

**Karshalova A.D.**, PhD,  
*Almaty Management University*  
**Aytkazina M.A.**, PhD,  
*JSC "NARXOZ"*  
*Almaty, Kazakhstan*

## PLACE AND ROLE OF FINANCIAL ANALYSIS IN ENTERPRISE

**Abstract.** The purpose of financial analysis is to identify "pain points" of the enterprise financial mechanism, based on the prediction of observed trends of possible developments, to make necessary managerial decisions to reduce, prevent or eliminate the negative impact of the relations between the economic performance of the industrial and economic activities and the cost of its implementation.

**Key words:** Financial analysis, financial condition, mechanism, statements.

Financial Analysis – a part of the economic analysis, which is a system of specific knowledge related to the research company's financial position and financial results, was formed under the influence of objective and subjective factors, on the basis of the financial (accounting) statements. Financial analysis – the process of investigation of the financial condition and financial performance of major organizations in order to identify the reserves to increase its market value and effective development [1].

Financial analysis – the process knowledge of the essence of the financial mechanism of the business entities to assess and justify the investment decisions of a financial nature [2].

Financial analysis – an analysis of financial indicators that reflect the financial results of operations and financial condition of the organization. Financial performance is largely contained in the financial (accounting) statements of organizations, so a financial analysis is commonly understood "external" financial analysis according to public financial reporting, which limits its scope, since not all the financial information of the organization is reflected in the statements. The so-called "internal" financial analysis, which uses a database of information, not only for public reporting, and on-farm reporting and accounting, has a much greater opportunity to penetrate the secrets of economic activities of the organization. A financial analysis for a financial manager and the chief accountant of the organization acts as a part of management analysis, which aims – to make informed management decisions on economic activity, and for the auditor – as an information base, broader than reporting that allows you to make an informed opinion on the reliability of financial (accounting) statements and the correctness of the financial statements reflect the real economic activity [3].

The purpose of the financial analysis is to evaluate the financial condition and identify opportunities to enhance the functioning of an economic entity with sound financial policies.

The financial condition of the company characterized by the structure of funds (assets) and the nature of the sources of their formation (equity and debt, i.e. liabilities). This information is provided in the balance sheet (form № 1) and other forms of accounting.

The main factors determining the financial condition, are: first, the implementation of the financial plan and the need for an increase in working capital due to the profit and, second, the turnover of working capital (assets). Criteria indicator, which shows the financial condition, solvency acts. Since the implementation of the financial plan depends primarily on the results of production and economic activity in general, we can say that the financial condition is determined by the totality of economic factors. Therefore, along with the balance and for financial analysis using a profit and loss statement, and other forms of reporting.

Main objectives of financial analysis – to determine their welfare, to examine the causes of improvement or deterioration over the period, to make recommendations to improve the financial stability and solvency of the company. These problems are solved by investigating the dynamics of the absolute and relative financial performance.

The objectives of financial analysis are:

- assessment of the current and prospective financial condition of the company;
- assessment of possible and reasonable rate of development of the company in terms of their financial support;
- identification of available funds sources and assessment of the feasibility and advisability of mobilization;
- objective assessment of the use of financial resources in the enterprise;
- identification of internal reserves to strengthen the financial position;
- improving relations between enterprises and external financial, credit, regulatory authorities;
- current situation of the company in the capital market.

The financial condition of the company is characterized by a set of indicators that reflect the process of the formation and use of its funds. The financial condition of its level of implementation of the financial plan and measure replenish their funds from profits and other sources.

Objectives of the study are obtained by solving a series of analytical tasks:

- preliminary review of the financial statements;
- description of the property business: non-current and current assets;
- assessment of financial stability;
- characterization of sources of funds: equity and debt;
- analysis of profit and profitability;
- development of measures to improve the financial and economic activity of the enterprise.



These objectives reflect the specific purpose of the analysis with the organizational, technical and methodological possibilities of its implementation. The main factors in the end are the volume and quality of analytical information.

Financial analysis of the company must meet certain requirements and be:

- reliable and objective – based on proven knowledge and is the exact figures;
- complex and systemic, i.e. any phenomenon should be studied in conjunction with other related or similar events;
- promising – all things must be evaluated in the future to be able to predict what impact they will have to institutionalize enterprise latest achievements in the field of engineering, technology, production and use of lessons learned, including its competitors;
- prompt and timely, which requires a constant and daily control of the enterprise, fast data processing and the necessary measures;
- specific – the analysis must be translated into concrete and realistic measures to implement to improve all aspects of the activities of the enterprise.

Internal analysis is performed services company, and its results are used to plan, monitor and forecast the financial condition of the company. Its goal – to establish the planned cash and put their own and borrowed funds in such a way as to ensure the normal functioning of the enterprise, obtaining the maximum profit.

External analysis is performed by investors, suppliers of material and financial resources, regulatory authorities on the basis of published financial statements. Its goal – to establish the opportunity to invest money in order to ensure maximum profits and eliminate the risk of loss.

The analyses of the financial condition have following stages:

1. Collect the necessary information.
2. Assessment of the credibility of information.
3. Information processing (preparation of analytical tables and aggregated reporting forms).
4. The calculation of the structure of financial performance reports (vertical analysis).
5. Calculation of indicators change of articles of financial statements (horizontal analysis).
6. Calculation of financial ratios on the main aspects of financial activity or interim financial aspects (financial stability, solvency, business activity, profitability).
7. Comparative Analysis of the financial ratios with standards (generally recognized and averages).
8. Analysis of changes in financial ratios (identifying trends of deterioration or improvement).
9. Calculation and evaluation of integrated financial ratios.
10. Preparation of the conclusion of the financial condition of the company on the basis of the interpretation of the processed data.

In Kazakhstan, so far developed two basic approaches. According to the first financial analysis is understood in a broad perspective and covers all sections of the analytical work within the system of financial management, i.e. relating to financial management entity in the context of the environment, including the capital market. The second approach limits its scope analysis of financial statements [4]. It can be noted immediately that the reduction of financial analysis to the analysis report is hardly justified, in this sense, the Western approach seems quite logical, reasonable and promising – Analysis of reports is just one of the sections of financial management. In addition, the financial data are formed not only in the accounting system.

In turn, the authors highlight the various techniques of financial analysis. Thus, V.V. Kovalev has depth analysis method [5]:

1. A preliminary review of the economic and financial situation of the entity:
  - 1.1 Characteristics of the general direction of financial and economic activity.
  - 1.2 Identification of “sick” articles reporting.
2. Evaluation and analysis of the economic potential business entity:
  - 2.1 Evaluation of property:
    - 2.1.1 Constructing an analytical balance;
    - 2.1.2 Vertical analysis of the balance sheet;
    - 2.1.3 Horizontal analysis of the balance;
    - 2.1.4 Analysis of qualitative changes in the property status.
  - 2.2 Assessment of financial capacity:
    - 2.2.1 Evaluation of liquidity and solvency;
    - 2.2.2 Assessment of financial stability.
3. Assessment and analysis of the impact of the financial and economic activity of the entity:
  - 3.1 Assessment of the effectiveness of current activity (business);
  - 3.2 Analysis of profit and profitability;
  - 3.3 Assessment of the situation in the stock market.

Sheremet A.D. Negash and E.V. divide the analysis into the following units:

1. Structural analysis of assets and liabilities;
2. Analysis of financial stability, characterized by satisfactory and unsatisfactory balance sheet structure and financial performance of business;
3. Analysis of the company’s liquidity, which is defined as the coverage of mandatory leaf company of its assets, the term of which the conversion into cash (liquid assets) corresponds to the maturity of the obligation;



4. Solvency analysis, that is, entity's ability to timely meet the payment requirements of suppliers, to repay loans and borrowings (creditworthiness) and other charges.

V.V. Bocharov formulates the following methodology in-depth financial analysis [6]:

1. Overall assessment of the financial condition of the company.
2. Assessment of financial stability.
3. Analysis of cash flows.
4. Analysis of business activity and market enterprise.
5. Analysis of the financial results and profitability.
6. Financial analysis of investment projects.

Assessment of the location and structure of the property is important part in determining the company financial condition.

irrational structure of the property caused by the lack of renewal of fixed assets, with a high degree of wear and tear can lead to a reduction in the production and sale of goods (works, services), and, as a consequence, to the deterioration of the financial condition of the company.

Unjustified increase in costs in construction in progress, the presence of excessive stocks of material and production resources, or illiquid, not tradable goods, leads to unnecessary increase in production costs and the "freezing" of funds, diverting them from economic circulation. But at the same time, lack of resources also affects the financial position of the company, as it can lead to a reduction in production and thus reduce the amount of profit.

Growth in accounts receivable may influence the timing of the current payments, which consequently may cause an increase in accounts payable, weakening the financial soundness of the company as a business partner.

Unjustified increase debt may need to reduce the assets of the company to make payments to creditors.

Increasing the size of the property will enhance the amount of deductions from income for the property tax, the appearance of the need for additional sources of funding.

Therefore, to avoid the appearance of the prerequisites of financial instability, the entity must have a rational structure of the property and continually evaluate the changes in its composition.

Analysis of the dynamics and structure of the property business is based on a comparison of the reported data of the balance sheet for a number of periods.

Asset balance allows us to give an overall assessment of the change of the property business, highlight its non-current assets (I section balance sheet assets) and current assets (II section asset balance), to study the dynamics of the structure of the property.

Analysis of the dynamics and structure of the property allows you to set the size of the absolute and relative increase or decrease the total assets of the enterprise and of individual species.

Asset growth indicates expansion of the company, but may also be a result of the effects of inflation. The decrease indicates a decrease in the asset now economic circulation and can result from depreciation or the result of lower consumer demand for goods, works and services, limiting access to the markets of raw materials, intermediate products, or the inclusion of the active commercialization of subsidiaries by the parent company.

During the financial analysis, have to value the real assets that characterize the productive capacity of the enterprise. These include fixed assets, inventories and work in progress. These elements, being essentially the means of production, creating the necessary conditions for the implementation of the core activities.

The share of real property is set to the ratio of its total assets. This ratio is of limited use and may only reflect the real situation in the enterprises manufacturing industries, and in different sectors it will be very different.

Increasing the share of real estate in the total value of all property indicates the potential to expand the volume of business production activities.

Indicators of structural dynamics reflect the proportion of participation of each type of property in the general change of total assets. Their analysis suggests that, in which assets are invested again attracted financial resources or what assets decreased due to the outflow of financial resources.

Methodology to evaluate the property status of the enterprise includes [7]:

- active horizontal analysis of the balance sheet, based on the study of the dynamics of the indicators and the determination of their absolute and relative changes.
- active vertical analysis of the balance sheet, we study the structure of the property and its changes.

In addition to an overall assessment of the status of the property, method S.V. Dybal includes an analysis of the state of motion and causes changes in the main types of assets and turnover of economic resources, including:

- stocks value;
- accounts receivable;
- cash flow;

Analysis of assets, liabilities and capital of the organization carried on the balance sheet (form № 1) using one of the following ways:

- analysis directly on the balance sheet without changing the composition of the balance sheet items; analysis of the source of funding
- form a seal comparative analytical balance by aggregating some homogenous elements of balance sheet items;

Further adjustments to the balance of the inflation index, followed by the aggregation of items in the necessary analytical sections. Analysis directly on the balance sheet – it is quite time-consuming and ineffective because too many

index factors do not allow identifying the main trends in the financial condition of the organization. Comparative analytical balance can be obtained from the initial deposit by compression of individual articles and supplements its performance structure and dynamics calculations. Analytical balance is useful in that consolidates and organizes those calculations, which usually carries an analyst reading about balance.

**References:**

1. *Донцова Л.В., Никифорова Н.А.* Анализ финансовой отчетности: учебник. – 3-е изд., перераб. и доп. / М.: Издательство «Дело и Сервис», 2005. – 6 с.
2. *Савицкая Г.В.* «Анализ хозяйственной деятельности предприятия: Учебник» – 5-е изд., перераб. и доп. – М.: ИНФРА-М, 2009. – 14 с.
3. *Шеремет А.Д., Негашев Е.В.* Методика финансового анализа деятельности коммерческих организаций. – 2-е изд., перераб. и доп. – М.: ИНФРА-М, 2008. – 5 с.
4. *Ковалев В.В., Ковалев Вит.В.* Анализ баланса, или как понимать баланс: учебно-практическое пособие – 2-е изд., перераб. и доп. – Москва: Проспект, 2011. – 306 с.
5. *Ковалев В.В.* Финансовый анализ: методы и процедуры. – М.: Финансы и статистика, 2002. – 290 с.
6. *Бочаров В.В.* Финансовый анализ. Краткий курс. – 2-е изд. – СПб: Питер, 2009. – 4 с.
7. *Дыбаль С.В.* Финансовый анализ: теория и практика: Учеб. Пособие. – СПб: Бизнес-пресса, 2009. – 62 с.