Comparative analysis of methods for assessing the financial condition of small organizations

Konvisarova E., Levchenko T., Shchukina T., Torbina A. and Nizamova A.

Vladivostok state University of Economics and service, Vladivostok, Russia
tatyana.levchenko@vvsu.ru

Abstract. The development of small business in Russia, despite the attention of the state, does not give significant results. Often, the reasons for the bankruptcy of small and medium-sized enterprises are inability to manage their own financial resources or ignorance of the financial position of partners. Regular analysis of the financial situation would improve the situation. However, the existing foreign and domestic methods of analysis are not suitable for small businesses for a number of reasons, which was proved in the article on the basis of the study. The identification of restrictions for small businesses in the analysis allowed us to justify for using of the coefficient method. Comparison of the set of coefficients proposed by different authors in methods for analyzing the financial condition of small organizations and the generalization of the characteristics of small trading organizations made it possible to justify a set of acceptable coefficients for analysis. The application in the analysis for comparison of non-generally established standards, and threshold average industry values, allowed to make correct conclusions on the financial state on the basis of the proposed methodology on the example of the indicators of small trade organizations. Selection of analysis techniques implemented in the article provides not only a ready-made instrument, but also a method for its selection and adjustment.

Keywords: Analysis, Evaluation, Financial condition, Small businesses.

1   Introduction

One of the ways to mobilize the "internal reserves" of Russia's economic growth is the development of small business. However, at present the share of this sector of the economy tends to decrease, which encourages the authorities to develop support measures. At the same time, neither the corporations for the development of small and medium-sized businesses, nor the promised soft loans, nor special tax regimes will help if small businesses fail to gain momentum after failing to gain momentum, due to illiterate financial management or due to the averaged approach to the interpretation of the results of the analysis.

2 Relevance, scientific significance of the issue with a brief review of literature

The numerous financial analysis techniques available in the economic literature are intended for large companies and corporations, and successfully applied in them, but they are not suitable for small business due to the peculiarities of its functioning.

In order to offer a methodology for analyzing the financial condition of small businesses it was considered a rich experience of modern researchers with numerous publications in academic and scientific journals (Table 1).

Table 1. Comparing the financial condition of modern analysis techniques

Author	The main elements of financial analysis techniques	Strong sights			Weak sights			
		comprehensive assessment	complexity	brevity, without complicated calculations	lack of analysis of the probability of bankruptciesa	lack of analysis of the impact of factors on the financial condition	lack of financial forecast	laboriousness
Efimova O.V. [4]	Preliminary analysis;express analysis; in-depth analysis; forecast analysis of key financial indicators			+	+			
Zhilkina A.N. [20]	Carry out the analysis in three ways: graphical, tabular, coefficient.	+	+			+		+
Kovalev V.V. [10]	Two types of analysis:express analysis; In-depth analysis			+	+	+		
Savitskaya G.V. [15]	Analysis of property status, sources of formation and allocation of capital; efficiency and intensity of capital use; diagnostics of financial stability, solvency and risk of bankruptcy	+	+				+	+
Sheremet A.D. [17]	A comprehensive analysis on the basis of reporting forms using a horizontal, vertical, trending koeffitsientnogo and factor analysis		+			+	+	+

The compilation of the methods of the most authoritative Russian authors presented in Table 1 is not exhaustive, but indicative, since it demonstrates differences in the approaches to analyzing the number of stages, the set of indicators, the complexity of the exercise, and other criteria. Some techniques are designed for short-term analysis, rapid results [4, 10], others - for complex estimation [15, 17, 20]. From the examined domestic and foreign methods of analyzing the financial situation, it is clear that they are complex, based on the indicators of different forms of accounting, require the availability of qualified economists and analysts in the state for small organizations.

3   Formulation of the problem

Therefore, the aim of the study is to improve the methods for analyzing the financial state for using by small business entities on the basis of researching existing methods and selecting one that is the most suitable for solving specific problems.

4   Theoretical part

To conduct an assessment of the financial condition of small businesses, and special methodology needed take into account the peculiarities of the functioning of small business and its limited opportunities, which include the following: low information capacity of the indicators of the reporting forms of small organizations, excessive laboriousness of the analysis according to the methods intended for large organizations, specificity of economic activity of small enterprises of different industries and others.

Given these characteristics, to analyze the financial condition of small organizations quite use coefficient analysis. The advantages of this tool are: simplicity, the possibility of using abridged reporting forms, leveling the impact of inflation, the possibility of comparing different indicators [5-7, 13-14, 18-19]. The disadvantages in applying the coefficient method are: complexity in the choice of indicators for analysis, errors in the interpretation of the results. The rationale for the selection of indicators (ratios) for the analysis of the financial condition of small businesses engaged researchers such as Ivasjuk R.Ya., Kozlenko M.P., Burova O.N. (Table 2).

Table 2. Comparison of the analysis of the financial condition of small businesses

Indicator	Ivasyuk R.Ya. [6]	Kozlenko M.P. [11]	Burova O.N. [2]
Absolute liquidity ratio	+	-	+
Coefficient of liquidity	+	+	+
Coefficient of quick liquidity	-	+	+
Coefficient of autonomy	+	+	+
Ratio of debt to equity	+	+	+
Coefficient of maneuverability	-	+	+
Coefficient of supply of stocks of own and equated to them sources of formation of property	-	+	+
Coefficient of profitability of sales	+	+	+
The coefficient of profitability of the total capital of the organization (of all assets of the organization)	+	+	+
Coefficient of return on equity	+	+	+
Coefficient of profitability of permanent capital	--	-	+
Turnover ratio of equity	-	-	+
Coefficient of accounts payable turnover	-	+	+
Degree of solvency for current liabilities	+	-	-
The ratio of the volume of services rendered to own funds	+	-	-
The coefficient of performance of current obligations to the budget	+	-	-

	-	+	+
Coefficient of profitability of sales	-	+	+
Coefficient of accumulation of own capital	-	+	-
Coefficient of total solvency	-	+	-
Return on capital assets	-	+	+
Coefficient of total capital turnover	-	-	+
Coefficient of turnover of mobile means	-	-	+
Coefficient of turnover of current assets	-	+	+
Inventory turnover ratio	-	+	-
Accounts receivable turnover ratio	-	+	-
Capital productivity of non-current assets	-	-	+
Revenues from services, thousand rubles	+	-	-
Gross profit, thousand rubles	+	-	-
Net profit, thousand rubles	+	-	-
Coefficient of internal debt	+	-	-
Share of cash in the property	+	-	-
Share of accounts receivable as part of property	+	-	-
Share of fixed assets in all property	+	-	-
Share of intangible assets in all property	+	-	-
Coefficient of forecasting bankruptcy	-	-	+

As can be seen from Table 2, the coefficients of liquidity, the ratio of debt and equity, profitability of sales, profitability of the company's total capital, return on equity are present for all authors. Absolute liquidity ratio is absent only in Kozlenko M.P. Coefficients of maneuverability, provision of stocks with own assets, turnover of accounts payable are absent in Ivasyuk R.Ya. The remaining coefficients occur once and do not repeat in the authors.

5   Practical value, suggestions and results of implementation

From the approaches considered in Table 2, the most acceptable set of coefficients, with a few exceptions, was proposed by O.N. Burova. However, they are only part of the methodology, including graphical and tabular methods for assessing the financial condition of small organizations, the calculation of the integral indicator of the influence of factors [2]. The use of the entire three-component methodology for small organizations, in our opinion, is a labor-intensive process.

   To avoid errors in the interpretation of the analysis results due to the use of incorrect standards (averaged, not taking into account industry specific features), opinions of such authors as V.V. Bocharov [1], Burova O.N. [2], Efimova O.V. [4], Zhilkina A.N. [20], Kovalev V.V. [10], Latkin A.P. [12], Konvisarova E.V. [8-9], Shapoval, E.V. [16] were investigated. The most carefully developed version for small businesses - the calculation of threshold values in the context of industries - was proposed by O.N. Burova on the basis of grouping and summarizing the results of "surveys of small organizations conducted by Rosstat [3]. Analysis of the financial condition of small trading organizations based on statistical data in accordance with the authors selected by the authors of the composition of the coefficients in comparison with the threshold values is presented in Table 3.

Table 3. Analysis of the financial condition of small trade organizations on the basis of statistical data

Coefficient	Meaning		Thres hold value	Trend
	at the begin-ing of period	at the end of period		
Liquidity indicators				
Absolute liquidity	0,05	0,06	0,0509	Improvement
Fast liquidity	0,85	0,86	0,8422	Improvement
Current liquidity	1,17	1,20	1,1709	Improvement
Indicators of financial sustainability				
Autonomies	0,14	0,16	0,1429	Improvement
Debt-to-equity ratio	6,14	5,27	5,9969	Improvement
Maneuverability	0,92	0,92	More 0	Without changes
Provision of stocks of own and equated to them sources of formation	0,52	0,59	More 0	Improvement
Profitability indicators				
Profitability of sales	0,017	0,022	More 0	Improvement
Profitability of the total capital of the enterprise	0,035	0,040	More 0	Improvement
Profitability of non-current assets	0,348	0,358	More 0	Improvement
Return on equity	0,249	0,249	More 0	Without chang-
Profitability of permanent capital	0,152	0,154	More 0	Improvement
Indicators of business activity				
Total capital turnover	2,008	1,842	growth	Improvement
Mobility of mobile devices	2,231	2,072	growth	Improvement
Turnover of accounts payable	3,184	3,071	growth	Improvement
Return on assets of non-current assets	20,059	16,562	growth	Improvement
Turnover of own capital	14,328	11,541	growth	Improvement

Table 3 shows that the financial condition of small business entities, using the example of trade organizations, made it possible to draw conclusions that:

- If we compare the financial stability ratios chosen for the analysis with the standards, then small trading organizations are in an unstable financial situation, but if - with the threshold values (industry average, calculated taking into account industry specific features), we can note the stable financial condition of small trading organizations;

- Sector specificity significantly affects the choice of coefficients for analysis.

6   Conclusions

Therefore, summing up the gradual selection of tools for analyzing the financial condition of small businesses by the example of small trading organizations, we note that the most acceptable is the coefficient analysis, including the coefficients of fast, cur-

rent liquidity; autonomy, the ratio of own and borrowed funds, maneuverability, supply of sources; profitability of sales, total, own, permanent capital, non-current assets; turnover of general, own capital, non-current assets, mobile assets, accounts payable. The use of this methodology will allow small organizations to conduct a qualitative analysis of the financial situation.

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