

ANALYSIS OF FINANCIAL AND ECONOMIC SUSTAINABILITY OF ENTERPRISES BASED ON THE USE OF ACCOUNTING AND ANALYTICAL INSTRUMENTS

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Abstract. *Analysis of financial stability is part of the analysis of the financial condition of the company. Financial stability determines the long-term solvency of the enterprise. The problems of financial stability analysis are caused by the features of financial statements, different approaches to the concept of "capital", contradictions in the interests of internal managers and external lenders, which affect the interpretation of indicators. The article investigates and develops methodological approaches to ensure the financial and economic stability of enterprises based on the use of accounting and analytical tools. Theoretical provisions and practical recommendations for increasing the financial and economic stability of PJSC "Zaporizhstal" to ensure its competitive advantages are substantiated.*

Key words: *bank, financial stability, competitiveness, indicators, profitability, liquidity*

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1. Introduction

With the transition to a market economy, the range of problems related to the sustainability of enterprises has expanded. There are many different types of enterprises that differ in scale, management structure. The conditions of a market economy presuppose the existence of competition, through the mechanism of which there is a strict selection of the most stable and promising enterprises that have the ability to function effectively and strengthen their market position. The company is required to increase production efficiency, product competitiveness through the introduction of scientific and technological progress, effective forms of management and production management. An important role in the implementation of this task is given to the analysis of economic activity of enterprises, research and management of their financial and economic stability.

2. Analysis of recent researches and publications

Theoretical foundations and practical methods of ensuring the financial stability of enterprises are reflected in the works of many domestic and foreign scientists, in particular: E. Altman, M.S. Abryutina, I.O. Blanca, W.H. Beaver, I.T. Balabanova, O.I. Baranovsky, F.F. Butynets, M.I. Bakanova, L. Bernstein, M.D. Bilyk, O.G. White, O.M. Volkova, T.V. Golovko, A. Gropeli, I.S. Drobot, V.A. Dubrova, O.R. Kvasovsky, V.V. Kostetskoho, O.V. Kneisler, A.P. Kovaleva, A.I. Kovalchuk, M.Y. Korobova, R. Lysa, L.A. Lakhionova, E.V. Pavlovskaya, N.O. Rusak, G.V. Savitskaya, V.K. Savchuk, R.S. Stoyanova, N. Holt, A.V. Chupisa, V.V. Chepurko, A.D. Sheremet and other scientists.

However, many issues related to ensuring the financial and economic stability of enterprises remain unexplored and debatable, both in theoretical and applied aspects.

3. The main objective.

Development of methodological approaches to ensure the financial and economic stability of enterprises based on the use of accounting and analytical tools.

4. Research results

At the present stage of transformation of society, when the share of human capital in the total national wealth of the country grows, and the development of enterprises becomes possible only with the creation of new knowledge and production of high-tech products with high consumer qualities, the issue of financial stability becomes the main condition for innovation. The strategy of enterprise development in the era of cognitive economy requires significant long-term investments, which in the absence of financial stability of the enterprise becomes unrealistic. In the conditions of crisis phenomena the long-term solvency of the enterprise directly depends on financial stability.

The development of a financial strategy to ensure the financial stability of the enterprise should be associated with the formation of strategic financial goals, which are determined taking into account the threats of loss of financial stability of the enterprise and ways to prevent them.

The formation of a strategy to ensure the financial stability of the enterprise should be based on corporate development strategies to improve capital management and cash flow in the long run. Decisive is the main strategy, the focus of which affects the content of steady state management functions.

Given the life cycle of enterprises, the strategy of financial stability and the method of its implementation should be such that the enterprise could at each point of maturity have a new stage of emergence of competitive advantages. Therefore, at present, special techniques are used to develop the financial strategy of the enterprise.

Approbation of the main ones was carried out by us according to PJSC "Zaporizhstal" in order to establish the possibility of their application to develop a strategy to ensure the financial stability of enterprises:

1. Matrix of financial strategies of J. Franchon and I. Romane.
2. Matrix of financial strategies, which is formed on the basis of economic value added and internal and sustainable growth rates of the enterprise.

The matrix of financial strategies of J. Franchon and I. Romane is based on the calculation of three coefficients:

- the result of economic activity;
- the result of financial activities; the result of financial and economic activities.

The matrix helps to predict the "critical path" of the enterprise for the future, to outline the allowable limits of financial risk and to identify the threshold of the enterprise.

Squares 1, 2 and 3 are the equilibrium zone. Above the diagonal (squares 4, 5, 6) is the zone of success, in which the values of indicators are positive and there is a creation of liquidity.

Net cash flow is consistently positive, financial risk is minimal. Under the diagonal (squares 7, 8, 9) is the deficit zone, it is the consumption of liquidity and the values of the indicators are negative.

Consider the possible provisions of the enterprise on the matrix of financial strategy and possible ways to change them.

- ✓ Square 1. The father of the family. The growth rate of turnover is lower than possible. There are reserves. The transition to squares 4, 2 and 7 is possible.
- ✓ Square 2. Stable equilibrium. In this situation, the company is in a state of financial equilibrium and has the largest number of possible options for changing the financial situation: squares 1, 4, 7, 5, 3, 8.
- ✓ Square 3. Unstable equilibrium. The situation is characterized by the lack of own free funds and the use of attracted capital. The situation can be observed after the implementation of the investment project. Possible ways out 8, 2 and 5.
- ✓ Square 4. Rentier. Availability of free funds for projects using borrowed capital. Go to squares 1, 2, 7.
- ✓ Square 5. Attack. Excess own funds allows you to expand your market segment. Go to 2 and 6.

- ✓ Square 6. Maternal society. Excess liquid funds. The company has the ability to create and fund subsidiaries, moving to 4 or 5.
- ✓ Square 7. Episodic deficit. Deficit of liquid funds due to mismatch of terms of receipt and expenditure of funds. Go to 1, 2, 8.
- ✓ Square 8. Dilemma. There is a shortage of liquidity, which is partially covered by borrowing. Go to 2, 7, 9.
- ✓ Square 9. Crisis. Crisis state of the enterprise. The need to reduce all investments or break up the company. The need for financial support. It is possible to go to 8 or 7.

However, it is necessary to note the negative trends that may create difficulties in the future. PJSC "Zaporizhstal" significantly lacks its own working capital. Depreciation of fixed assets may soon cross the critical line and put the company in front of the problem of survival. Thus, the current financial condition of the enterprise conceals various actions of financial risks.

The result of financial and economic activities of PJSC "Zaporizhstal" in 2018 was positive, so it falls into the area of the diagonal - the zone of rejection of borrowed resources.

This situation is typical for the first square of the matrix of the strategy to ensure the financial stability of the enterprise (Figure 1).

	RFD « 0	RFD ≈ 0	RFD » 0
RGD » 0	Square 1 «Father of the family»	Square 4 «Rentier»	Square 6 «Maternal society»
RGD ≈ 0	Square 7 «Episodic deficit»	Square 2 «Stable balance»	Square 5 «Attack»
RGD « 0	Square 9 «Crisis»	Square 8 «Dilemma»	Square 3 «Unstable balance»

Figure 1: Matrix of strategy for ensuring financial and economic stability of PJSC "Zaporizhstal"

This provision is called "Father of the family". The growth rate of turnover is lower than possible. There are reserves. It is possible to move to squares 4, 2 and 7. The company is at the stage of "slowing down" the development of financial and economic activities. Since the company is at the stage of inhibiting the development of financial and economic activities, the priority area of such development, which ensures the implementation of the financial strategy is the formation of a sufficient level of financial security of the enterprise.

In order to improve the financial condition of PJSC "Zaporizhstal", it is necessary to pay attention to the management of receivables and payables (Table 1).

Table 1: Measures aimed at increasing the financial stability of PJSC «Zaporizhstal»

Activities	Directions
1. Strengthening control and analysis of receivables	Development of an effective method of providing commercial credit to customers and collection of funds
2. Factoring operations	Acceleration of turnover and collection of receivables
3. Spontaneous financing	Encouraging customers to speed up payment for their services, attracting new customers
4. Creating a reserve for doubtful debts	Preventing losses due to financial difficulties for customers
5. Making short-term financial investments at the expense of retained earnings	Getting extra income

To exit the enterprise from square 1 and move to a position, for example, square 2 "Stable equilibrium" or square 4 "Rentier", the following measures can be recommended:

1. Further reduction of receivables. To this end, the following should be done:

- tighter control over the state of settlements with buyers on overdue (overdue) debts;
 - if possible, focus on a larger number of buyers to reduce the risk of non-payment by one or more buyers;
 - monitor the ratio of receivables and payables, as the excess of accounts payable over receivables leads to insolvency of the enterprise;
2. Increasing the company's own funds by attracting investment.
 3. Review the structure of financial management, which can give a more efficient use of financial resources.
 4. Restore fixed assets.
 5. Plan your activities and make a profit from it.
 6. Pay attention to the increase in short-term liabilities, as this may lead to a decrease in financing and reliability to creditors, which can lead to bankruptcy.

The use of this matrix allows the company to adequately make decisions on the integrated use of all financial resources aimed at achieving the goals of financial strategy. Within the proposed matrix, we can consider the problem of the ratio of goals and resources of enterprise development in dynamics, providing the opportunity to formulate financial strategy, priority areas of development, ensuring its implementation and modifying financial strategy by changing important parameters of enterprise operation.

The EVA indicator is very important in the process of finding ways to ensure the financial stability of the enterprise, because if EVA grows from year to year, the owner experiences an increase and increase in capital. If the growth rate of EVA begins to fall, it should cause concern to the owner. If EVA has become negative, you need to look for ways to correct the situation.

The calculated indicators show that PJSC "Zaporizhstal" during 2017-2018 in the matrix of financial strategies occupied the lower left square, which is characterized by the destruction of the value of the enterprise in the presence of excess cash. At the same time, 2017 is characterized by a change in the position of the company in the matrix in the upper left square, which is characterized by moderate development of the company, which allows the company to increase and maintain growth rates from its own resources.

Thus, from the standpoint of ensuring the financial development of the enterprise, the most desirable is the transition to square 4 according to the matrix of financial strategies of J. Franchon and I. Romane, which is characterized by an increase in production.

Based on the above, PJSC "Zaporizhstal" can recommend a strategy of gradual development, which is typical for most companies. This type of strategy involves directing the business entity to gradually increase the volume of activity, increase profitability and improve its basic financial and production-economic indicators and characteristics, ensuring a stable financial position (Figure 2).

<ol style="list-style-type: none"> 1. Use excess funds for accelerated growth. 2. Implementation of new projects, purchase of existing enterprises. 3. Direct the excess funds to pay the owners. 	Creation cost EVA > 0	<ol style="list-style-type: none"> 1. Reduce income deductions. 2. Attract additional capital: issue of shares, obtaining loans. 3. Reduce the growth rate.
Excess cash < SGR		Cash shortage > SGR
<ol style="list-style-type: none"> 1. Distribute part of the money, the rest to direct to increase profitability. 2. Review the structure of capital, reduce its value. 3. If the measures taken do not work, go out of business. 	Destruction cost EVA < 0	<ol style="list-style-type: none"> 1. Change the strategy, restructure the business. 2. Reengineer all business processes. 3. If the measures taken do not work, go out of business.

Figure 2: Matrix of financial strategies and growth rate of PJSC "Zaporizhstal"

As a result of the analysis of the financial stability of the enterprise, it was found that the stability of the enterprise in 2018 was normal, and during 2017 it was in crisis. At the same time, negative trends were also identified, leading to a further weakening of financial stability.

Analysis and management of receivables involves control over the turnover of funds in the calculations. Accelerating the turnover of funds in the dynamics is seen as a positive trend. The general scheme of control over receivables, as a rule, includes several stages:

Stage 1. The critical level of receivables is set; all settlement documents related to debts exceeding the critical level are subject to mandatory verification.

Stage 2. From the settlement documents the control sample is carried out.

Stage 3. The reality of the amounts of receivables in the selected documents is checked. In particular, letters may be sent to contractors with a request to confirm the reality of the amount stated in the document.

One of the key problems of the company today is the problem of cash deficit, ie highly liquid assets. This is due to the active provision of commercial credit to customers and the lack of strict control over the collection of commercial loans.

The company has significant internal reserves and mechanisms that allow you to manage receivables more efficiently and obtain additional working capital. To effectively manage receivables, the company must follow the following recommendations:

- 1) control the status of settlements with customers and timely file claims;
- 2) focus on as many customers as possible in order to reduce the risk of non-payment by one or more large consumers;
- 3) monitor the compliance of accounts payable and receivable.

The main directions of the policy of accelerating and increasing the efficiency of settlements are the use of factoring operations and spontaneous financing [2, p. 32; 31, c. 21].

Table 2 presents the conditions for providing factoring services by the servicing bank for PJSC "Zaporizhstal".

Table 2: Bank tariffs for factoring services

Service	Tariff
Factoring financing, %	19
Accounts receivable management, %	0
Document processing, %	1,5

It is expected that in the forecast year there will be an increase in sales of 33% due to the expansion of the market, attracting new customers on a regular basis and expanding the range of products.

In the table 3 calculate the limit of financing, costs and the formation of additional income when using the factoring of PJSC "Zaporizhstal" in the forecast period.

Table 3: Analysis of the effectiveness of the use of factoring "Zaporizhstal" in the forecast period

Indicator	Result
Average monthly trade turnover, thousand UAH	22970,0
Deferred payment under the contract for services, days	15
Total funding limit, thousand UAH	11480,0
Amount of funding, %	90
Factoring financing, %	1,584
Factoring commission, thousand UAH	2450,0
Document processing fee, %	0,125
Document processing fee, thousand UAH	19,0
Total factoring costs, thousand UAH	2470,0
Profitability of sales, %	2,63
The ratio of gross profit to cost, %	0,23
Additional income for 15 days, thousand UAH	170,0
Additional income for the year, thousand UAH	4250,0

As can be seen from table 3, the annual income from the use of factoring less costs for its implementation will be 4250.0 thousand UAH, which confirms the effectiveness of its use in the studied enterprise.

Due to the use of factoring, the average annual receivables for products, goods, works, services will decrease by 1268.0 thousand. UAH, the number of turnovers made by it for the year will increase by 2453.0, and the repayment period will be reduced to 1 day.

Solving the problem of reducing receivables for products, goods, works, services requires a flexible combination of both strict measures to collect it, and methods of incentives for regular customers. In practice, for such a combination, the method of spontaneous financing is used - providing discounts to buyers for reducing payment terms. Spontaneous financing is beneficial for both the supplier and the buyer. Moreover, it allows you to get some indirect benefits: improves the liquidity of the balance sheet and all financial and economic performance indicators of the enterprise; a positive image of the company that cares about its customers is formed; spontaneous financing, as a method of financial management, helps to reduce receivables.

5. Conclusions

Strategic management of financial stability should take into account not only the type of financial policy, but also the type of financial stability that is characteristic of the company at a given time. Areas of ensuring financial stability tactical accounting and analytical tools include the choice of target structure of working capital financing, establishing principles for optimizing cost management policy (reasonableness, minimization, planning), which allows to clarify measures to achieve the target financial stability of enterprises.

Determining the position of the enterprise using the matrix of financial strategies of J. Franchon and I. Romane and the matrix of financial strategies formed on the basis of EVA and internal and sustainable growth of the enterprise, we came to the conclusion that the company can recommend a strategy of gradual development. The financial aspect of such a strategy is to determine the optimal level of the ratio of borrowed and own funds, increase the level of profitability of products by reducing its cost, increasing the turnover of working capital and more.

It is recommended to apply the method of spontaneous financing to clients with relatively small receivables. Sales of products to these customers are periodic, irregular, so the best incentive to speed up payments for them will be to provide discounts for bills before the critical deadline. It will also be one of the ways for the company to attract customers to work on a regular basis.

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