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**PROFITABILITY OF ACCOUNTS RECEIVABLE ASSOCIATED
WITH MATERIAL AND SERVICE FLOWS: ACCOUNTING, ANALYTICAL
AND LOGISTICAL APPROACHES (ON THE EXAMPLE OF HOTEL
AND RESTAURANT BUSINESS)**

The specificity of the hotel and restaurant business is the combination of material production and the provision of services as the main activity of companies in this industry. Thus, with regard to the restaurant activity, N. Yu. Iershova (2017) indicated that these firms simultaneously perform three functions: production, sale and organization of the consumption of an integrated product – a restaurant service [1]. As for the hotel business, A. S. Koliesnichenko (2017) indicated that the main focus of their activities is the provision of hospitality services [2].

The logistic's circuit of the hotel and restaurant business is designed taking into account industry specifics and includes the main flows: material and service, as well as auxiliary flows: financial and informational. At the same time, unlike the traditional approach, we consider it expedient to regard the logistic circuit's service flows of the hotel and restaurant business as the main flows, not auxiliary ones.

Financial logistics is an innovative tool for managing cash flows that are directly related to the main flows of the logistics chain (in the case of the hotel and restaurant business, to material and service flows). The success and profitability of the company is largely due to the success of financial logistics management. External stakeholders (investors, lenders, etc.) should be able to take into account financial logistics efficiency when making financial decisions. But, unfortunately, external stakeholders (investors, creditors, etc.) often face the limitations of the initial financial and analytical data available to them. Very often, such source data is limited to the company's public financial statements. In this study, we will also limit ourselves only to the initial data that can be obtained from the public financial statements of Ukrainian companies – financial statements in accordance with the Ukrainian National Accounting Standards (UNAS).

The financial statements of the UNAS makes it possible to track only the moment values of the financial flows. At the same time, the main indicators by which conclusions can be drawn about the quality of financial logistics management are indicators of accounts receivables and accounts payables (and only such accounts receivables and accounts payables, which are directly related to material and service flows). In relation to accounts receivable, in this case we are talking about accounts receivables for products, goods, works, services (row code 1125 of the Balance Sheet (Report on financial results) UNAS).

Profitability is a measure of efficiency; relative value characterizing the ability of a business to make a profit per unit of resources or results of operations.

Profitability of accounts receivable is one of the indicators of the «return on assets» group. This indicator is used much less frequently than the accounts receivable turnover indicators, but it can be very useful in analyzing the effectiveness of logistic financial management.

The discussion is the choice of the numerator of the profitability formula. E. B. Saakova (2012) pointed to the following possible options: total profit; the sum of profit and depreciation; net profit; profit from sales; net profit and depreciation; profit before tax [3]. Following E. B. Saakova (2012), we consider the most acceptable option in this case is the indicator of net profit.

In the framework of the financial logistics of the hotel and restaurant business, we consider only those receivables, that are directly related to material and service flows. Thus, the object of our consideration will be the Profitability of Accounts Receivable for products, goods, works, services, PAR_{PS}).

As the denominator of the formula, we will consider the Average Current Accounts Receivable for products, goods, works, services, \overline{AR}_{PS}):

$$\overline{AR}_{PS} = \frac{AR_{PS \text{ beginning of period}} + AR_{PS \text{ end of period}}}{2}, \text{ where} \quad (1)$$

$AR_{PS \text{ beginning of period}}$ – Current Accounts Receivables for goods, works, services at the beginning of the period (row code 1125, column code 3 of the Balance Sheet (Financial Status Report) UNAS);

$AR_{PS \text{ end of period}}$ – Current Accounts Receivables for goods, works, services at the end of the period (row code 1125, column code 4 of the Balance Sheet (Financial Status Report) UNAS).

Using the financial statements of UNAS of Ukraine, PAR_{PS} can be calculated as follows:

$$PAR_{PS} = \frac{NP}{\overline{AR}_{PS}} \cdot 100\%, \text{ where} \quad (2)$$

NP – Net Profit (row code 2350 of the Statement of Financial Performance (Statement of Comprehensive Income) UNAS).

Divya Jindal (2017) considered the turnover ratio of accounts receivable to be one of the most important indicators of the efficiency of receivables management [Present study empirically examines the measured ratio by debtor turnover ratio] [4]. Accounts Receivables Turnover Ratio for products, goods, works, services, ATR_{PS} characterizes the rate of repayment of customers for sold goods (works, services):

$$ATR_{PS} = \frac{NS}{\overline{AR}_{PS}}, \text{ where} \quad (3)$$

NS – Net Sales (row code 2000 of the Statement of Financial Performance (Statement of Comprehensive Income) UNAS).

Figure 1 shows the profitability and turnover of accounts receivable for products (goods, works, services) of two Ukrainian companies KVED 55.10 (activity of hotels and similar temporary accommodation facilities) for the period 2013–2017 years. Baseline data are taken from the open database of issuers financial statements [5].

K. Denčić-Mihajlov (2015), based on the results of regression analysis, concluded that there is a positive relationship between receivables and profitability of total assets, but this relationship is not statistically significant [6]. In the case of the indicators of profitability and turnover of accounts receivable for products (goods, works, services), as we see (Figure 1), the acceleration of turnover is not always accompanied by an increase in the profitability of receivables, and vice versa. In addition, even in the case of coincidence of the trend of these values, the growth rates of the indicators may differ significantly.

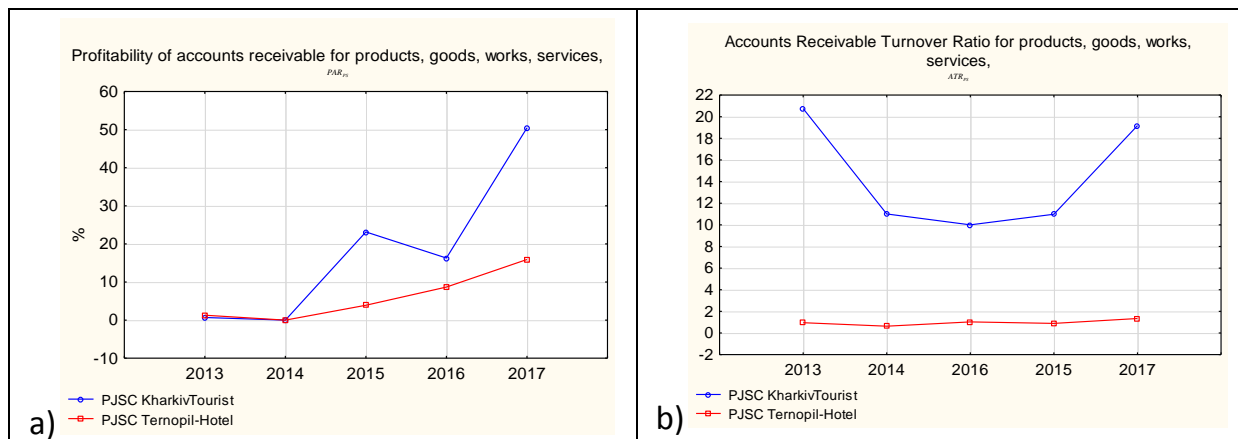


Fig. 1. Dynamics of a) profitability and b) turnover of accounts receivable for products (goods, works, services) PJSC «Kharkivtourist» and PrAT «Ternopil-Hotel» (code KVED 55.10) for 2013-2017

Both indicators – profitability and turnover of accounts receivables, associated with material and service flows – are indicators of the effectiveness of financial logistics in the field of receivables management. But, their isolated application can't provide comprehensive information for making management decisions. A comparative analysis of the two considered indicators of the effectiveness of financial logistics – profitability and turnover of accounts receivable for products (goods, works, services) – allows us to empirically form an optimal policy of accounts receivable, which is characteristic of this particular sector of the economy.

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