	Average balance sheet total for the period
Accounts receivable turnover ratio	Revenue from sales of products (works, services)	Average accounts receivable per year
Accounts payable turnover ratio	Average accounts payable per year	Revenue from sales of products (works, services)
Cash turnover ratio	Revenue from sales of products (works, services)	Average amount of cash for the period

Conclusion.

In the course of studying the essence of the financial condition of an enterprise and the significance of its analysis, we managed to establish that in modern economic literature this concept is interpreted from various positions and is a multidimensional economic category. At the same time, the importance of analyzing the financial condition cannot be overestimated, since it is the basis for developing a rational financial strategy and tactics for the development of the enterprise itself, and for its business partners and the state it provides valuable information about the ability to repay financial obligations and pay mandatory payments. One of the features of a market economy is the presence in various sectors and areas of management of enterprises, firms and organizations of various forms of ownership, different scales and different opportunities and needs. And the study of the theoretical aspects of the essence of the financial condition of the company did not allow us to draw unambiguous conclusions about the features, or the general principles of the practical application of the presented categories for financial analysis of small enterprises, which is directly the subject of this work.

List of used literature.

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