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ESSENCE AND MEANINGS OF FINANCIAL ANALYSIS

The company is the self-organizing socially oriented system, functions in severe conditions of the competition of the environment and has complete economic independence. Its main thing a task is the maximum profit earning. Accomplishment of these tasks is the purpose for successful management of firm. Management of the commercial organization in the most simplified type includes the following main stages:

1. A planning stage – collection, handling, consideration of information and development of management decision;
2. Organization and regulation stage of implementation of management decision;
3. Accounting stage – collection, measurement, registration and systematization of information on results of accomplishment of management decision;
4. Controlling stage – determination of deviations of the actual results from set, an assessment of the deviations exceeding admissible regulation regarding extent of their influence on aspects of functioning of the organization, identification of the reasons of negative and positive variances;
5. The analysis – decomposition of management information (i.e. information on object of management) on components, their studying and an assessment in all variety of their communications and dependences for acceptance of the subsequent management decisions [1].

Specifics of the analysis – in its double role in management of the organization. On the one hand, analysis stages constantly alternate with the others in management process therefore, exaggerating, can there be a speech about inclusion (penetration) of an element of the analysis in any of the described stages. If to look from other point of view, thanks to the analysis the optimum course of management process at any stage is supported and therefore the analysis stage relatively to other can be considered as the ordering link. In a consequence of the deepest integration of the analysis and other parts of management process in practice it is difficult to determine a sphere for the worker thus that it treated only some one element of management in absence of its interrelation and interaction with the analysis. Therefore, inspecting any stage as a separate component of management process, in aspect of practice it is possible to assume that the element of research is present at each stage and interacts with the element which directly caused her concept.

The analysis provides information transparency of object of management for a capability of acceptance of the efficient and right decisions. Thus, the analysis as special managerial function, on the one hand, provides probability of acceptance of effective management decisions, and from other party, in integration with processes of the organization and regulation provides accomplishment of the made decisions.

Among the different types of internal economic research displaying its functional direction, the important space is occupied by the economic analysis. The economic analysis which is characterized by the most complete scope of all parties of functioning of the commercial organization, system studying of all set of its economic characteristics and the reasons, them determining.

Essence of the complex economic analysis of economic activity are the system research and an assessment of all complex of financial performance of organization activity which are based on decomposition of information on its various aspects and the factors determining it on components and their studying in all variety of cause and effect interrelations and dependences.

Essence of the comprehensive economic analysis are the results of economic activity expressed in system of economic indicators, and also economic properties of events and the phenomena, it causing.

The essence and the complex economic analysis determines the tasks facing it, important from which are:

- an assessment of impact of objective and subjective, internal and external factors on results of economic activity of the commercial organization;
- economic case of the current management decisions, business plans and projects, budgets, product programs, standard rates of an expenditure of resources;
- assessment of cost efficiency of use of resources, search of allowances of increase in efficiency of their application;
- an economic case of the business policy providing achievement of the cost purposes and the solution of cost tasks of the commercial organization (maximization of business value, return on assets, profitability own and cumulative (invested) the equities, benefits in case of the acceptable level of liquidity, achievement of a steady flow arrived in the long-term period, rise in market value and share yield, growth of market value of an equity, achievement of optimum values of specific industry indicators of economic activity, etc.);
- assessment of cost efficiency of business processes and stage of lifecycle of the commercial organization as economy business element.

Tasks of the complex economic analysis, of course, aren't settled by the stated above list. The versatility of economic situations sets for it many tasks of private nature.

The main condition of efficiency of the complex economic analysis of the organization is observance of the following principles which are the main rules which cover analytical activities in general [2]:

1. Principle of responsibility. Any subject of the complex economic analysis working in the organization is obliged to bear the economic, administrative and disciplinary responsibility for inadequate accomplishment of control and analytical functions. Responsibility shall be formally established for accomplishment of any control and analytical function, is clear outlined and formally assigned to a certain subject.

2. Principle of balance. This principle is interconnected with the previous. Balance means that the subject can't order the control and analytical functions which aren't provided with means for their execution. In the same way there shan't be means which aren't connected by this or that function. In other words, in case of determination of obligations of the subject of the complex economic analysis the necessary amount of the rights and opportunities, and vice versa shall be provided to it.

3. Principle of the timely message on deviations. Information on deviations shall be provided to persons, authorized to make decisions on these deviations, in the shortest terms. If the message is late, undesirable consequences of deviations are aggravated, besides, the object passes already into other condition (action) that deprives of value of the analysis. In the preliminary analysis untimely news of possibility of deviations also deprives of sense such analysis.

4. Principle of integration. Each element of management can't exist separately. The complex economic analysis needs to be considered in correlation with other elements in a single contour of management process. In other words, in case of the solution of the tasks connected with the analysis the corresponding conditions for close interaction of workers of various functional directions shall be created.

5. The principle of compliance of the controlling and controlled systems. Degree of complexity of system of the complex economic analysis shall be comparable to complexity degree under control system. Successfully can cope with variety in under control system such controlling device which itself is rather various is exclusive. Naturally, it is necessary that adequacy was reached in the main thing, in basic that links of the complex economic analysis had opportunity flexibly to be adjusted on changes of under control links of system.

6. Principle of permanency. Invariable adequate functioning of system of the complex economic analysis gives the chance in time to warn about possibility of emergence of deviations, and also timely to reveal them.

7. Principle of complexity. Objects of various type shall be covered by the adequate analysis and control, it is impossible to reach overall effectiveness, having concentrated control only over rather narrow circle of objects.

8. Principle of coordination of handling capacities of different links of system of the complex economic analysis. In various integrated links of system of the complex economic analysis data transmission coordination shall be provided. So, the meaning of speed of the computer program, for example, exercising control goods issue regarding observance of a limit if the speed of exchange of information between sales office (commercial) and accounts department or the data entry performed manually by the employee, which isn't owning due preparation appears "bottleneck" is lost.

9. Principle of separation of liabilities. Functions between employees are distributed so what is functions, as weren't assigned to one person directly: authorization of transactions with certain assets, their registration, securing of safety of assets, implementation of their inventory count. In order to avoid abuses and for efficiency of control these functions shall be distributed between several persons.

10. Principle of permission and approval. The formal permission and consent of all financial and economic activities by responsible officials within their powers shall be provided. The formal permission is a formal decision or rather general type of economic transactions, or concerning any certain transaction. Formal approval is a certain case of use of the single permission issued by administration. Without presence of formally established authorization transactions, it is impossible to consider system of the complex economic analysis of the organization effective.

All principles are interconnected, the order of their combination is depending on certain events.

Value of the complex economic analysis follows from its role and functions which it carries out in a management system the commercial organization. It is necessary to carry to functions of the complex economic analysis preventive, operational, protective, informative, ordering and communicative.

Preventive function of the complex economic analysis is realized during forecasting and planning of economic activity, at a stage of preparation of management decisions, warning the undesirable phenomena, warning the entity against adverse effects of the wrong management decisions and actions.

Operational function of the complex economic analysis is realized in the course of accomplishment of the made decisions, providing optimization of managerial actions.

Financial analysis is the examination of a business from a variety of perspectives in order to fully understand the greater financial situation and determine how best to strengthen the business A financial analysis looks at many aspects of a business from its profitability and stability to its solvency and liquidity. For example, these elements are typically reviewed in a financial analysis:

1. Profitability: The business needs to review the levels of current and past profitability and decide what they need to do to increase profitability in the future.

2. Solvency: Businesses are also concerned with making sure that they do not fold because they are in debt. A financial analysis will highlight the debts they owe, and help create a pay-off plan.

3. Liquidity: A business needs to understand its cash position and make sure that it has the ability to maintain a positive cash flow, while still being able to pay for what they need immediately.

4. Stability: The business also wants to make sure that it is financially stable, and does not have components that could cause it to fold. They are thinking long term about the future of the company. They want to make sure they do not get into financial trouble [3].

The financial analysis is the method of scientific research used for information processing about financial activities of an accounting entity (organization). A task of a financial analysis – an assessment of financial characteristics of organization activity.

Results of a financial analysis give the necessary information on a condition of object of the analysis and form a basis for acceptance of the relevant management decisions.

Tasks of a financial analysis are:

- determination of the current financial status of the entity;
- identification and assessment of changes of a financial condition in an existential section;
- identification and an assessment of the basic reasons causing changes of a financial condition;
- creation of the forecast of change of a financial condition of the organization in the future.

Subject of a financial analysis are the relations between separate divisions of the organization in the field of management of finance, and also the financial relations of the entity with external partners.

Object of a financial analysis is financial and economic organization activity, namely, the processes connected with change:

- resource base of the organization (own and loan capital);
- assets of the organization (turnover and non-current);
- profit and losses of the organization;
- cash flows of the organization, etc.

Main directions of a financial analysis:

1. Analysis of property potential:
- general characteristic of financial and economic organization activity (vertical and horizontal balance analysis, creation of analytical balance);
- analysis of structure and dynamics of assets;
- analysis of structure and dynamics of liabilities.

2. Analysis of financial potential:
- liquidity analysis and solvencies of the organization;
- analysis of financial stability.

3. Analysis of financial results:
- analysis of structure and income behavior and expenses of the entity;
- analysis of level and dynamics of financial results;
- analysis of indicators of business activity;
- analysis of indicators of profitability.

4. Cash flow analysis.
5. Complex assessment of organization activity.
6. Analysis of bankruptcy probability.

Analysis results are arranged in the form of an analytical note which, generally includes the following main sections:

- general characteristic of the entity and economic environment in which it functions;
- financial characteristics, coefficients and other analytical data;
- the quality and quantity characteristic of the main reasons making the greatest impact on a financial condition of the entity;
- conclusions following the results of the analysis and the forecast of change of a financial condition.

For understanding the whole role and a place of a financial analysis in acceptance of management decisions, it is necessary to open its content. In economic literature, content of management process is as follows. For acceptance of reasoned management decisions, it is necessary to have necessary information in completely determining a condition of the studied object. In addition, depending on a purpose and methods of analytical information processing different types of management decisions are assumed.

The financial analysis acts not only an important component of any of management functions, but also itself is a type of the management activity preceding acceptance of the management decisions aimed at steady formation of business of the entity. Thus, the financial analysis takes an intermediate place between matching of information and decision making process and depending on nature of the made decision uses the corresponding methods.

Subjects of a financial analysis – the relevant services of the entity (as a rule it is financial and analytical services), a management and owners of the company, and also the external users of information interested in its work (investors, creditors, partners, fiscal bodies, etc.). Various user of information studies it making a start from the interests.

Internal users:

- owners (shareholders) – determine requirement of growth of a share of own means on the basis of the analysis of market value of the organization and profitability of its shares. Estimate effective management of the organization based on the analysis of financial stability, performance indicators of use of resources, investment appeal and competitiveness and so on;
- financial analysts and managers – make calculations of financial performance; estimate liquidity and solvency of the organization, its financial stability; estimate efficiency of a capital structure; estimate fidelity of the made investment decisions; estimate efficiency of activities, investment appeal and competitiveness; develop various directions of dividend policy; estimate capabilities of merges and absorption or other structural reorganization and so forth;

External users:

- managers – to ensure their well-being and future earnings potential, managers need to be concerned with the financial condition, profitability, and prospects of their company. Both business analysis and financial condition, profitability, and prospects of their company, much as creditors and equity investors must view it. Analysis of financial statements can provide managers with clues to strategic changes in operating, investing, and financial activities. Managers also analyze the business and financial statement of competing companies to evaluate a competitor's profitability and risk. Such analysis allows for interim comparisons, both to evaluate relative strengths and weaknesses and to benchmark performance;

- mergers, acquisitions, and divestitures. Business analysis is performed whenever a company restructures its operations, though acquisitions, mergers, spin-off, and divestitures. Investment bankers need to identify potential targets and determine their values, and security analysis need to determine whether and how much additional informational is created by the merger for both the acquiring and target company. Mergers and acquisitions are nearly always based on estimated intrinsic values, even when stock prices are available for both the target companies. The aims of mergers and acquisitions analysis are similar to equity analysis [4].
- bodies of the state financial and economic control – check timeliness, completeness of calculations for taxes and fees in the budget and off-budget funds, stability of cash receipts and so forth;
- bodies of the public and regional government, local government bodies – consider possibility of creation of new workplaces, potential of economic recovery of the region, development of the local markets, stability of tax payments and so forth;
- bodies of the state statistics – use the financial reporting, analysis results for statistical generalization on regions and industries and so forth;
- auditing organizations (external auditors) – carry out a financial analysis for the purpose of public confirmation of results of organization activity;
- news, analytical and consulting agencies and the organizations – use analysis results for calculation of the generalizing indicators of financial activities of the organization, preparation of reviews, an assessment of tendencies of development of the separate organizations and industries, development of recommendations to the clients concerning feasibility of investment of their equities into this or that organization and so forth;
- partners, use analysis results for an assessment of reliability and prospects of business connections with the organizations;
- creditors, use analysis results for an assessment of feasibility of loan granting, the loan, an assessment of opportunities of the organization timely and complete amount to fulfill obligations on a granted loan, a loan, for determination of credit conditions, an assessment of warranty obligations and so forth;
- investors, use analysis results for an assessment of investment appeal of the organization, investment soundness and level of their risk, efficiency of use of own and raised funds which are available for the organization, its financial stability and solvency
- directors as elected representatives of the shareholders, directors are responsible for protecting the shareholders interests by vigilantly overseeing the company's activities. This demands and understanding and appreciation of financing investment , investing and operating activities. Both business analysis and financial statement analysis aid directors in fulfilling their oversight responsibilities.
- labor unions, use techniques of financial statement analysis are useful to labor unions in collective bargaining negotiations.
- customers, use analysis techniques to determine profitability (or staying power) of their suppliers along with estimating the suppliers profits from their mutual transactions [5].

The vast majority of people convinced that evaluation takes a picture of outcomes at the end of a program to produce to a funder that it might fail or work. These same persons do not hold valuation in much attention, due to they feel they are getting too little information too late in the day, especially if their program fell short of expectations or made no difference at all. Evaluation can, and should, however, be used as an ongoing educating and management tool to improve company's effectiveness.

Well competitive companies and effective programs are those that can illustrate the achievement of results. Results which are causes from a good management. Good management is based on well solution making. Well solution making depends on well information. Well information requires well data and attentional analysis of the data. These were counted all critical moments of evaluation.

Valuation appeal to a periodic way of gathering data and then analyzing or ordering it in such a process that the resulting information can be used to identify whether your company or program is well-running or carrying out planned tasks, and the extent to which it is reaching its stated aims and anticipated goals.

Owners, managers can and should include internal evaluations to get more information about their so that they can make great solutions about the implementation of those ways. Internal evaluation should be conducted on an unstoppable basis and be implemented conscientiously by owners, managers at every level of company in all missions' areas. Adding, all of the mission's participants (beneficiaries, managers, employee) should be involved in the evaluation process in appropriate purposes. This union collaboration helps ensure that the evaluation is fully participatory and builds commitment on the part of all involved to use the results to make critical program improvements.

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