

DING BANGFU, student, NTU «KhPI»

STROKOV I., ass. prof., NTU «KhPI»

THEORETICAL APPROACHES TO FINANCIAL ANALYSIS OF ENTERPRISES

For making management decisions regarding production, sales, finances, and investments, enterprise management requires constant awareness of the relevant issues, which is the result of selecting, analyzing, and evaluating information.

The main principle used for financial statement analysis is the deductive method. It involves analyzing from the general to the specific, but its application involves multiple uses. This approach allows reproducing the historical and logical sequence of economic events and facts, determining their direction and impact on performance results.

Today, a significant number of methodological approaches are used in practice for analyzing the financial condition of an enterprise. Key among them are:

- horizontal analysis: comparison with the previous period;
- vertical analysis: determining the structure of aggregate financial indicators;
- trend analysis: comparison with previous periods and identifying trends - the main tendency of indicator dynamics. Trend allows forecasting possible indicator values;
- ratio analysis: calculation of the relationship between individual items in reporting, determining the relationships of indicators;
- comparative analysis: internal analysis of aggregated reporting indicators by individual enterprise indicators, competitor indicators, and industry data;
- factor analysis: analysis of the impact of individual factors on the performance indicator.

Most existing methodologies for analyzing the financial condition of an enterprise replicate and complement each other. They can be used comprehensively or

separately, depending on the goals and objectives of the research and the available information base. Currently, in Ukraine, the methodologies of V.F. Paliy and A.D. Sheremet, R.S. Seyfulin, and Ye.V. Negashev are widely used. The first one is well-known and used by many enterprises, audit, and consulting firms. However, this methodology no longer meets modern requirements, primarily due to changes in the information base. Furthermore, it has weak formalization and is difficult to adapt for computer processing. Moreover, it has some controversial points. For example, according to the author, if the proportion of cash and short-term receivables increases in the structure of current assets, with a corresponding decrease in the share of material current assets, this change can be considered a positive moment if the possibilities for normal production activities of the enterprise are not reduced. The author concludes that from a financial point of view, the structure of current assets has significantly improved, increasing their potential liquidity. Indeed, this conclusion is entirely correct, but only under certain conditions when inflation rates are very low, and there is high economic stability. High inflation rates and supply chain risks force companies to increase inventory levels.

The analysis of the methodology of financial condition by A.D. Sheremet, R.S. Seyfulin, and Ye.V. Negashev has several key differences from the methodology of V.F. Paliy:

- it has a formalized nature and is adapted for computerized calculations.
- it uses a different regulatory framework for assessing the solvency (liquidity) of the enterprise.
- expert methods are partially used.
- it is oriented towards a wide range of users.
- it partially incorporates Western approaches to analyzing financial indicators of domestic enterprises.
- the methodology identifies four levels of financial stability of the enterprise.
- it allows for the construction of a solvency balance.
- it utilizes a model of the relationship between various financial ratios.

- it employs an analysis of balance sheet profit and profit from product sales.

In addition to the analysis of the financial condition, the methodology also includes tools for analyzing business activity. Business activity of an enterprise refers to the speed of its asset turnover. A distinctive feature of this methodology is the introduction of the concept of crisis financial condition. This refers to a situation where the enterprise is on the verge of bankruptcy because cash, short-term securities, and receivables do not cover payables and overdue loans.

The methodology identifies four types of financial stability. The first type is absolute stability, characterized by minimal inventory and expense levels. The second type is normal stability, where inventory and expense levels meet regulatory standards. The third type is unstable condition, associated with loss-making inventory and expense levels. The fourth type is crisis condition, characterized by immovable or slow-moving inventory and overstocking due to reduced demand.

Overall, the financial analysis methodology of A.D. Sheremet, R.S. Seyfulin, and Ye.V. Negashev is quite well-known and represents further development of previous methodologies. However, despite its advantages over previous methods, it also fails to consider the peculiarities of operating in conditions of high inflation rates. Today, numerous other methodologies are proposed, often based on transferring or adapting foreign experience in assessing the financial condition of enterprises. However, this does not always work effectively in the conditions of the domestic economy. Additionally, most methodologies are based on the analysis of data from the accounting balance sheet.

Financial analysis, when conducted using only accounting data, takes on the character of external analysis, meaning it is performed by external users rather than internal stakeholders.

Characteristics of external financial analysis include:

- a significant number of interested users;
- diversity of goals and interests;
- availability of typical analysis methods, accounting standards, and

reporting;

- focus on using only public reporting;
- limitations of analysis;
- maximum transparency of analysis results for users.

Key directions of such analysis include:

- analysis of absolute profit indicators;
- analysis of relative profitability indicators;
- balance sheet liquidity analysis;
- solvency analysis;
- analysis of the efficiency of loan capital utilization.

Financial analysis based on financial reporting data is referred to as the classical method of analysis. Managerial financial analysis differs in that it additionally uses management accounting data.

Characteristics of managerial financial analysis include:

- orientation of analysis results towards management;
- use of a full range of information sources for analysis;
- comprehensive analysis, thorough examination of enterprise activities;
- integration of accounting, analysis, planning, and decision-making

processes;

- maximum confidentiality of analysis results.

Бібліографія: *Ding Bangfu, Strokov I.* Theoretical approaches to financial analysis of enterprises / *Ding Bangfu, I. Strokov* // Результати наукових конференцій Навчально-наукового інституту економіки, менеджменту та міжнародного бізнесу НТУ «ХП» за 2022 рік в 2 т. – Харків : НТУ «ХП», 2022. Т. 1 : Труды XIX-ої Міжнародної науково-практичної конференції «Дослідження та оптимізація економічних процесів «Оптимум-2022» 7-9 грудня 2022 р. – 2022. С. 119-122