Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics

Diploma Thesis

Performance analysis of the chosen company

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

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DIPLOMA THESIS ASSIGNMENT

Bc. Denisa Žídková

Economics and Management

Thesis title

Performance analysis of a chosen company

Objectives of thesis

The diploma thesis called Performance analysis of the chosen company, analyses external environment and performance situation of the transport company. This work considers company´s figures, on which are based different economical procedures and methods of performance measurements.
Partial aims are calculations and evaluations of the modern and classical business performance approaches, leading to the main object of the research on business performance result, which is supplemented by the external environment analysis.

Methodology

Firstly, there is processed theoretical part that is based on well-studied specialized literature, with the explanation given for the following methods. Secondly, in analytical part there are computed specific data focused on the calculations and evaluations of previous research. Regarding to analyzed Autotransport´s outcomes based on used quantitative and qualitative methods, the work answers due to partial aims to the research question, which is interpreted: "Is the Autotransport, ltd. financially efficient company?". The conclusion records obtained business performance results.

The proposed extent of the thesis

60 – 80

Keywords

Business performance, Modern approaches of performance evaluation, EVA, Classical approaches of the performance evaluation, Financial analysis, SWOT Analysis

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Declaration

I declare that I have worked on my diploma thesis titled "Performance analysis of the chosen company" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 29.03.2018 _____

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Performance analysis of the chosen company

Summary

The diploma thesis deals with the performance analysis of AUTOTRANSPORT Žídek s.r.o. during the years 2014-2017. The thesis assesses the performance of enterprises from three approaches: modern methods, classical methods and complex methods. Emphasis is placed on financial research, yet the overall analysis is complemented by non-financial methods that have helped to create an overall image of the company's financial performance. The applied methods are for example: horizontal analysis, vertical analysis, net working capital, bankruptcy model, economic value added, etc.. The practical part deals with the application of the mentioned methods itself and compares the selected values either with the recommended values from literature or industry averages, e.g. by using spider analysis. The final part summarizes the findings and provides recommendations.

Keywords: Business performance, Modern approaches of performance evaluation, EVA, Classical approaches of the performance evaluation, Financial analysis, SWOT Analysis.

Výkonnostní analýza vybraného podniku

Souhrn

Diplomová práce se zabývá výkonnostní analýzou podniku AUTOTRANSPORT Žídek s.r.o. v období 2014 -2017. Práce posuzuje výkonnost podniků ze tří přístupů: moderních metod, klasických metod a metod komplexních. Důraz je kladen na finanční zkoumání, presto je celková analýza doplněna o nefinační metody, které pomohly k celkovému vytvoření obrazu finanční výkonnosti podniku. Mezi použité metody patří například horizontální analýza, vertikální analýza, čistý pracovní kapitál, bankrotní model, ekonomická přidaná hodnota atd. Praktická část se zabývá samotnou aplikací zmíněných metod a porovnáním vybraných hodnot buď s doporučenými hodnotami z literatury či odvětvovými průměry například pomocí spider analýzy. Závěrečná část sumarizuje zjistěné výsledky a dodává doporučení.

Klíčová slova: Výkonnost podniku, Moderní přístup ohodnocení výkonnosti podniku, EVA, Klasický přístup ohodnocení výkonnosti podniku, Finanční analýza, SWOT analýza.

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List of symbols and abbreviations

β	Beta coefficient
CAPM	Capital Asset Pricing Model.
EAT	Profit after tax.
EBT	Profit before tax.
EBIT	Profit before interest and tax.
EBITDA	Profit before interest, depreciation and tax.
EVA	Economic Value Added.
NOA	Net Operating Assets.
NOPAT	Operating profit after tax.
OP	Operating Profit
ROA	Return on Assets.
ROE	Return on equity.
ROS	Return on sales.
WACC	Weighted average cost of capital.

1 Introduction

The author decided to choose this topic connected to the finance due to her interest in international business and financial performances of the companies, in general. Due to theoretical experience from study exchange at Worcester State University in Massachusetts, USA, student got involved with subjects connected to the financial health of the companies and understood the importance of the financial situation itself. The selected company and its business performance analysis was chosen as the diploma thesis topic, because of the family relations with the owner of the AUTOTRANSPORT Žídek s.r.o.

The main objective of the business companies is the creation of a positive economic profit, which consist of revenues and costs. The main management motivation of every company is to maximize the profit, which serves to cover the company's obligations, financing the investment activities etc.

This diploma thesis is focused on the business performance, which might be investigated from different perspectives such as financial and non-financial. Those findings can be reached by financial analysis, which is considered as one of the most valuable tool of the financial management. From the non-financial approaches, there can be uncover the threats and weaknesses, that can lead to the significant issues of the business performance. Further, financial analysis can provide strong points of the business that can be valuable in defining the future company´s plans and strategies in the market.

The work is divided into two main parts, theoretical and practical. Theoretical part is focused on the core of financial analysis, its possible methods, including a brief investigation. Attention is paid to the description of selected methods of financial analysis and their application. In the practical part, these methods are applicated on a specific company operating in a competitive environment. As has been mentioned above, AUTOTRANSPORT Žídek s.r.o. is a transport company that operates internationally and nationally.

An important part of the thesis is the interpretation of results of applied methods in practical part and comparison of the outcomes with the base or recommended values. Overall, business performance of selected company is evaluated with the given recommendations.

Objectives and Methodology

1.1 Objectives

Business performance must be tracked by numerous indicators, which should be compared in the time context, in order to get the overall summary. In connection with company´s performance, there was set up the main research question: Is the AUTOTRANSPOR Žídek s.r.o financially efficient company? This query is going to be answered due to the partial aims of the diploma thesis. Partial aims are calculations and evaluations of the modern, classical and complex business performance approaches, leading to the main object of the research on business performance result, which is supplemented by the external and internal environment analysis.

1.2 Methodology

Firstly, there is processed theoretical part that is based on well-studied specialized literature, with the explanation given for the following methods. The used methods were divided into the three main approaches such as modern, classical and complex business performance method. Each approach contains specific methods: Economic Value Added, Financial ratios of liquidity, rentability, profitability and activity, SWOT analysis etc.

Secondly, in analytical part there were computed specific data during the years 2014 -2017, which were focused on the calculations and evaluations of previous research. Regarding to analyzed Autotransport´s outcomes based on used quantitative and qualitative methods, the work answers due to partial aims to the research question, which is interpreted: "Is the Autotransport, ltd. financially efficient company?". The conclusion records obtained overall business performance results, which were easily detect, due to the interconnection of non-financial and financial analysis. Finally, recommendations for the company were conducted.

2 Literature Review

Company´s performance might be estimated from many points of view. Performance is very important in all areas and activities. There are many types of performance it can be i.e. physical, mental, work, scientific etc. However, every type of performance will express distinctive character depending on the cultural habits, nationality, country, language, different disciplines and the personal interests. Performance could be evaluated by financial or non-financial measurements. Those methods can represent different qualities or strengths and show multiple observations of the firm's performance (Grassevá, 2012).

According to Šulák and Vacík (2006), they describe the performance of the enterprise's as the ability to evaluate the investments embedded in business activities. Most often the companies are focused on basic assumption, to generate profit, which might be represented as the survival of the business in the market. Due to this focus, the business performance is narrowed just to the profit measurements.

However, business achievement can be expressed by many different ways, related to the business activity or on the relationship of the subject to the company. Owner of the entity will concern on the capital, whether it gets apprised as soon as possible. Of course, the manager will see the business performance in a different manner. He/she will see the performance in the profitability of the company. In the fact the management will pitch into the ability to repay the liabilities again. From the point of the customers, who recognize the efficiency of the company by the quota quality of the product equal the fair price. Therefore, the work is processed from a financial and non-financial perspective in order to assess the overall business qualities (Fibírová, 2005).

3 Classical approaches of business performance

Traditional, classical approaches of business performance are focused on the past values. The aim is to determine performance indicators that would also allow the comparison, determination of trends or would serve to uncover the business failures. In this chapter, there are described methods of financial analysis, which are considered as a classical approaches of business performance, such as vertical and horizontal analysis, financial rations that are used in practical part of this work. For the prediction of the business future welfare there are going to be used bankruptcy model, functioning on discriminating equations (Veber, 2009).

3.1 Financial analysis

Financial analysis is a specific type of analysis, whose objective is to make the evaluation of financial business performance. It is taken as one of the most important tool of financial conduct. Financial analysis is useful for controlling data from previous years, for setting up the company´s financial plan, predicting future development and be aware of risks arising from business strategy. Most often are those tools used by the management of the company, by investors or creditors. Financial indicators typically capture the activity of the company, especially in generating profits, solvency and investment areas, in terms of investor value.

There are many possibilities how to work with the outcomes of the financial analysis, the differences are between the target groups who work with the final data. Different attitude also depends on the purpose of financial analysis. That is why there are more sources where to get financial information e.g. (Balance sheet, Profit and Loss Statement, Cash flow Statement). To be more precise, the primary tasks for analyzing companies' financial health is in four steps (Růčková, 2015).

Determining financial health

- Determine situation based on chosen ratios;
- Detailed analysis based on the outcomes of the first step;
- Analysis of negative influences, based on previous steps;
- Solution given with setting up opportunities and risks.

For performance estimation, it helps to calculate with statistical indicators, however not always is easy to compare those values, due to different outcomes. In this situation, there is used quantitative analysis.

Each analysis needs input information that meets certain requirements of quality and complexity. In case of financial investigation, the financial statements can be divided into two fields. First are financial statements, also specified as external statements. They are freely available on the website of the business register and provide an overview of the status and structure of assets, sources of its coverage, cash flows and profit. Second group contains internal accounting statements, that are based on the company´s individual needs. Documents used for internal financial analysis are advantageous and give more precise information, therefore should be noted that internal documents connected to accounting statements are confidential and not accessible to the public. To present financial performance over a given period, every business entity needs to compulsorily prepare the two financial statements, that are the most important and relevant credentials. These statements fit together to form a comprehensive financial picture of the busin**ess.** (Mrkvička, 1997).

Compulsory financial statements

- Balance sheet
- Income statement

3.1.1 Balance Sheet

One of the most important financial statements done by obligation summarizes all entity´s assets, liabilities and equity in each period. Balance sheet records the relationship between long-term tangible, intangible assets and sources of its financing (liabilities). There is applied the principle balance of equity, which means that in each enterprise the equality between its property and resources must apply. This financial statement is used to show the specific property situations and the financial resources from which the capital was purchased by the firm. Balance sheet as a source of input data for the financial analysis is being used mainly for controlling following figures (Kislingerová, 2007 and Růčková, 2015).

Items to be controlled

- The balance sheet total;
- The structure of assets, its size and development of each items;
- The structure of liabilities, its development with the focus on the share of equity and credits;
- The relationship between each component of assets and liabilities (Růčková, 2015).

Figure 3-1: Balance Sheet

Balance Sheet			
ASSETS		LIABILITIES	
A.	**Claims for Registered Capital**	**A.**	**Equity**
B.	**Non-current Assets**	A.I.	Registered Capital
B. I.	Intangible assets	A. II.	Fonds of Capital
B. II.	Tangible fixed assets	A. III.	Fond of Reserves
B. III.	Financial Assets	A. IV.	Profit/Loss from previous years
		A. V.	Profit/Loss
C.	**Current Assets**	**B.**	**Liability**
C. I.	Inventories	B. I.	Reserves
C.II.	Receivables	B. II.	Current Liabilities
C. III.	Other financial Assets	B. III.	Non-current Liabilities
C. IV.	Cash and Equivalents	B. IV.	Loans
D.	**Accruals**	**C.**	**Accruals**
TOTAL ASSETS		**TOTAL LIABILITIES**	

Source: *Own processing, Data from Pilařová, 2014*

3.1.2 Assets

Assets represent things of value that are owned by a household, firm, or government (Deiter, 1991). Assets express the ownership structure of the enterprise and the total amount of economic resources available in a certain period. However, decisive is the ability of a given item to bring economic benefits to the enterprise in the future (Růčková, 2015).

An asset is classified in one of three categories: tangible, intangible and intellectual or financial property. The successful business should have balanced combination of all three groups. Assets are listed on the left side of the balance sheet (Francis, 2018).

Appearance of item´s ability

- Directly - convert bonds into the cash immediately;
- Indirectly - assets are part of the manufacturing activity, after then they are changed into the final products and through the receivables become the money.

3.1.2.1 Intangible Assets

Intangible assets might be distinguished by time period as long-term assets and short-term assets. Current assets are used by the company within one year or their status is being changed during the operating cycle. It might happen in few cases: assets are to be sold, converted to cash or liquidated to pay for liabilities and so one. (Bragg, 2018)

As a typical example of long-run intangible assets shall be mentioned development, computer software, patents, copyrights, motion picture films, customer lists, mortgage servicing rights, goodwill, fishing licenses, import quotas, customer or supplier relationships, customer loyalty, market share and marketing rights (Strouhal, 2014).

3.1.2.2 Tangible Assets

Tangible assets are understood as an asset with physical substance. Long-run tangible assets retain their original form several times over one cycle. Might be distinguish into the following groups (Strouhal, 2014).

- Property, plant and equipment;
- Leases;
- Investment properties;
- Biologicals assets;
- Mineral resources;
- Non-current assets held for safe.

3.1.2.3 Shor-term/ Current Assets

One of the most generic form of the current assets are stocks, in which is dominating short-term period. It means less than normal operating cycle, within the one year. We can assume the consumption of the raw material or sale of goods and products within one year, however part of the inventory might take even more time than twelve months. Another part of current assets consists of short-term receivables, e.g. (Receivables with the due date up to one year, or short-term financial assets) (Marek, 2006).

3.1.3 Liabilities

Liabilities represent a decrease/increase or consumption of assets that might be expressed by financial or non-financial terms related to the incurrence of liabilities or debt. Liabilities refer to all the company's responsibility to the shareholders, stakeholders, suppliers, to their own employees, and to the banks. It presents company's obligations or future sacrifices of economic benefits, because of the past transactions or other past events.

Liabilities are reported on the right side of the balance sheet and are most often divided into two categories as current liabilities and long-term liabilities; however, the priority of categories is not mainly based on term of time, but in terms of ownership of funding source. From that point of view, resources are distinguished to own and borrowed sources (Růčková, 2015; Prokůpková, 2016).

3.1.3.1 Current Liabilities

The obligation payable within one year is considered as a current liability. This item is closely watched for a business´s sufficient liquidity and the capability to cover all current liabilities when is its due. To find out the exact amount of current liabilities, there are several measurements e.g. (Current ratio, Quick ratio, Cash ratio) (Bragg, 2017).

3.1.3.2 Long-Term Liabilities

Type of accountability is usually in some form of debt, that is not settled for the payment within the next twelve months.

3.1.4 Profit and Loss Statement

Income statement, also known as a statement of financial performance uses a simple mechanism to come up with the final profit or loss figure in the end of an accounting period. Income statement is a methodical list of all revenues and expenses reported during the financial period. The final outcome of P&L statement gives the information, which shows the aptitude of a company to generate profit or loss (Ramachandran, 2014).

The economic outturn in certain accounting period is based on transformation of inputs (factors of production) into the outputs (final products or services), by its sales accompanied by the incurred costs (Kislingerová, 2007; Prokůpková, 2016).

$$Profit = Revenues - Costs$$

Items in the Income Statement

- Revenue;
- Financial costs;
- Share of the profit or loss of associated and joint ventures accounted for using the equity method;
- Tax expenses;
- Post-tax profit or loss of discontinued operations/ the post-tax gain or loss recognized on the measurement to fair value less costs of a sale;
- Profit or Loss (Jiří Strouhal, 2014).

3.1.5 Cash Flows Statement

Cash flow statement is the third very important document which is set up by companies and shows the ability to generate cash. This statement is very closely connected to balance sheet and income statement results; however, this method is considered as a relatively new one. Cash Flow Statement is not being done by obligation. However, it might be helpful to understand the company´s viability. It is better to enrich the income statement by cash flow statement. Due to that examination, company can realize the fact if they contribute with enough available resources to pay its obligations, even though the income statement reports profit (Březinová, 2014).

Cash might be distinguished into three groups

- Operating cash inflow/outflow;
- Investing cash inflow/outflow;
- Financial cash inflow/outflow.

Operating Cash Flow

Cash generated from operating activities, principally from the revenue-producing activities of the business. In the long run this type of cash flow plays the key role of the solvency for every single firm. Negative operating cash flow would mean the company could not cover its bills without borrowing money or raising additional capital (Faulkenberry, 2015).

Investing Cash Flow

By investing cash flow is understood purchasing or spending cash on long-term assets e.g. (property, plant and equipment). Otherwise it could also be connected to capital expenditure with the abbreviation so-called CAPEX, which is investment in modernization of equipment. Only investing cash flow could be found as negative in the analyses, nevertheless must be covered by other two groups of cash flow. If the investing cash flow would be positive, the company should immediately react on that fact and retching future spending, because it demonstrates inefficiency (Investopedia, 2018; Březinová, 2014).

Financial Cash Flow

This section provides an overview of cash used for company´s financing. Financing activities as proceedings resulting in changes in the size and composition of the contributed equity and borrowings of the money. Following activities are considered as financial purpose e.g. (issuing shares, cash payments to owners to acquire or redeem the entity's shares, cash proceeds from issuing debentures, loans, notes, bonds and so forth) (Strouhal, 2014).

3.1.5.1.1 Direct Cash Flows Method

To assemble the overview of the cash flows of the firm is able by direct or indirect method.

Direct method is one of the most précised but administratively very demanding method. To be able to set up this cash flows statement, precaution, preparedness, detailed orientation, correctness and relevant firm´s data is necessary. Every item is assigned to the appropriate category of cash flows.

3.1.5.1.2 Indirect Cash Flows Method

This method is based on outcomes of the bottom line, difference between revenues and expenses, without taking into the reflection the accounts payable or receivable. The transformation is made up from adjusting the economic result by operations that are not accompanied by financial flows. The operations do not directly affect the accounting profit or loss, but the flow of funds is still occurring (Čechová, 2006).

3.2 Absolut Indicators of Financial Analysis

It is one of the fundamental method of financial analysis, which is divided into two comparative financial statement analyses: horizontal analysis and vertical one. Each of them works on a different principal and the presentation of the results is recommended to record into the graphs for better understanding (Sedláček, 2007).

3.2.1 Horizontal analysis

This method interprets absolute and relative changes of financial statement items. The biggest disadvantage of this analysis is that it does not reflect the real size of change. For this reason, it is better to evaluate relative changes first, when calculating the percentage difference. This method is comparing the same items in a different periods and results are presented in percentage point. If HA technology was used to compare more than two accounting periods is called the trend analysis (Strouhal, 2014).

Figure 3-2:Formula for Horizontal Analysis

Current Period	Past Period	Difference	Index (%)
X	Y	X-Y	$\left(\frac{X}{Y} - 1\right) x\ 100$

Source: *Own processing, Data from Strouhal, 2014*

3.2.2 Vertical analysis

Vertical analysis shall be rather understood as supplement to horizontal analysis. Sometimes might occur that certain item shows the change of 250 or more %. From the point of vertical analysis this change is insignificant. Vertical analysis of expenses should not be omitted, due its high importance and powerful tool for budgeting. This analysis is comparing different items but in the same period, its final results are also recorded in percentage points (Strouhal, 2014). As a total base of 100% is considered the total amount of assets or the sum of the net assets and total liabilities in the balance sheet. In the case of

the profit and loss account, this is done in an equivalent manner, except that the overall basis is the overall picture of the total revenue.

Figure 3-3:Formula for Vertical analysis

Item	**Current Period**	**Past Period**	**Share (%)**	
$\sum$ ASSETS	X	X_1	**Current**	**Past**
Asset 1	X_1	Y_1	$\frac{X}{x}$ x 100	$\left(\frac{X}{Y}-1\right) x\ 100$
…	…	…	…	…
Asset i	X_i	Y_i	$\frac{X}{Y}$ x 100	$\frac{X}{Y}$ x 100

Source: *Own processing, Data from Strouhal, 2014*

3.3 Ratio Analysis

Ratio analysis allows to monitor, measure and evaluate internal and external performance a company using the key financial indicators. are the most used procedures after preparing the financial statements. Generally speaking, it usually shows share of two or more absolute indicators. Another possibility based on this method is time/trend analysis, which finds out the development of firm´s financial situation in the time or comparative analysis, where are compared more similar companies mutually (Čechová, 2006; Strouhal, 2014).

Financial Ratios are split into the following categories

- Rentability ratios;
- Activity ratios;
- Debt ratios;
- Liquidity ratios;
- Capital Market ratios;
- Profitability ratios.

3.3.1 Profitability Ratios

Profitability ratios are used for analysis of capital appreciation in the company. In this chapter there are main and most important financial ratios by which the company measures, controls, and compares operating profitability. They compare profit (Net Profit or EBIT) with resources of capital used for creating such profit. All well explained ratios below indicate how well the company is accomplishing at creating profits or revenues relative to a certain metric (Petřík, 2009).

3.3.1.1 Return on Assets

This is the main and the most important pointer of capital employed, which is used in practice in various modifications that arise from different views of profits and assets. ROA gives information about how much profits are generated on average by each unit of asset. Individual modifications demonstrate sales, various kinds of costs and use of different types of assets. It refers to the total return on capital (total assets) entered the business, without respecting its origin (Růčková, 2010).

$$ROA = \frac{EBIT}{Total\ Assets}$$

3.3.1.2 Reurn on Equity (ROE)

This formula shows the return on capital invested by the owner of the enterprise. It is an indicator by which the firm can find out, if their capital is multiplied in an appropriate, sufficient rate corresponding to the investment risk. Growth of this indicator may have the following meaning, for example: (an improvement in the result of a business, a reduction in the share of the company's equity or a drop in the interest rate on foreign capital) (Růčková, 2010).

$$ROE = \frac{EAT}{Equity}$$

3.3.1.3 Return on Employed Capital (ROCE)

This financial ratio expresses the efficiency of the company's management. From this formula could be derived the return of the total invested capital. Into the consideration should be taken this formula from the side of the liabilities in the balance sheet and long-term debts to which the bonds are issued or the long-term bank loans or the equity. Simply put, this ratio indicates the rete of appreciation of all the assets of the company funded by its own and long-term capital of the firm (Růčková, 2010).

$$ROCE = \frac{EBIT}{Total\ Assets - Current\ Liabilities}$$

$$ROCE = \frac{Sales}{Total\ Equity} x \frac{Operating\ Profit}{Sales}$$

The ratio above shows the overall return on capital employed, which is influenced by capital and profit margin. In relation to ROCE, there are other subsidiary or supporting ratios). Using them help to analyze its basic components, i.e. the capital turnover and the profit margin component in detail. For the real increase of the ROCE value, there are two basic options to achieve this. The first and most inefficient way is to weigh the turnover, that is by the increase of the volume of total sales. The second way can be so-called method off-leasing. Which means financing the assets by leasing. In this case the assets will not be shown in the balance sheet as well as the sources of their long-term financing in the form of long-term liabilities. Unfortunately, it distorts the debt ratios (Petřík, 2009).

Supporting total turnover of capital ratio

This indicator affects the total financial performance of the enterprise measured by ROCE. It generally assesses the degree or intensity of capital use. It is appropriate to consider primarily the significant effect of accounting depreciation of the capital base. In case the company has a considerably outdated manufacture and operative park such as buildings, machinery, equipment, fleet, it may temporarily overestimate the ratio indicator of capital. However, this would have negative effect on firm´s rentability (Petřík, 2009).

$$Total\ capital\ turnover\ = Turnover\ of\ capital - \frac{Sales}{Total\ Capital\ Employed}$$

Supporting Profit Margin ratio

This formula primarily applies to all types of costs that have a direct and indirect effect on the profit margin realized by the sales. The result is used to measure internal financial performance (Petřík, 2009).

$$Profit\ Margin = \frac{Operating\ Profit}{Sales}$$

3.3.1.4 Gross Profit Margin

This equation represents the percentage of each sales in CZK remaining after a business has made the payment for its goods. The higher the value, the better. Gross profit margin represents the actual markup the entity has on the goods sold.

$$Gross\ Profit\ Margin = \frac{Sales - COGS}{Sales}$$

3.3.1.5 Net profit Margin

Net profit margin specifies what percentage of a company's sales revenue would be gained after all costs have been taken into the consideration, how much is actually made on each CZK of sales. This is best compared with other companies in the same industry and analyzed overtime or compare them with the recommended values. Bearing in mind that dissimilarities from year to year may occur, due to irregular conditions. In further explanation a declining net profit margin ratio may indicate a margin squeeze possibly due to increased competition or rising costs (Petřík, 2009).

$$Net\ profit\ Margin = \frac{EAT}{Sales}$$

3.3.1.6 Return on Sales

Return on sales reflects the ability of an enterprise to achieve profit at a certain revenue level. It shows how much the company can generate for 1 CZK of sales. This formula also serves to express the profit margin. However, Růčková (2010) recommends calculating with the profit after tax, it was found in other literature resource, that more common is the formula calculated with operating profit before deducting interest and tax (EBIT).

This indicator has the connection to the indicator of total assets turnover, which expresses the ability of the company to provide investment in assets at a certain level of sales, by using the method Du Pont Equation (Růčková, 2010).

$$ROS = \frac{EBIT}{Sales}$$

3.3.2 Solvency ratios

Debt ratios measure own sources of capital and debts. Those indicators also deal with the competency to pay for debt. In case of debt analysis, it is recommended to determine the total volume of the firm´s assets acquired for the lease, first. There is a simple explanation for this action, assets purchased by the lease are not displayed on the balance sheet, however they are indicated as costs in the Profit and Loss statement (Scholleová, 2012).

3.3.2.1 Total Debt ratio

Ratio that compares total debts and sources of capital. If higher than 0.5, company corresponding in funding by debt. However, it is always necessary to figure out the structure of debts e.g. (interest-bearing or non-interest bearing, short-term or long-term, intragroup or other, etc.) (Strouhal, 2014).

$$Debt\ ratio = \frac{Total\ Liabilities}{Total\ Assets}$$

3.3.2.2 Debt to Equity Ratio

This formula is very often used by banking institutions to assess whether to provide credit to the company.

$$Debt\ to\ Equity\ Ratio = \frac{Short - Term\ Debt + Long - Term\ Debt + Other\ Fixed\ Payments}{Shareholder´s\ Equity}$$

3.3.3 Activity ratios

3.3.3.1 Total Assets Turnover Ratio

A comprehensive indicator, which reports how many times total assets are reversed per year. This indicator of intensity should reach at least the minimum value 1. (Scholleová, 2012)

$$Assets\ Turnover = \frac{Sales}{Total\ Assets}$$

3.3.3.2 Inventory Turnover Ratio

This indicator is also so-called as an indicator of utilization intensity of total inventory. This ratio expresses the conversion of inventories into other current assets. From the sale of finished products to the re-purchase of inventories again. That is why expected results should be the higher the better, because it gives the information that in the company, there are not any illiquid inventory (Scholleová, 2012).

$$Inventory\ Turnover = \frac{Sales}{Inventories}$$

3.3.3.3 Inventory Turnover Period

The inventory turnover is the same as the average number of days that they are directly tied to the business until they are consumed or sold (Kislingerová, 2007).

$$Inventory\ Turnover = \frac{360\ x\ Inventory}{Sales}$$

3.3.4 Liquidity ratios

Liquidity is undoubtedly one of the most important concepts. Liquidity is the ability of a given item to convert into the cash quickly and without any large loss. Business liquidity is characterized as the capability to pay firms obligations on time, detect any firm´s risk of insolvency (Růčková, 2010). Liquidity ratios measure and rank the company's short-term solvency, whether the company is capable to meet their short-term financial obligations. The short-term financial indicators deal with the company's financial

position in terms of cash position, while long-term ratios deal with the capital structure, in particular: equity and long-term liabilities.

3.3.4.1 Quick ratio

Also called as “acid test”. Ratio is the critical test of the ability to pay short-term liabilities. In case the quick ratio is significantly low, the values might reveal enormous number of inventories in company’s assets. According to the results of this ration, firm is able to determine its financial stability (Pinson, 2008). From the below formula, it follows that inventories are excluded from current assets and from those also called quick assets are divided short-term liabilities. The value should be greater than or equal to 1, then the firm is fully able to satisfy its short-term creditors through ordinary quick assets. In case of lower values, it is the opposite.

$$Quick\ ratio = \frac{Current\ Assets - Inventories}{Short - Term\ Liabilities}$$

3.3.4.2 Cash ratio

Cash ratio is determining the lowest liquidity delimitation. Only the most illiquid items are taken from the balance sheet. Therefore, the recommended value is in the range of 0.9 – 1.1, reflecting the American literature (Růčková, 2010).

$$Cash\ ratio = \frac{Cash + Marketable\ Seicurities}{Current\ Liabilities}$$

3.3.4.3 Current ratio

Current ratio could also be called as Liquidity of the 3rd stage. This liquidity shows how many times the current assets cover the short-term liabilities of the entity. It tells how an enterprise would be able to satisfy its creditors and if the all current assets would be transformed into the cash. The higher the value of this indicator, the more feasible the sinking of the company's solvency. However, the formula does not consider the structure of non-current assets in terms of liquidity, and furthermore it does not take into account the structure of short-term liabilities in terms of its due (Růčková, 2010).

$$Current\ ratio = \frac{Current\ Assets}{Short - Term\ Liabilities}$$

3.3.4.4 Net Working Capital

By working capital, company can measure its efficiency and short-term financial health. By this ratio it is possible to observe the firm´s payment balance, for which purpose is this method used for. It represents a difference between current assets and short-term liabilities. If the amount of net working capital is negative, company is not able to meet its obligations. The recommended value for NWC does not exist, positive results should have a low value of NWC. Of course, manufacturing companies have a different quantity of inventories than the businesses oriented mostly on providing services. If the values are around 0, it means that the business is not able to pay to the suppliers or that the firm does not receive any payments from its customers. The received money means the increase in the resulting value, which is positive. If a company has a higher volume of NWC, it does not mean necessarily positive values, due to the increases of unnecessary cost of holding capital that could be better invested. An increase in net working capital of an enterprise occurs when the increase change in short-term liabilities occurs (Strouhal, 2014).

$$Net\ Working\ Capital\ = Current\ Assets - Current\ Liabilities$$

3.3.4.5 Working capital

Increasing working capital = increase in current assets and it may not automatically benefit the firm, as the value of working capital needs to be assessed rather in relation to current short-term liabilities that have become substantially more significant. Working Capital, if the amount of its individual assets is sufficient and liquid, then it has vital importance for the operations of the company and for generating future cash. Working capital can be negatively influenced by inventories. Firstly, company has to invest into the inventories and wait after the stock is going to be sold and become into the money/ cash. This can be expressed as the costs of tied capital (Petřík, 2009).

$$Workin\ Capital\ ratio = \frac{Total\ Current\ Assets}{Total\ Current\ Liabilities}$$

3.4 Bankruptcy Models

These types of models refer about the probability of the firm´s bankruptcy in the nearest future. Crucial issues, maybe captured in previous year, that are linked to the cash ratio, rentability of capital entered (ROCE), or the level of Net Working Capital. Bankruptcy models are created empirically on the basis of real data from companies that had gone bankrupt in the past, which are measured with business data that had not been insolvent, on the contrary, and prosper well. They are then represented in the equation leading to a synthetic result, after outcomes are compared to the evaluating coefficient (Růčková, 2010).

3.4.1 Altman Z-Score model

In the current period of rapid changes in market conditions, it may not be sufficient past data to predict future financial performance. Altman´s model is discriminating model based on the main equation, which is different for the small and middle-size companies from the big ones. Main purpose of the model is the comparison of the computed values with the recommended ones regarding on the specific literature sources. This model works with 5 selected ratios. Using the Altman´s equation can be easily determined future financial stability and business performance in time horizon of 2-5 years. Based on the

final results of the Altman Z-score, firms with lower scores are facing higher risk investments, positive values represent how far above the mean a point is on the distribution curve (Rejnuš, 2014).

More importantly is needed to refer, the Z score formula doesn't reflect cash flows. That has the meaning i.e. that even a highly profitable company with poor cash flow might not be able to pay its commitments and as a result they will deal with the bankruptcy (Rejnuš, 2014).

The discriminant function for the small or middle-size businesses not traded on capital trade is following:

$$\mathbf{Z = 0.717X1 + 0.847X2 + 3.107X3 + 0.420X4 + 0.998X5}$$

Where:

- X1 = Net working capital/Total Assets;
- X2 = Net Income/ Total Assets;
- X3 = EBIT/ Total Assets;
- X4 = Total Equity/Total liabilities;
- X5 = NSR/ Total Assets;

Zones of discrimination:

- Z = overall index
- Z indexes are compared to the following results:
- Z < 1.8 - High probability of bankruptcy, Distress Zone;
- Z = 1.81 to 2.99 – Neutral financial situation, so-called Grey Zone;
- Z > 3.0 – Convenient financial situation, low risk of bankruptcy (Březinová, 2014).

3.5 Spider Analysis

This type of analysis is become more usable due to its graphic representation. This analysis determines the overall situation of a business within different economic areas and compare results with the competitive company or with the industrial average values. The results shown in cobweb graph, where are represented four main areas that are evaluated through sixteen financial ratios (Synek and Kislingerová, 2015). This method is used for greater and better understanding of overall business financial healt-situation, because as Sedláček (2007) adds, that the disadvantage is of spider analysis is missing any economical interpretation. Only the interconnection of the mentioned financial analysis above is the only way how to determine real financial situation of the firm.

The basis of the spider chart are concentrated circles. On the firs circle from the center, there are recorded sector average values, so-called benchmark values, that reach the level of 100%. As a next step, there are marked quadrants, which represents individual ratios in the graph. The entity ´s outcomes are all transferred into the graph, where are compared with the industry average values. All discrepancies from the average are seen from the first sight, that is why the company can be assess whether its performance is outstanding or miserable (Synek and Kislingerová, 2015).

4 Modern approaches of business performance

Modern methods arose from the previous traditional (classical) methods. Those approaches become popular because of additional information given, which were missing in the preceding evaluations.

4.1 Economic Value Added

The idea behind this indicator can be found in the microeconomics where the goal of every company is to maximize its profits. This scale is a product of Stern Stewart & CO., which has its own trademark. EVA measures the performance of an enterprise as an economic entity from the calculation of economic profit. However, this is not an accounting profit, the main interest is on the entrepreneur's equity, including its risks premium or its loss of earnings (Růčková, 2010).

$$Accounting\ Profit = Revenue - Explicit\ Costs$$
$$Economic\ Profit = Revenue - Explicit\ Costs - Implicit\ Costs$$

The economic added value is equal to the operating income after tax and after deducting the costs of the equity, which is used to represent the project risk. The EVA's main principle is focused on the investment that creates value to its investors only if the expected return exceeds the capital cost of the investment. It is based on the correlation between the return on capital and the associated costs of capital. If the return on capital is higher than the capital expenditures, the value of the EVA indicator is positive. However, EVA evaluation could be computed by many way, in this work were used method of CAPM and according to the Czech Ministry of Industry and Trade. Those methods are more suitable for the purposes of the diploma thesis, and that is why they are going to be calculated in practical part of this work.

EVA made up of 3 key values

- The value of net operating profit after tax (NOPAT),
- Total invested capital (C),
- Weighted average cost of capital (WACC).

As mentioned above, the EVA value is based on economic profit. This is the value of the difference between the net profit from the main earnings after tax (NOPAT) and the capital costs, which are expressed as the product of the net assets linked to the main activity of the firm (NOA). In this context, EVA also considers the cost of sacrificial opportunity, where owners could make the investment and their capital could be valued more (Wagner, 2009).

There are two basic conducts how to compute EVA values according to the Czech Standards.

EVA Entity formula

$$EVA = NOPAT - WACC\ x\ Cost\ of\ Capital$$
$$NOPAT = EBIT\ x\ (1 - tax)$$

To be able to compute the value of NOPAT (Net operating profit after tax), it is needed to adjust this formula by excluding operating revenues and operating expenses, which are assumed as extraordinary (Amine, 2013).

For the purposes of determining the amount of capital tied to the assets (Cost of Capital – C) that is used for the operating activities of the firm, it must be taken into the account following items:

- the current financial assets;
- the long-term financial assets associated with the operating activities of the enterprise;
- exclude the tangible and intangible fixed assets, which is not involved in the creation of NOPAT;
- exclude other redundant assets, such as leased property or excessive inventory (Martinovičová et al., 2014).

Determining average weighted cost of capital (WACC) is considered as the most significant tricky area of determining the cost of equity. It should be acknowledged the amount of opportunity cost. To determine WACC, the Capital asset pricing model (CAPM) which is based on a comparison of the risk level of business activity with respect to THE industry-specific comparative base. In order to calculate WACC, it is now necessary to detect the relation of equity (**E**) and debt capital (**D**) in a company.

Formulas based on the Capital-Asset Pricing Model (CAPM) and according to MIT of the Czech Republic, which gives the average values of businesses (Martinovičová et al., 2014).

$$re = \boldsymbol{rf} + (\boldsymbol{rm} - rf) * \beta$$

Where

- β -factor - risk premium, further business-related risks;
- rf – a time-base of fixed return from the investment;
- rm - systematic market risk premium; (Kislingerová et al., 2010).

The CAPM method is a mathematical model that attempts to explain the relationship between risk and return on securities. The resulting expected return on rf, expressed as a percentage, is then considered to be the cost of equity.

Weighted average cost of capital can be also calculated by the following formula used by The Czech Ministry of Industry and Trade.

$$WACC = rf + rLA + rPS + rFS$$

Where

- rf - Risk- rate of return
- r_{LA} - the size of the company
- r_{PS} - Prize for Business Risk
- r_{FS} - mark-up for company's financial stability, financial structure.

EVA Equity formula

EVA equity is considered as the return on equity invested by the owner. For the needs of the Czech business environment, it serves a comparative diagnostic system of INFA, financial indicators. The methodical basis of those indicators uses to achieve financial analysis of a particular business entity and compare its result with the final distribution of financial data of operating Czech enterprises in consideration to their business activity. (Martinovičová et al., 2014)

$$EVA = EAT - re\ x\ E$$
$$re = rf + Rp$$

Where

- rf - Risk- rate of return;
- r_{LA} - the size of the company;
- r_{PS} - Prize for Business Risk;
- r_{FS} - mark-up for company's financial stability, financial structure.

There are two popular ways how to define EVA, an accounting way and a finance way. EVA is the profit generated after deducting (NOPAT) and its weighted average CZK cost of capital (Fabozzi, 2003).

From the finance point of view, EVA is expressed by market value added (MVA) or (NPV). EVA is connected to the internal value of the firm, its dominant debt and equity securities. The MVA method can be used only for companies whose shares are traded on the stock exchange (Fabozzi, 2003).

$$MVA = Firm\ value - Total\ capital$$

Cost of capital

Marinič (2008), Pavelková and Knápková (2004), consistently state that the cost of capital represents the interest which the enterprise must pay for its use and acquisition of that capital. However, costs of own capital are curtailed by a tax shield, making them cheaper for the enterprise. Interest expense is usually agreed in a contract of credit.

Cost of equity

The authors also agree on the fact that the cost of equity is driven by profit expectations of investors. They are derived from dividends or profit shares by company's legal form. As mentioned above, there is no tax shield for equity costs, so it is further expensive for an enterprise than costs of capital. The cost of equity can also be understood as the cost of a sacrificed opportunity, that is the return of an investor, which he could achieve in another investment at the same risk (Marinič, 2008).

5 Complex approaches of business performance

The comprehensive approaches are not only focus on the financial aspects of the business performance. In this chapter there are included strategic analysis, which is a basis of input for further processes. This process brings together the exploration and evaluation of the company's surroundings from the external and the internal point of view. The goal of the strategic analysis is to define, analyze and evaluate all factors that may influence processes that may affect the final form of the business strategy and asses' complex business performance evaluation (Veber, 2009). This part of literature review describes how to confront firm´s financial health from retrospective and prospective point of view (Kalouda, 2009).

5.1 Balance Score Card Method

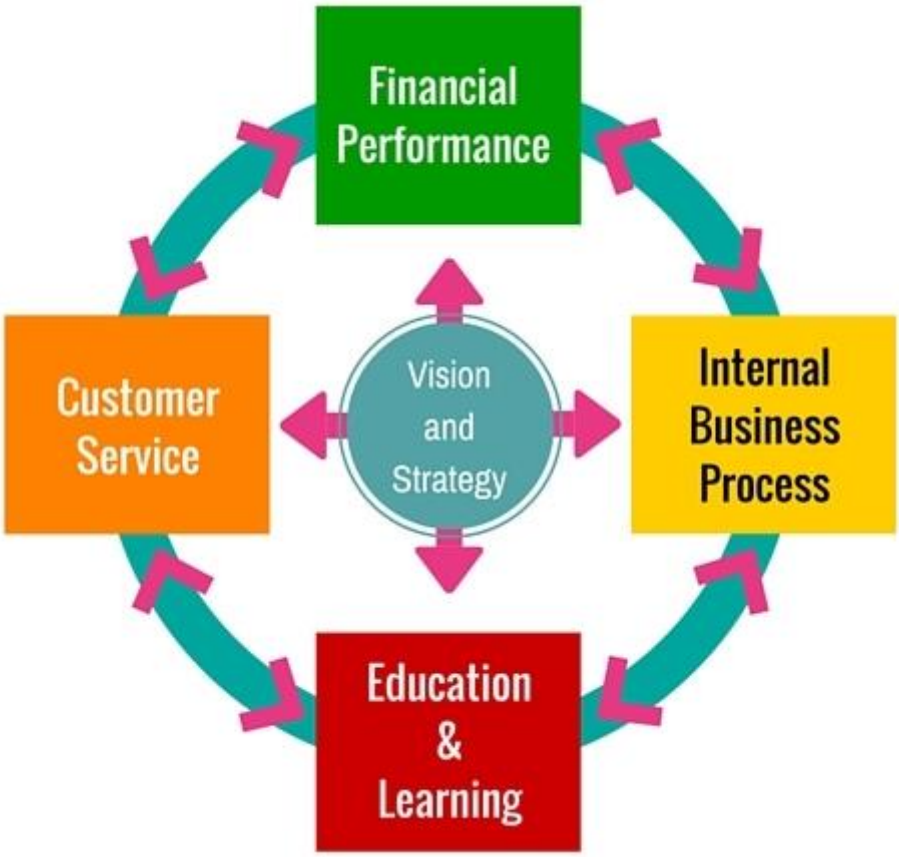
The beginning of the BSC method is dated the early 1990s and was founded by the authors David Norton and Robert Kaplan. The main effort refers to the employees and management for better understanding of the financial impact of their activities involved in the financial success.

Originally this method used to be engaged in the strategic management. However, this method has been modified and got extended into the operational management. BSC method, currently is comprehensive method for planning and managing system, which helps to initiate the balanced strategic goals and convert them into the specific partial aims. During the implementation of the partial aims, it allows to measure the firm´s performance in the meantime. The generic measures pursue firm's performance from the four perspectives: Financial, Customer, Internal processes, Learning and Growth. These perspectives include profitability, market share, customer satisfaction, customer retention and employee skills. The BSC method retain a strong emphasis on financial outcomes e.g. (ROCE, EVA, ROS, etc.) (Robert S. Kaplan, 1996; Truneček, 2004).

Four perspectives of BSC

- Financial;
- Customer;
- Internal Processes;
- Learning & Growth.

Figure 5-1:Balance Scorecard Perspectives



Source: O'Byrne, 2016

5.2 The European Foundation Quality Management Model

EFQM contain 9 criteria, 5 of them represent drivers (assumptions) and the next 4 show the company´s performance criteria. The criteria in the model must be transparent and allow the self-assessment without entering any quality competition. The assumptions that are considered as a logical part of the model lead to achieve the excellent business results and maximize the satisfaction of customers and employees (Nenadál, 2001).

Model let the management detect weaknesses in the company and help to effectively use its strong sites. There is always place for the improvement, it is only on the company how determines its vision and strategy, and how the management will achieve through the leadership (Šulák; Vacík, 2005).

This model is a tool for increasing business competitiveness, learning strengths and opportunities for improvement.

1. **Leadership**

The core of this criteria is the task of the management that abide two moments.

a) Clearly formulated developing goals e.g. (Mission, vison, policy, ethical code, etc.)

b) Management implements changes systematically and structured throughout the company e.g. (Activation, motivation, initiation of all employees is directed to the stated intentions in accordance with the values, policy and interests of the society) (Šulák; Vacík, 2005).

The purpose of evaluating sub-criteria

- How leaders demonstrate their commitment to development of the company;
- How managers support innovative processes and employee involvement with their suitable assistance;
- How top managers cooperate with customers, suppliers and others external organizations;
- How managers are emphatic/good at evaluating and appreciating of employees.

2. **Policy & Strategies**

Second criterion is concentrated on the evaluation of the implementation of policies and strategies according to the firm´s plan and business activities (Šulák; Vacík, 2005).

Sub-criteria assess

- How policies and strategies are based on relevant and comprehensive information;
- How policies and strategies are being developed;
- How policies and strategies are communicated and what kind of effect they perform;
- How policies and strategies are regularly updated and improved.

3. People Management

In everyday life communication and cooperation with the human capital, it is important to share and create company´s values based on its culture and life them together. It is necessary to confess the trust and create the terrific opportunity to learn and develop individual skills (Šulák; Vacík, 2005).

Sub-criteria are based on

- How human resources are planned and improved;
- How staff skills are maintained and developed;
- How employees agree with the objectives and carry out a permanent reassessment;
- What is the employee participation, empowerment and recognition;
- Effective dialogue between employees and the company;
- How to take care of employees.

4. Partnership

The purpose of the evaluation is to analyze how well the company can manage efficiently and effectively its resources (Šulák; Vacík, 2005).

The sub-criteria are focused on

- How financial resources are managed;
- How information resources are managed;
- How relationships with suppliers and materials are managed;
- How buildings, equipment and other assets are managed;
- How technology and intellectual ability are controlled.

5. Processes

Every successful company assume that all activities are managed systematically from the beginning to the end. Processes are understood and its constant progress is achieved due to active participation of all workers. Feedback and controlling are essentials for effective management. Main attribute of this criterion is the firm´s ability to identify, manage, re-evaluate and improve its processes (Šulák; Vacík, 2005).

The sub-criteria show

- How identified are the key business processes;
- How systematically are the processes managed;
- How the processes are re-evaluated and how the objectives are being improved;
- How processes are renovated by using innovations and creativity;
- How the processes are changed;
- How the company manages its own key processes for producing its goods and services.

6. Satisfaction of the employees

This criterion helps to perform how well company meets employees needs and expectations (Šulák; Vacík, 2005).

Sub-criteria concept:

- Additional measurements related to employee activities;
- How the employees' precept the company.

7. Customer´s satisfaction

The main principle of this criterion is the customer´s loyalty and satisfaction. It consists of the customer perception and could be asses by e.g. (measurements of individual/ group customer survey, retailers rating, etc.). The understanding of these norms is valuable for the future forecasting and enhancing customer relationships (Šulák;Vacík, 2005).

Sub-criteria formed by

- Customer´s perception of the goods/ services;
- Additional estimations related to the customer satisfaction.

8. Influence on the society

Every company has significant tool to influence the society. That is why helps to indicate whether the firm gets closer to the contemporary requirements of living standards, environment, global protection of resources (Šulák;Vacík, 2005).

Additional analysis is compared with results, trends, goals of the competitors or with the best results/values of the same industry.

- How the organization is perceived by external organizations;
- Additional measurement of the impact of the company's existence on external organizations and entities.

9. Evaluating Business Performance

The primary intent of the business performance is to find out company´s achievements in the comparison with its previous plans. Those norms demonstrate results in form of trends, objectives and comparison of the competitor´s outputs (Šulák;Vacík, 2005).

Sub-criteria shares

- Financial measurements of the business performance;
- Additional procedures to find out the business performance.

5.3 SWOT Analysis

SWOT analysis is one of the most commonly used analytical method for assuming the internal and external environment of the company. The beginnings of this method are dated to the 1960s, when it was created by Albert Humphrey from the Stanford University. This project was financed by five hundred largest US corporations (Fortune 500) in the intention to make the progress in planning and create new managerial system. Firstly, named as SOFT Analysis, after then revised to SWOT Analysis (Grassevá, 2012).

The abbreviation of SWOT interpret Strengths – strong sites of the company, Weaknesses – company´s weak sites, Opportunities and Threats – Risk and negative effects. There is additional dividing into two areas as internal and external environment. According to this analysis management can determine whether the resources are adequate and explained by the impact of the external environment. In particular, threats and opportunities are mainly used for analyzing externalities, which might be considered e.g. (economic policies, social-cultural factors, policy of national and multinational organizations, ecological factors, etc.) (Grassevá, 2012).

6 Introduction of the company

The main purpose of AUTOTRANSPORT Žídek s.r.o. is international and domestic freight transportation. The company offers transport from the small envelopes, people to the goods of the weight till 24 tons, within the Czech Republic and abroad. In its fleet they currently have 15 vehicles of the following brands: MAN, IVECO and Mercedes.

Legal and organizational structure of the company

Trade name:	AUTOTRANSPORT Žídek s.r.o.
Legal form:	Limited liability company
Established:	06/07/2007
Place of headquarters:	Třída SNP 618/57, Hradec Králové 3, 500 03
Identification No./IČO:	27509214
Tax identification No./DIČ:	CZ27509214
Number of employees:	12
Net Turnover:	9.517.000, - CZK
The subject of business:	Transport company operating with vehicles or combination of vehicles with the maximum permissible mass exceeding 3.5 tons.
Registered capital:	200 thousand CZK

The company is registered in the Commercial Register maintained by the Regional Court in Hradec Králové, section C 23213.

6.1 History of AUTOTRANSPORT Žídek s.r.o.

The company was founded in 1992, when the Mr. Martin Žídek purchased his first truck and started to trade. This purpose has led to a long tradition of carriage in the Žídek family. His grandfather had already operated freight road transportation in the years 1930 to 1948, when his property was confiscated.

AUTOTRANSPORT Žídek s.r.o. is situated in the Hradec Králové region, on 1st class road I / 35, only 20 minutes from Pardubice, 10 minutes from Hradec Králové and 5 minutes from Holice, where the workplace is based.

The firm currently offers road international and domestic transportation, delivery of shipments, forwarding services, moving out apartments, offices, hospitals, schools and so forth. When the object is completely cleared, company get the clutter ecologically destroyed.

In 2010, company expanded its services to a professionally equipped car service and tires service for cars, trucks and lorries. The company takes great care of its customers and provides them with expert service, including technical advice and possible repairs that provide comprehensive services in customer support. In 2015 company get involved into its services also the Gas station and provides all services as filling the gas container, revise and test them too. Even though, the work is considered on the analysis of AUTOTRANSPORT Žídek s.r.o. it is required to assume it as a group of companies, due to the later mentioned advantages of this collaboration.

The company also invests considerable resources in training its drivers and professional workers in auto/pneu-service workplace. The executive is paying a lot of intentions in improving firm´s services to better satisfy customer wants. In recent years, the company has invested in new production facilities, software required for autotronics and modernize the company´s fleet.

The firm employs approximately 12 employees and that is why the company is assumed as a small business according to business selection of the Ministry of Industry and Trade in the Czech Republic.

The company´s vision is to consolidate market position. They seek to increase turnover and achieve even better performance results. To pursue the high quality of offered services that should be provided as a matter of course, that is why the director is focused on details and keeps the personal communication with every single client and member.

6.2 Classical approaches of business performance

In this chapter, the thesis is mainly oriented on the analysis of financial performance of the AUTOTRANSPORT Žídek s.r.o. Furthermore, there are assessed chosen financial indicators with the given evaluation for the following results. All method and indicators were carefully selected regarding the focus of the performance analysis. For the prediction of the business future welfare there is used a bankruptcy model.

6.2.1 Horizontal analysis of the Balance Sheet

Horizontal analysis of the balance sheet has been divided into two parts according to the allocation of the balance sheet. Tables show changes of assets and liabilities during the four-year period.

In the table of the horizontal analysis of assets, it is possible assume the raise of assets from year to year approximately by 13 percentage points on average. This is mainly driven by non-current tangible assets and by current assets especially by future payments form the customers, which is shown in the item of accounts receivables that achieves quite high percentage of 42,8% in 2015. As a form of non-current tangible assets, firm purchases and modernizes its fleet almost every year for a newer type of vehicle. As is visible from the table, year 2014, when company has modernized the vehicle fleet, by purchasing a newer car, of the brand Mercedes Benz. However, this was not the only change that year. Company has extended its services by establishing Gas Station. In total those two important investments increased non-current assets by 74%. The vehicle was not brand new mobile, because of the excessive cost, that is why company has decided to purchase 3-year old car. To cover the investment made in 2014, company has used bank loan of the amount of 735.542, - CZK.

AUTOTRANSPORT s.r.o. as a transport company offers mostly services, that is why its inventory is kept flat or at the minimal amounts of invested money. Under the items of inventories can be assumed: spare parts for the cars, engine oils, petrol, tires, gas etc. In the year 2014/2015 there is evident that the planning of deliveries of the inventory was not that much efficient comparing to the later years. This fact has its origin with the establishment of new business activity in 2014, gas station, as was mentioned once. From the year 2015 there is possible to notice significant development of its inventory by 204%, which is extremal increase, which has the negative consequence with working capital and costs tight to capital, due to outstanding orders of gas. Linked to the company´s experience, better understanding of the mentioned topic, plus customers inflow stabilization, company managed its inventory during the years almost by half volume, which was cost efficient. This decrease by 50% in 2017, has impacted operating cash flow in the company. To sum up this item, which had decreasing tendency over the years on average by 37%.

Figure 6-1:HA of Assets

Items (thousands CZK)	2014/2015		2015/2016		2016/2017	
	Change	% Variance	Change	% Variance	Change	% Variance
Total Assets	824.00	26.90	279.00	7.18	176.00	4.22
Cash & Equivalents	-54.00	-3.46	188.00	12.48	25.00	1.48
Accounts Receivable	290.00	42.77	32.00	3.31	329.00	32.90
Inventory	86.00	204.76	-58.00	-45.31	-35.00	-50.00
Total Current Assets	322.00	14.12	162.00	6.23	319.00	11.54
Non-Current Intangible Assets	0.00	0.00	0.00	0.00	0.00	0.00
Non-Current Tangible Assets	510.00	74.13	8.00	0.67	-168.00	-13.93
Non-Current Financial Assets	0.00	0.00	0.00	0.00	0.00	0.00
Accruals	-8.00	-8.42	109.00	125.29	25.00	12.76
Total Non-Current Assets	502.00	64.11	117.00	9.11	-143.00	-10.20

Source: *Own calculation, Data from Balance Sheet of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

Analysis of the Liabilities expresses growing equity by almost 21% in average, this increase is impacted largely by profit from the previous years, as able to see in the table, where in 2016 accumulated retained earnings increased by 40%. Whereas the significant profit was not further invested nor divided for other usage.

In the row of Total Current Liabilities, there are fluctuations during the years, however it is not affecting the run of the company negatively. Company has the payment obligation to the credit institutions, to the employees and most importantly to the business relations. Within these three groups, the most substantial part are the liabilities to the other businesses. It is the consequence of selling the transportation, which the company is not capable to fulfill, in general AUTOTRANSPOR s.r.o. outsources some services. This kind of commitment has its payment due 60 – 90 days, which explains the outstanding items in the balance sheet. By outsourcing, the company keeps the same quantity of transport offers, they meet customers' requirements and they even gain the profit approximately 20 – 40% from the order, in the meantime. To conclude all the obligations e.g. (to the employees, financial institutions) are settled on time, of course. During the year 2015/2016 company decreased its debt position to their suppliers and third parties by 12%.

Total long-term debt has declining shift, which proves the fact of proper paying off the borrowed money over the years. The debt residual value was reduced to the amount of 98.446, - CZK and next year the bank loan is going to be fully paid.

Since 2015 retained earnings has been decreasing, even though in 2017 the retained earnings have the vastest diminution, due to raise of accounts payable by 28%, expecting

receiving money from customers or third parties (outsourcing) – item: increase in accounts receivable by 32%, continues covering the debt and slight increase in other financial expenses which recorded in income statement on the item: Other financial expenses, which contains foreign exchange costs. This all together has a negative impact and leads to a downturn of retained earnings by 61% comparing to the previous year 2016.

It is observable that firm was doing economically well, because the AUTOTRANSPORT Žídek s.r.o. was able to make a funds of reserve from the profit in 2016 and kept the same results to the following year 2017.

Figure 6-2:HA of Liabilities

Items (thousands CZK)	2014/2015		2015/2016		2016/2017	
	Change	% Variance	Change	% Variance	Change	% Variance
Total Liability & Equity	824.00	26.90	279.00	7.18	176.00	4.22
Accounts Payable	301.00	107.89	-71.00	-12.24	143.00	28.09
Total Current Liabilities	301.00	107.89	-71.00	-12.24	143.00	28.09
Long Term Debt	-220.00	-29.89	-232.00	-44.96	-186.00	-65.49
Total Long-Term Liabilities	-220.00	-29.89	-232.00	-44.96	-186.00	-65.49
Total Liabilities	81.00	7.98	-303.00	-27.65	-43.00	-5.42
Registered Capital	0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	615.00	476.74	-182.00	-24.46	-343.00	-61.03
Funds from Profit	0.00	0.00	20.00	0.00	0.00	0.00
Accumulated retained earnings	128.00	7.45	744.00	40.28	562.00	21.69
Total Equity	743.00	36.28	582.00	20.85	219.00	6.49

Source: *Own calculation, Data from Balance Sheet of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

6.2.2 Horizontal analysis of the Income Statement

In the table of horizontal analysis of Income Statement, there can be seen year-on-year changes in the profit and loss accounts, which are expressed by absolute and real terms for the period 2014-2017.

From the year 2014 to 2015 there was the highest level of the Net Sales Revenue up to almost 52%, which was 9.224.000, - CZK in 2015. This success was driven by establishing Gas station in the area of the company in 2014. After 2015, the peak, NSR was continuously slightly falling, which can be read from the minor changes about 6% and 13% during the years 2016 and 2017. However, the NSR is quite high, despite of it costs of goods changed from the 2014 to 2015. That year the company had higher expenses when

COGS raised almost by 37% and during the next years were slightly declining, which positive sign for the efficiency of the company. Even though the NSR is momentous and minor COGS, Gross profit is exactly copying the flow. Gros Profit has its deepest drop in between the years 2015 – 2016, where is possible to see the drop of NSR by 6% and increase of COGS by 11%, however, this is not the only reason why NSR got declined. One of the reasons was ending up the contract of regular delivering orders abroad. Third company was changing the logistic system for the change to larger cars with higher load capacity. Unfortunately, AUTOTRANSPORT Žídek s.r.o does not operate with following requirement. These reasons lead down the profit by almost 31%.

In the item personal expenses, there is possible to see diminution of costs by 26%, that contains of paying the wages of the employees, social security and health insurance etc. However, in 2017 there is factual evidence with lower cost on employees, due to the leave of some lorry drivers.

Depreciation plays very important role in case of the AUTOTRANSPORT Žídek s.r.o, for diminishing the costs spent on non-current assets. Company is using the accelerated method of depreciation which is economically feasible and more effective from the point of ROE. During the years is possible to see decreasing tendency which has the straight connection to the lowering the values of the assets.

In the table, there is captured the peak of EAT, which is linked to the fact of acceleration and providing new service in the company´s area in 2015. The establishment of gas station played noteworthy role in assembly to the other services provided by AUTOTRANSPORT Žídek s.r.o. In 2015 company reached the highest sum of Operating Profit by 744 000, - CZK.

Figure 6-3:HA of Income Statement

Items (thousands CZK)	2014/2015		2015/2016		2016/2017	
	Change	Variance %	Change	Variance %	Change	Variance %
Net Sales Revenue	3144.00	51.71	-563.00	-6.10	-1161.00	-13.40
Cost of Goods Sold	1433.00	36.64	633.00	11.85	-437.00	-7.31
Gross Profit	1711.00	78.88	-1196.00	-30.82	-724.00	-26.97
Personal expenses	323.00	136.86	-86.00	-15.38	-127.00	-26.85
Depreciation	186.00	290.63	131.00	52.40	37.00	9.71
Other operating revenue	10.00	0	43.00	430.00	-45.00	-84.91
Other operating expenses	8.00	33.33	41.00	128.13	2.00	2.74
Operating expenses	410.00	26.02	-959.00	-48.29	-616.00	-59.98
Operating Profit	774.00	287.73	-366.00	-35.09	25.00	3.69
Other Revenue	30.00	107.14	181.00	312.07	-202.00	-84.52
Other Financial Expense	48.00	38.10	45.00	25.86	209.00	95.43
Earning before tax	756.00	442.11	-230.00	-24.81	-386.00	-55.38
Tax Expenses	141.00	335.71	-48.00	-26.23	-43.00	-31.85
Earnings after tax	615.00	476.74	-182.00	-24.46	-343.00	-61.03
EBIT	804.00	270.71	-185.00	-16.80	-177.00	-19.32

Source: *Own calculation, Data from P&L of AUTOTRANSPOR Žídek s.r.o., 2014-2017*

6.2.3 Vertical analysis of Balance sheet

Vertical analysis, in other words the percentage analysis deals with the structure of the analyzed items. It is likely to determine the percentage representation of the single-component of assets and liabilities.

From the table is obvious the distribution of the structure of assets. In 2015 there were the most involved total current assets, specifically: cash&equivalents with the accounts receivables. Cash&Equivalents contributed by 51%, Accounts receivable by 22%, which was in total of Current Assets, 74.4%. However, increased value of current assets means increase in working capital, due to the growth in the value of financial assets by bank accounts. Increasing working capital does not necessarily mean the benefit for the firm, as its value should be assessed rather in relation to the short-term liabilities that have increased in 2015 by 15%, visible in VA of liabilities. That is why it is necessary to assess the NWC- Net Working Capital, to decide wheatear or not the capital has the positive effect on the company. Fixed tangible assets are kept in similar volume around 25%. This

is caused by constant maintaining of a modern fleet. In average is being purchased 1 or 2 new vehicles per year.

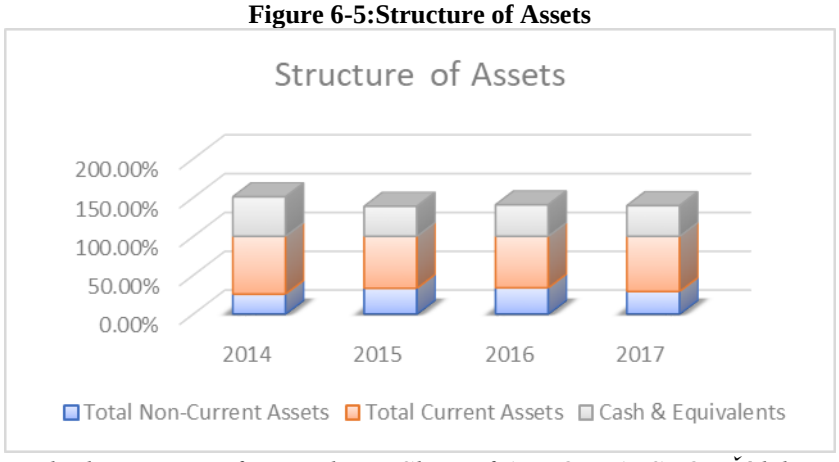
Figure 6-4:Vertical analysis of Assets

	2014	2015	2016	2017
Total Assets	100.00%	100.00%	100.00%	100.00%
Cash & Equivalents	50.93%	38.74%	40.66%	39.59%
Accounts Receivable	22.14%	24.90%	24.00%	30.61%
Inventory	1.37%	3.29%	1.68%	0.81%
Total Current Assets	74.44%	66.94%	66.35%	71.00%
Non-Current Intangible Assets	0.00%	0.00%	0.00%	0.00%
Non-Current Tangible Assets	22.46%	30.82%	28.95%	23.91%
Non-Current Financial Assets	0.00%	0.00%	0.00%	0.00%
Accruals	3.10%	2.24%	4.70%	5.09%
Total Non-Current Assets	25.56%	33.06%	33.65%	29.00%

Source: *Own calculation, Data from Balance Sheet of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

Regarding the value of the proportion of temporary asset accounts respectively, accruals, to total assets, it is negligible in terms of materiality. The smallest part of share had long-term intangible and financial assets, which had not been changed during the years, due to the fact the company does not invest into the software nor the certificates and so on. However, it is one of its vison proposals to invest into the standardisations in terms of ISO norms. Further diversification of the structure is able to see in graphical chart.

Figure 6-5:Structure of Assets



Source: *Own calculation, Data from Balance Sheet of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

The conclusion of the percentage analysis of base the total liability and can be summarized as the increase in the share of total equity to total liabilities from 67% to 83% in the monitored period 2014-2017. Table is containing the values of company´s liabilities expressed by the major role of accumulated retained earnings, explicitly in 2014 by 56%, 2015 only from 47%. The share of total debt has been slightly declining, which was cause by total volume decrease of debt during the years from 24% to 2%.

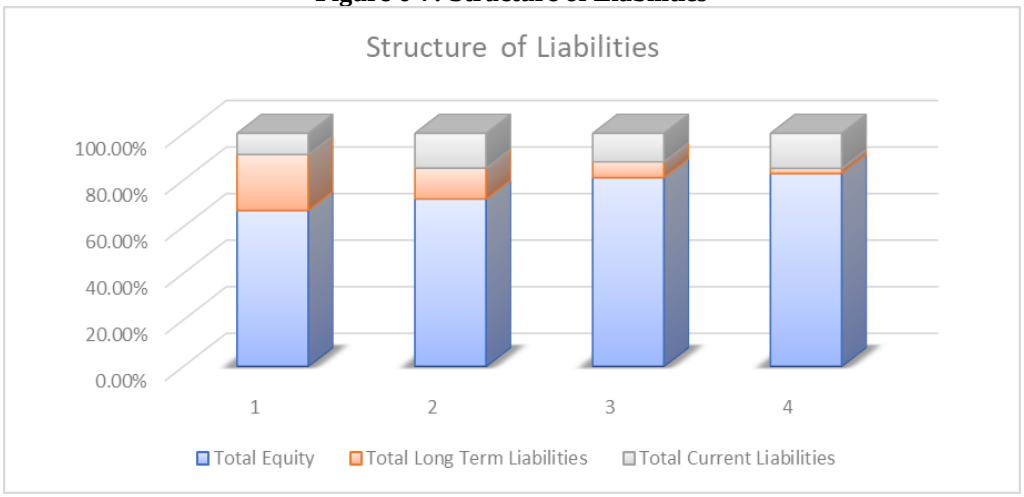
Figure 6-6:Vertical analysis of Liabilities

	2014	2015	2016	2017
Total Liability & Equity	100.00%	100.00%	100.00%	100.00%
Accounts Payable	9.11%	14.92%	12.22%	15.02%
Total Current Liabilities	9.11%	14.92%	12.22%	15.02%
Long Term Debt	24.03%	13.28%	6.82%	2.26%
Total Long-Term Liabilities	24.03%	13.28%	6.82%	2.26%
Total Liabilities	33.14%	28.20%	19.04%	17.27%
Registered Capital	6.53%	5.15%	4.80%	4.61%
Retained Earnings	4.21%	19.14%	13.49%	5.04%
Funds from Profit	0.00%	0.00%	0.48%	0.46%
Accumulated retained earnings	56.12%	47.52%	62.19%	72.62%
Total Equity	66.86%	71.80%	80.96%	82.73%

Source: *Own calculation, Data from Balance Sheet of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

In the graph, there are visible the rising outbalances of Total Equity every year. The evidence is also seen in the table, where equity is expressed in average by 55% from the Profit of previous years. Scheme is perfectly aligned to the outcomes of the table and helps the better perception of the items spreading in the company.

Figure 6-7: Structure of Liabilities



Source: *Own calculation, Data from Balance Sheet of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

6.2.4 Vertical analysis of the Income statement

Figure 6-8: Vertical analysis of Income statement

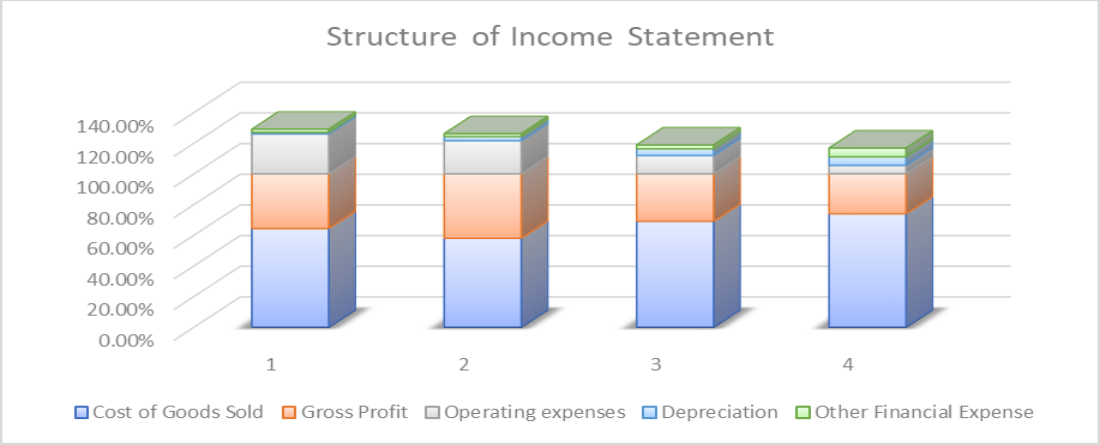
	2014	2015	2016	2017
Net Sales Revenue	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.33%	57.94%	69.01%	73.87%
Gross Profit	35.67%	42.06%	30.99%	26.13%
Personal expenses	3.88%	6.06%	5.46%	4.61%
Depreciation	1.05%	2.71%	4.40%	5.57%
Other operating revenue	0.00%	0.11%	0.61%	0.11%
Other operating expenses	0.39%	0.35%	0.84%	1.00%
Operating expenses	25.92%	21.53%	11.86%	5.48%
Operating Profit	4.42%	11.31%	7.82%	9.36%
Other Revenue	0.46%	0.63%	2.76%	0.49%
Other Financial Expense	2.07%	1.89%	2.53%	5.71%
Earning before tax	2.81%	10.05%	8.05%	4.15%
Tax Expenses	0.69%	1.98%	1.56%	1.23%
Earnings after tax	2.12%	8.07%	6.49%	2.92%
EBIT	4.88%	11.94%	10.58%	9.85%

Source: *Own calculation, Data from P&L of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

Vertical analysis defines a structure of Income Statement composed largely from the cost of goods sold, which is up to 74% in 2017 to the base of NSR. This relation has an immediate effect on the Gross Profit, which has the lowest value in 2017 with only 26%. The following significant component of the income structure are operating expenses that were decreasing in 2014 by 26% to 5.5% in 2017, which has the positive impact on Operating Profit. OP has increased in 2017 to 9% compared to the year 2016 with Operating profit, that was contributing on the income structure from almost 8%.

From the graph is visible that amount of depreciation was getting higher, since 2014 to 2017, precisely (1.05% - 5.57%). This fact is closely connected to the process of gradual lowering of the cost of acquired fixed assets. The expression of the gradual decrease in the value of fixed assets relating to their use, physical and moral obsolescence. Write-offs represent a permanent decline in the value of the assets and are cumulatively recorded in the allowance account, that is why in 2017 is increase of the volume of Depreciation.

Figure 6-9:Structure of Income statement



Source: *Own calculation, Data from P&L of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

6.2.5 Net Working Capital

Net working capital express the liquidity measures of a firm´s ability to pay its current liabilities which is exactly perceptible from the table below, where the Working capital has positive values. It means that AUTOTRANSPOR Žídek s.r.o. has ample resources in the current assets as cash to pay its short-term obligations. From this point of analysis, it might look like the company has enough capital for further investments without additional debt.

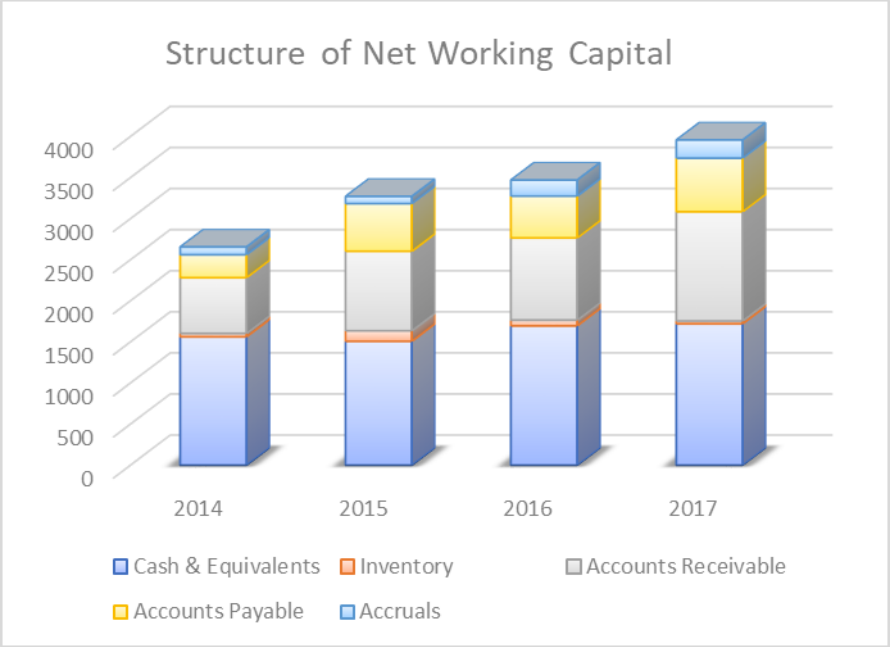
However, after deducting the cash and equivalents, the results are not achieving that enormous rates. This fact means that the company still have enough assets to pay its short-term liabilities, nevertheless most liquid year for AUTOTRANSPORT Žídek s.r.o. was last year, 2017, with the amount of 2.431.000, - CZK. After deducting the most liquid assets company´s result was 712.000, - CZK, which is also visible in the Graph of Structure of NWC, where the highest part after the cash is account receivable. From this graphical presentation is able to see that the current assets are rising and still keeping the higher share comparing the account payable over the years. This means that the company has positive liquidity.

Figure 6-10: Net Working Capital

	2014	2015	2016	2017
Total Current Assets	2,280	2,602	2,764	3,083
Total Current Liabilities	279	580	509	652
Cash & Equivalents	1,560	1,506	1,694	1,719
NET WORKING CAPITAL	2,001	2,022	2,255	2,431
NWC (excl. Cash)	441	516	561	712

Source: *Own calculation, Data from Balance Sheet of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

Figure 6-11:Structure of Net Working Capital



Source: *Own calculation, Data from Balance Sheet of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

Net working capital express the short-term liquidity as well as management´s ability to use its assets efficiently. That is why those calculations were used for the purposes of this work. The development of NWC is illustrated in the chart during the years 2014-2017.

From the graph, it is clear that Net Capital was growing steadily over the years, which is one of the very positive indicators of the company's financial health.

6.2.6 Ratio Analysis

6.2.6.1 Rentability ratios

In this chapter is explained the connection of rentability ratios based on the financial outcome of the AUTOTRANSPOR Žídek s.r.o. Ratio indicators should have increasing trend during the time. However, this assumption can be partly confirmed for all mentioned rentability ratios. There was mentioned partly and it has its own reason, the year 2015 reports supreme values as available to notice in the table below.

Figure 6-12:Rentability ratios

	2014	2015	2016	2017
ROCE	10.67%	33.29%	25.05%	20.03%
ROA NET	4.21%	19.14%	13.49%	5.04%
ROE NET	6.30%	26.55%	16.76%	6.10%
ROS	4.88%	11.94%	10.58%	9.85%

Source: *Own calculation, Data from Balance Sheet of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

ROCE value of the invested capital overtook its minimal in year 2014 by the 10,67%. This value can be interpreted in such a way that the company has achieved the profit (EBIT) 11,- CZK from invested capital of the amount 1,- CZK. ROCE is a long-term profitability ratio because it shows how effectively assets are performing while taking into consideration long-term financing.

ROA ratio is affected by the total assets and by the EAT – Earning after tax. Total assets remained the increasing trend during the four years. The highest volume was reached last year 2017 of the amount 4.342.000, - CZK. Percentage change from year to year is also expressed in horizontal analysis of the Balance sheet in the part of the Assets. During the year company was growing only the non-current assets. The highest percentage value of ROA was in 2015 with 19%. This fact means the net profit (EAT) is 19, - CZK from entered assets of the amount of 1, - CZK.

According to the ratio ROE is possible to measure the Net Profit to the Equity. Total equity is created from the following item: registered capital, retained earnings, funds from profit and accumulated retained earnings. Entered capital, which is has the base of 200.000, - CZK, was not changed during the examined period. The information about equity development are available in the balance sheet of the company, where it is closely

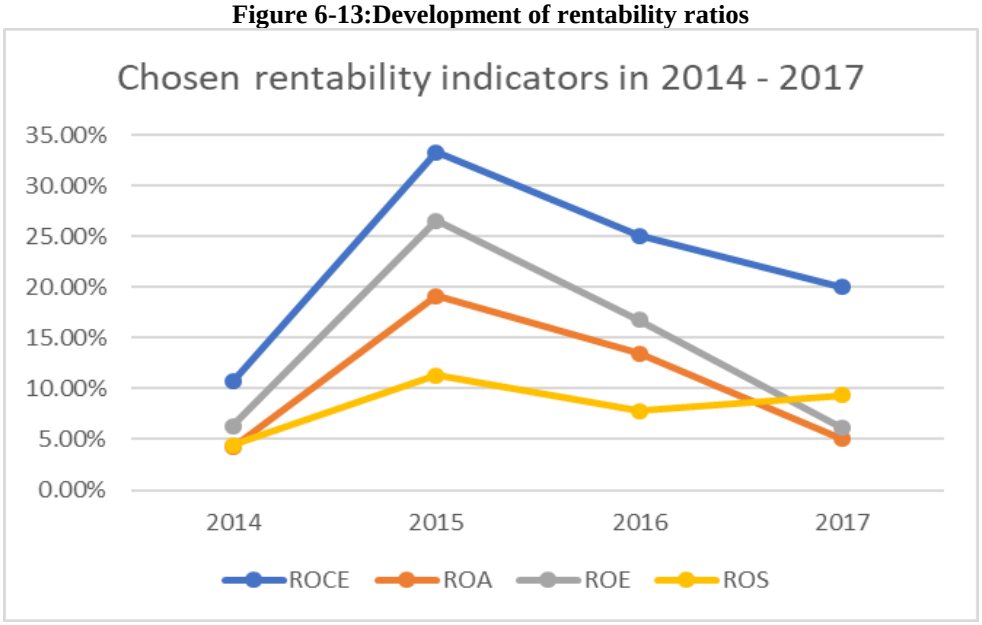
visible how the profit from the previous year affect the results of the return on equity, due to its further non-distribution. However, it is more feasible if the business covers its economic activities by retained earnings for better outcomes of ROA. Nevertheless, company sees this available money as a buffer, in case some unexpected situation occurs.

From the above table and its values for (ROE) – return on equity reached the best values in 2015 with 26,55%. Therefore, the best economic result accompanied with the own capital was pondered in the next year 2016. Even though the values were not that high as in the year 2015, but they were in better combination to each other, which lead to the higher efficiency.

Results of ROE might be also transform into the Czech crowns in the following meaning: AUTOTRANSPORT Žídek s.r.o. earned by profit (EAT) 6, - cents of CZK after the employed 1,- CZK of Net Capital in the year 2017.

In 2016 there was a slight fall at about 2% in sales (ROS), therefore the profitability for the next period again shows another drop by 2%, which is almost 4 % drop compared to the strongest year 2015. According to the observation of the company´s owner, NSR dropped due to end of contract with the customer of the regular delivering services.

Figure 6-13:Development of rentability ratios



Source: *Own calculation, Data from Financial statements of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

In the graph above, there is recorded the progress of rentability indicators. Its lines exactly copy detailed explanation of ROA, ROCE, ROE and ROS values in the Table 11. There is possible to see the significant increase in 2015, when the rentability grew into the striking values.

In the table below are other rentability ratios which are evaluates the firm's financial profit. Net profit margin expresses each Czech crown that was earned by sales on a company´s net income. In 2017 the profit of 1 CZK was 2.9 % from sales, which is critically low. AUTOTRANPSORT earns only 0.029 farthing coins. This low value was caused by lower Net Sales Revenue with quite high proportion of GOGS that year.

Gross profit margin has accomplished constructive rates, therefore the fluctuation over the year was quite significant. From the percentage results is evident, that company sells its services or inventory. In the literature resources there is recommended scale of 40% - 50%. In 2017 the Gross profit margin was the lowest over the years, of the amount of 26.13%. These values mean that company is still profitable, however they are not gaining the much money as in the previous years. The highest profitability can be assumed from the point of Gross Profit Margin in the year 2015 with the margin on 42%.

From the results of operating profit margin is clear that company can earn enough money for its operations to run the business. The higher operating margin the favorable is the performance of the company. However, the values of the examined company are really low, which means that that only 0.09 CZK is left over to cover the non-operating expense in 2017. During the years the values weren't achieving better result, vice versa, the fluctuations are noticeable during the four-year period.

Figure 6-14:Net Profit Margin

	2014	2015	2016	2017
Net profit margin	2.12%	8.07%	6.49%	2.92%
Gross profit margin	35.67%	42.06%	30.99%	26.13%
Operating profit margin	4.42%	11.31%	7.82%	9.36%

Source: *Own calculation, Data from P&L of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

6.2.6.2 Liquidity ratios

Figure 6-15:Liquidity ratios

	2014	2015	2016	2017
Cash ratio (L I)	5.59	2.60	3.33	2.64
Quick ratio (L II)	8.02	4.27	5.29	4.67
Current ratio (L III)	8.17	4.49	5.43	4.73

Source: *Own calculation, Data from P&L of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

From the above data, it is clear that all three types of liquidity indicators are suggestively higher than averages values quoted in the literature. For the ideal liquidity values the scale is between 2.0 – 2.5. In the year 2014 the company was the most liquid and the ratios exceeds normal value up to eight times. In comparison of all ratios, the values of the examined company are marked as above-average. However, this fact does not necessarily mean that such high liquidity values are beneficial. From the analysis ratios and the balance sheet it is obvious that the company accumulate cash in the bank accounts and in the cashier for the operating run of the company. From cash ratio is visible the fluctuation of the value around 2.6, which means that company has almost 2.6 times more cash to pay off its current debt and its reserves are sufficient. This ratio of course can be affected by any investments.

Nevertheless, quick ratio shows the short-term solvency, which means that the firm can satisfy short-term creditors with working capital that does not include inventories. The recommended values of quick ratios are in interval of 1 – 1.5, AUTOTRANSPORT has exceeded those values, which is confident mark of liquidity. m However, unproductive an incorrectly planned inventory led to the drop of liquidities in 2015.

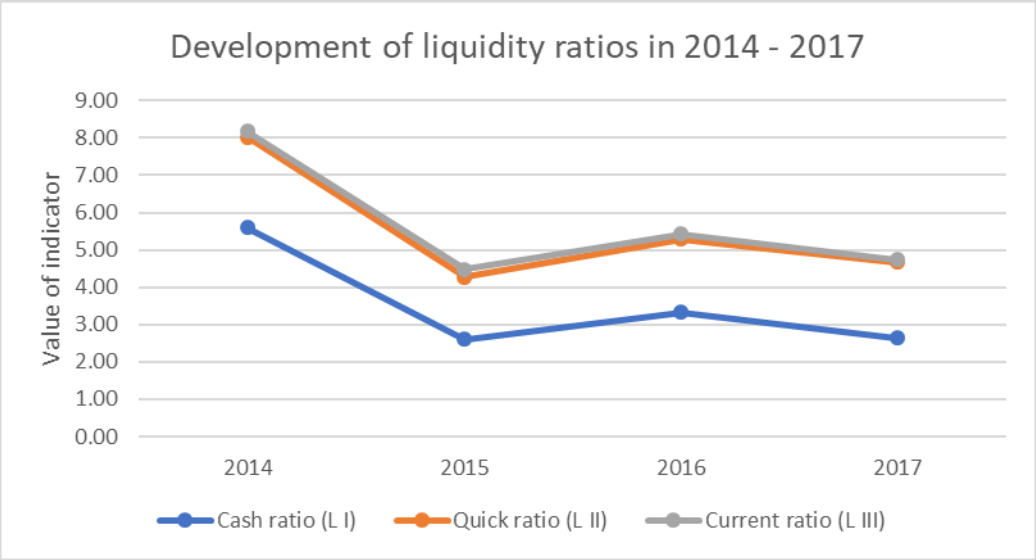
Current ratio is reaching the values around the 5 over the years, too. This ratio shows that the firms is efficient due to the ability pay short-term liabilities by current assets exactly 4.73 times in 2017. In case that the company would not operate with enough current assets, they would be forced to sell some long-term assets, which are generating revenue, that would be the worst scenario.

AUTOTRANSPORT Žídek s.r.o. is operating with sufficient resources to pay its short-term obligations. It is also clear that the firm is efficient in its structure of assets to liabilities.

According to the results based on Table values of Liquidity ratios and Graph of Development liquidity, the principle that the current liquidity > cash ratio, which is

confirmed by its values during the four-year period i.e. (2014: 8.17> 5.59). Nevertheless, it is very clear to see this comparison of these two types of liquidity ratios from graphical presentation, where the line of Current ratio is during the years above the line of Cash Liquidity. This regularity is based on the norm Financial Assets < Current Assets, due to that rule, that the financial assets are part of Current Assets, see further:

Figure 6-16:Development of liquidity ratios



Source: *Own calculation, Data from P&L of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

6.2.6.3 Indicators of Solvency

In the following table containing the debt ratios are computed values based on Income Statement of the AUTOTRANSPOR Žídek s.r.o.

Debt ratio was constantly decreasing over the years 2014 – 2017. The lowest value of 17% in 2017 specify almost non-dependency on leverage and very strong equity ground. The creditors would be really satisfied with the following results in the table over the year, they would not have any contra comments, if the company would need to borrow some money. However recommended values are in the scale between 30% - 60% based on literature resources. This recommended scale met its values in the year 2014 when the company extended its services and purchased new van, that led to the bank loan. The debt ratio was higher that year, due to the investments, however company was even though characterized by low credit risk.

Debt to equity ratio were incessantly declining over the year. The lower value shows the low risk of solvency, which express that the company does not finance its activities from the borrowed money. This ratio can be compared to the industry values which was calculated for the year 2014 by 53.99%, however examined company had even lower share of own resources of the level 50%. In 2014 when the loan was beyond the highest percentage rate, the AUTOTRANSPORT Žídek s.r.o. was not considered as riskier situation and the liabilities were equal to its equity. In frame can be assumed that company does not take any risks and is financially stable, because the percentage had declining tendency.

Equity ratio express the share of total own equity to total assets. In the table are noticeable rising values over the year which has perfect consequence to the lowering debt, and covering assets by own equity. The higher this ratio is the better. Equity ratio can serve also as a double check in the sum of Debt ratio with Equity ratio should achieve 100%. This self-financing ratio is confirmed in the last row of the table confirming the correctness of those ratios.

Figure 6-17:Solvency ratios

	2014	2015	2016	2017
Debt ratio	33%	28%	19%	17%
Debt to equity ratio	50%	39%	24%	21%
Equity ratio	67%	72%	81%	83%
Debt ratio + Equity ratio	100.00%	100.00%	100.00%	100.00%

Source: *Own calculation, Data from Balance Sheet of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

6.2.7 Altman Z-Score model

The bankruptcy model shows the threat of the analyzed enterprise monitored over the years 2014 – 2017. It summarizes the financial position and prosperity of the company.

Figure 6-18: Altman Z-Score

	2014	2015	2016	2017	Indicator evaluation
X1	0.653	0.520	0.541	0.560	**0.717**
X2	0.042	0.191	0.135	0.050	**0.847**
X3	0.097	0.283	0.220	0.170	**3.107**
X4	2.018	2.557	4.228	4.789	**0.420**
X5	1.985	2.373	2.079	1.727	**0.998**
Value of Z-score	**3.63**	**4.86**	**5.04**	**4.71**	
Interpretation of Z-score	**Safe Zone**	**Safe Zone**	**Safe Zone**	**Safe Zone**	

Source: Own calculation

To achieve excellent results, the company must reach the minimum value of Z-score - 3.0. Fortunately, AUTOTRANSPORT Žídek s.r.o. has been successful in every examined year. Company´s outcomes of the Altman Z – score was considered as a part of Safe Zone, which means that the risks of bankruptcy are almost none. The grades, obviously indicate good financial health of the enterprise following the diagram, where is recorded minimal deviations. Those examined values are reaching impressive performance for the management and for the company itself. That is why, remaining on the market is confirmed.

6.2.8 Spider analysis

For the purposes of intercompany comparison has been used spider analysis, which includes selected ratios. Ratio values of AUTOTRANSPORT Žídek s.r.o. are compared with the values of CZ – NACE, sector 49, Transportation and Storage, letter H.

Table is summarizing financial ratios of the whole industry, which are included in separate table for the fourth-year period. Scores were found at the financial analysis processed by Ministry of Industry and Trade.

Spider analysis was split into the four groups: Liquidity, Rentability, Activity and Debt. In the liquidity group, there are compared all three Liquidities: Cash, Quick and

Current liquidity. As a rentability ratios were taken ROA and ROE. Third part consist only of the total turnover of the assets, because the property structure of the company depends generally on assets and other turnover measurements would not be significant to compare. The last part compares the debt of the company accompanied with the equity and debt ratios.

Figure 6-19: Recommended ratios according to MIT

	2014	2015	2016	2017
L I	0.78	0.83	0.76	0.74
L II	1.46	1.59	1.57	1.60
L III	1.56	1.69	1.67	1.70
ROA (%)	0.04	0.04	0.05	0.04
ROE (%)	0.05	0.05	0.05	0.05
Total turnover of Assets	0.58	0.54	0.53	0.51
Equity ratio	0.67	0.72	0.80	0.83
Debt ratio (%)	0.74	0.74	0.76	0.76

Source: *Own calculation, Data from Fiancial Statements of AUTOTRANSPOR Žídek s.r.o. 2014-2017, Ministery of Industry and Trade, 2018*

Figure 6-20: Financial ratios of AUTOTRANSPORT Žídek s.r.o.

	2014	2015	2016	2017
L I	5.591	2.597	5.430	2.637
L II	8.022	4.266	5.293	4.675
L III	8.172	4.486	5.430	4.729
ROA (%)	0.042	0.191	0.135	0.050
ROE (%)	0.063	0.266	0.168	0.061
Total turnover of Assets	1.985	2.373	2.079	1.727
Equity ratio	0.669	0.721	0.805	0.827
Debt ratio (%)	0.331	0.282	0.190	0.173

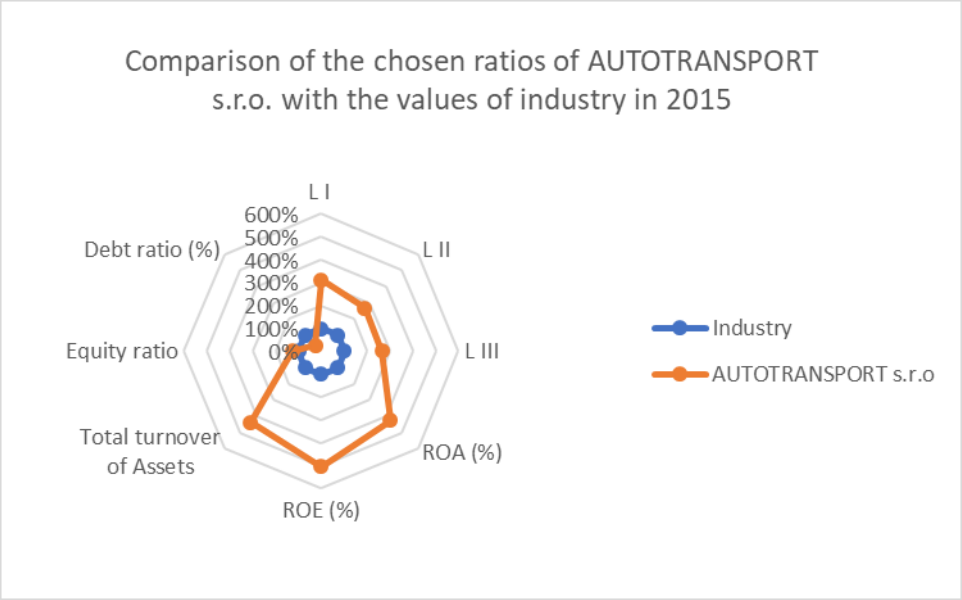
Source: *Own calculation, Data from Fiancial Statements of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

It is curious to compare AUTOTRANSPORT´s values with the ones of the following industry. In the part of Equity ratio, the company practically exactly meets the values of MIT during the years. It could be measured that he company invests into the assets in a propriate way and that the company is not considered as conservative nor hazardous. Other items can be mostly rated as above-average.

In the chart below from the year 2015, it is possible to look at the final financial ratios with the state of the industry. This year is interesting for one reason and that for the debt ratio which excelled. It all has the connection with the investment into the gas station that year. ROE had reached extreme values comparing the year 2015 to the others and with

the values of the industry. From this thrilling point is obvious that the company is disponing with the greater gains and its business is effective.

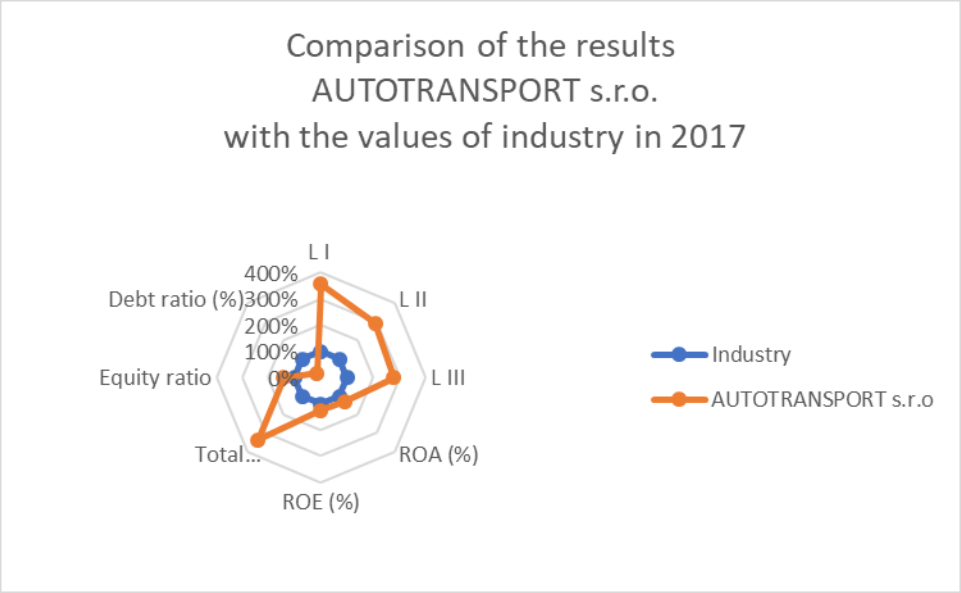
Figure 6-21: Comparison of the firm with the industry 2015



Source: *Own calculation, Data from Fiancial Statements of AUTOTRANSPOR Žídek s.r.o. 2014-2017, and MIT of CZ, 2017*

The year 2017 is the last year that was recorded into the graph. By contrast to the year 2015 the Cash ratio, where the values was exceeded average values. Despite of that fact, the year 2017 hit the peak by the Liquidity ratio, which means that company gaind enough cash and the company is able to convert assets into cash quite easily in short term. According to the full- year outstanding results of finacial analysis, this year can be assumed as truly succesfull.

Figure 6-22: Comparison of the firm with the industry 2017



Source: *Own calculation, Data from Fiancial Statements of AUTOTRANSPOR Žídek s.r.o. 2014-2017, and MIT of CZ, 2017*

6.3 Modern approaches of business performance

In this chapter is used modern method, that arose from the previous traditional (classical) methods. Those approaches become popular because of additional information given, which were missing in the preceding evaluations. Modern evaluation indicators of financial performance are based on economic profit as the main measure performance or cash flow of the enterprise.

6.3.1 Economic Value Added

EVA measurement is the indicator showing the business performance. If the final EVA result is positive, then the company is considered as delivering added value. If the EVA ratio is negative, firms is added value destroying, which means that the profit is not enough to cover the costs of equity.

For the calculation of modern method of business performance, there have been used two approaches for computing the Economic Value Added. First approach is based on WACC rating model, so-called modular model, from the Ministry of Industry and Trade of the Czech Republic. This rating model is useful tool, because it contains benchmarking of the industry connected to the topic.

$$NOPAT = EBIT\ x\ (1 - t)$$
$$WACC\ = rf\ +\ rLA +\ rPS\ +\ rFS$$

Conclusive results of EVA

Figure 6-23:EVA calculations according to MIT

	2014	2015	2016	2017
NOPAT	311.00	1226.00	812.00	794.00
C	2784.00	3318.00	3637.00	3690.00
- C*WACC	-286.88	-289.97	-221.49	-225.03
EVA	**597.88**	**1515.97**	**1033.49**	**1019.03**

Source: *Own calculation, Data from MIT, Damodaron and Balance Sheet of AUTOTRANSPORT Žídek s.r.o, 2014-2017*

In the table there were computed indicators of Capital, that was increasing during the years. WACC was computed in table below for its purposes were need data from MIT of the Czech Republic. EVA that has the highest added value in 2017 with the amount of 1019. This model based on recommendation from the Ministry of Industry and Trade is more suitable as the measurement tool for finding out the real economic value added for the examined company.

Figure 6-24:Calculations of Capital

	2014	2015	2016	2017
C=D+E	3063000.00	3887000.00	4166000.00	4342000.00
C (thous.CZK)	3063.00	3887.00	4166.00	4342.00
C (mil. CZK)	0.003063	0.003887	0.004166	0.004342
C - Charged (thous.CZK)	2784.00	3307.00	3657.00	3690.00
C - Charged (mil.CZK)	0.00	0.00	0.00	0.00

Source: *Own calculation, Data from MIT, Damodaron and Balance Sheet of AUTOTRANSPORT Žídek s.r.o, 2014-2017*

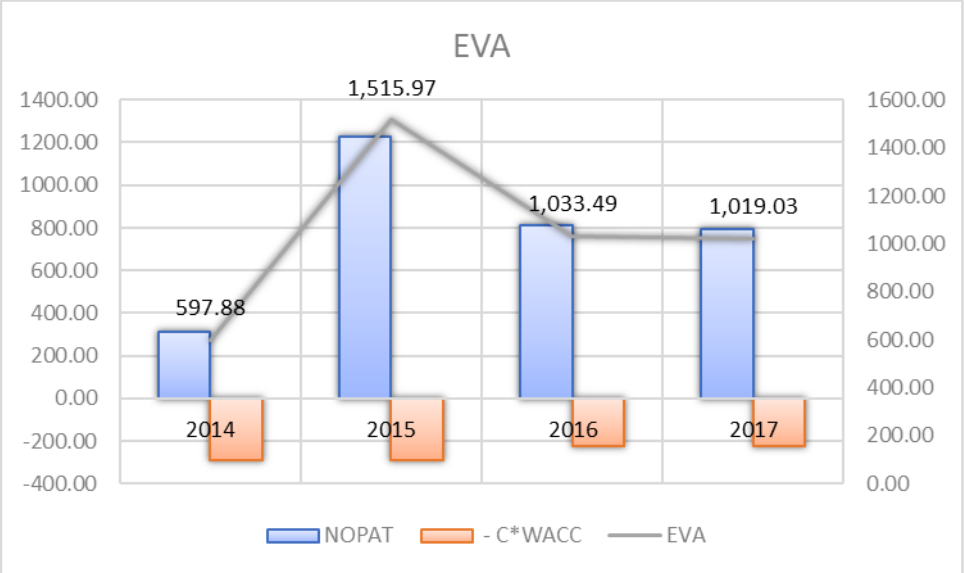
Figure 6-25: Calculations of WACC

	2014	2015	2016	2017
rf	0.02	0.01	0.00	0.01
rLA	0.0039	0.0031	0.0029	0.0030
rPS	0.05	0.05	0.03	0.03
rFS	0.03	0.03	0.03	0.02
WACC	**10.305%**	**8.739%**	**6.090%**	**6.098%**
WACC - CZ NACE values	10%	8%	6%	6%

Source: *Own calculation, Data from MIT, Damodaron and Balance Sheet of AUTOTRANSPORT Žídek s.r.o., 2014-2017*

In the graph of development of EVA during the years is able to notice enormous increase in 2015 which was the most successful year from the point of business performance. That year hit the peak of 1.515. During the years 2016 and 2017 the economic added kept flat.

Figure 6-26: EVA development



Source: *Own calculation, Data from MIT, Damodaron and Balance Sheet of AUTOTRANSPORT Žídek s.r.o, 2014-2017*

Second approach for computing EVA was applied by CAPM - Capital Asset Pricing Model. For second model risk premiums were estimated according to Damodaran, which were found at the American web page Damodaran.com. However, this approach is used internationally, data are more general, that is why the results were expected with the difference in the graph comparing the Czech rating model.

The second graph of EVA has the similar shape, however in the past two year there is possible to see acceleration of downslope curve. This is the main difference between those charts. In the first years 2014 and 2015 graph has the rising trend up to the peak (1.515,97; 1.082). It can be assumed that during the four-year period company gained economic added value, which is considered according to the literature resources as well-performed business.

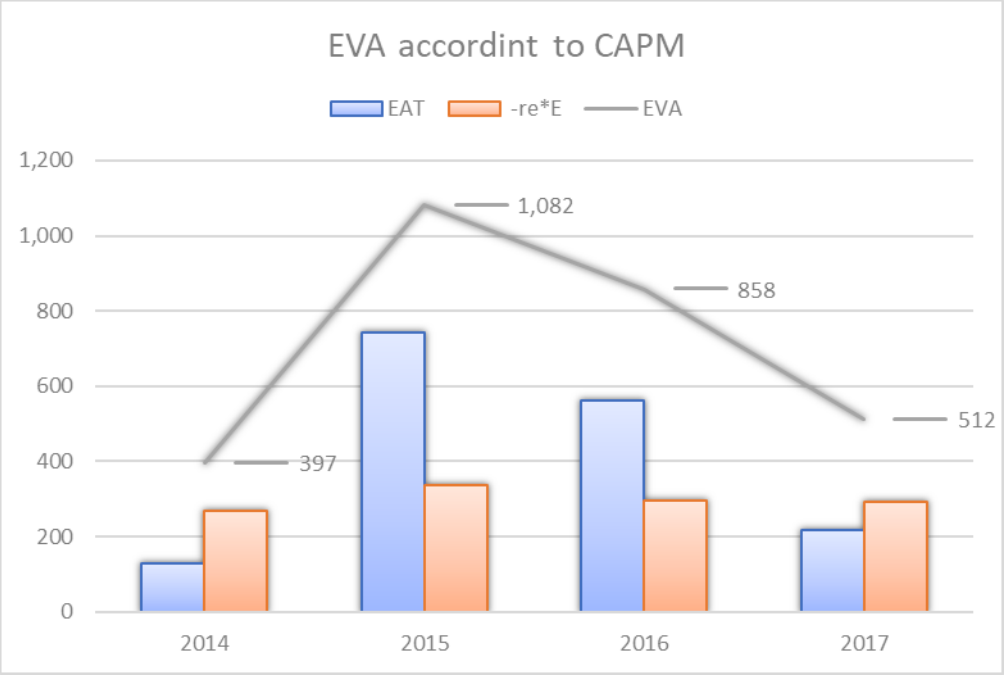
However, the graphs have the similarities, author gives higher importance to the rating model which was based on data according to the Ministry of Industry and Trade of The Czech Republic. It seems to be express results closer the Czech reality.

Figure 6-27: EVA according to CAPM

	2014	2015	2016	2017
EVA	**397**	**1,082**	**858**	**512**
EAT	129	744	562	219
-re*E	268	338	296	293
Total Equity	2,048	2,802	3,353	3,592
re	**13.06%**	**12,05%**	**8.84%**	**8.14%**
Auto & Truck	0.54	0.69	0.73	1.56
Tax t - paid in reality	0.25	0.20	0.19	0.30
beta levered	1.37	2.09	3.23	6.81
rf	1.92%	2.20%	0.67%	0.49%
rm-rf	7.28%	7.08%	6.05%	6.80%

Source: *Own calculation, Data from MIT, Damodaron and Balance Sheet of AUTOTRANSPORT Žídek s.r.o, 2014-2017*

Figure 6-28: EVA development



Source: *Own calculation, Data from MIT, Damodaran and Balance Sheet of AUTOTRANSPORT Žídek s.r.o, 2014-2017*

6.4 Complex Approaches of business performance

In this chapter there are included not only non-financial performance criteria, which are typical for complex business performance evaluation (Veber, 2009). This part of diploma thesis describes how to confront firm´s financial health from retrospective and prospective point of view. For the prediction of the business future welfare there are going to be used bankruptcy model.

6.5 SWOT Analysis

The application of SWOT analysis will help to identify key strengths, opportunities weaknesses and threats of the AUTOTRANSPORT Žídek s.r.o. Those identifications help the better comprehension of internal and external environment.

During the few last years the company is slowly changing and adding other services to satisfy customer needs and raise the competitiveness. In the SWOT analysis there are identified the key perspectives of company.

6.5.1 ADVANTAGES

- **Location of the workplace**

Workplace is well situated, in between the Hradec Králové region and Pardubice region, surrounded by a road network in main directions to Brno, Austria, Poland, Slovakia. AUTOTRANSPORT is providing all services connected to the car almost 24/7, which might be convenient for the driver, in case of (car) any accident caused.

During the season of tire change other pneu-service places might be overcrowded and the waiting list could cause to the customer some issue. Thanks to the close distance to the bigger towns as Hradec Králové or Pardubice make a suitable option how to prevent those situations.

- **Providing services at one place**

The owner has invented his idea well. The advantage providing more services in one area is neither cost efficient, effective, time-saving just for the company nor pleasant for the customers, too. Company offers well-customized services, precisely fit to the customer needs.

- **Specialization of the company**

This advantage is also connected to the previous point, where was mentioned that all services are at one place. The concern of cooperation its companies with AUTOTRANSPORT s.r.o. is connected to broad specialization e.g. Transport services, Auto/Pneu-Service and Gas station, which leads to the significant competitive advantage.

- **Long-term business scope**

According to the long-time manner on the market, the firm has enormous experience, that help to achieve visions of the firm and meet the customer expectations. It also shows that the firm is agile and can adapt and form the firm's business activities.

- **International and domestic business scope**

Transport company has been working on international project with the companies for example: GLS, Raben or Westifrom, since many years ago. This position could be taken as a buffer, in case the domestic logistic stacks or reverse. On the other hand, international business offers are beneficially interesting in the financial part.

- **Small business**

AUTOTRANSPORT Žídek s.r.o. is measured as a small business. Company is able to have personal connection to almost every customer, employee (good customer relationships) and has the positive impact on the business development in the towns or countryside in the Czech Republic.

6.5.2 OPPORTUNITIES

- **Introduction of Reservation system**

Firms is operating daily routines on the personal or mobile communication, which is not effective. The online reservation system would help with the organization work overload.

- **Improve of quality service of the employees**

The firm could focus more on professional communication of the employees with the customer through the workshops and get the employees better educated about the communicational skills, have innovative workshops connected to the workers in the factory, get professional drivers licensed for a specific type of cars/trucks.

- **Extended the firm´s fleet**

Company could invest money into the truck transportation, that brings higher revenues, however takes higher risks with payments obligations of the lease.

- **European subsidy**

AUTOTRANSPORT Žídek s.r.o. could also apply for the European subsidy associated to the development of the countryside for the small businesses.

- **ISO norms**

ISO norms would be huge award for the company. It would add credit to the company, improve the customer perception and would prove its reliability, professionalism and qualification. Company could apply for the following ISO norms connected to the industry: **BISNODE –** Certificate proves the company´s solvency**, AEO C –** this type of documentation is given by Customs Administration of the Czech Republic to the customs reliable firms, that are financially stable, **ISO 9001:2008 –** defines the quality managemtent system. These standards allow to the company demonstrate the ability to produce or distribute product in accordance with neccesary regulations and customer needs. ISO norms can be conected to the Total Quality Management.

6.5.3 WEAKNESSES

- **Understaffed team**

Unfortunately, current situation on the labor market is quite crucial, there is lack of the specialized labor force as auto mechanics, lorry drivers, auto-tronics or people educated to provide diagnoses and work with the auto-mechanism/auto-computer. The underestimation of team leads to the work overload, that has also negative consequences with delivering services on time.

- **Bad reputation/experience with some customers**

This type of weakness might have occurred when the deadline was passed over. Again, there is the connection to the missing labor force.

- **Incompetence fulfilling agreed deadlines**

Passing deadlines over does not show the strongest side of the company. Customers complain and it is hard to prove them (if ever again), that firm is reliable enough to get their loyalty for good. As mentioned above missing deadlines can related to the first point of weaknesses, if providing car repairs and so forth. However, delivering later transport services can be also tight to the wrongly planned road, using not sufficient, reliable, latest information or using obsolete methods.

- **Information system**

Company is not operation with any information system, which could make whole processes more efficient, faster, easier and even clearer. Information system can optimize logistics and plan distributive strategies. IS for logistics company can be used: IS Lori, IS UDIV or AC Transport.

- **Lack of IT knowledge**

Company´s employees do not provide any deep IT knowledge. Focus on IT education should be on the priority list no.1, when everything is getting automated and artificial intelligence is the managing force of many vehicles, these days. Better understanding would accelerate internal and external processes within the company structure.

6.5.4 THREATS

- **Regulation of wage-equality for lorry drivers in Europe**

Regulations can lead to lower competitiveness and foreign offers for Czech transport companies. That might have side-effect on Net sales revenues in the future. Therefore, the advantage of this firm is in its broader specialization, that can be assumed as a kind of independency, due to diversification.

- **Tolling fee**

The cost spent on tolling fee are one of the most significant to run the company. The regulations about the exhaust emission standard are stricter every year and it is connected to the purchasing some new types of vehicles. Every car has the emission category e.g. (EURO 3, EURO 4, EURO 5, EURO 6 – The newest norm). Of course, to

these norms are associated prices of brand new vehicles and the tolling fee. For a brand-new car entity pays less on the tolling fee, nevertheless they spend more money on purchasing the asset. If the company operates with older type of vehicle norm Euro 4, company pays more on tolling fee comparing to the newer one, which has the Euro 5 norm.

7 Conclusion and recommendations

This chapter discusses the results based on the diversification of the diploma thesis, which primarily focus on the financial performance according to the three approaches of the business performance evaluation. Used classical, modern and complex approach of business performance in its interconnection with the non-financial analysis, SWOT analysis applied, gives the overall image of the AUTOTRANSPOR Žídek s.r.o. performance during the years 2014 – 2017.

The conclusion with given recommendations in this chapter is directly connected to the purpose to answer the research question: "Is the AUTOTRANSPOR Žídek s.r.o. financially efficient company?" and fulfill the purpose of the thesis. The financial ratios are windows into a company's performance and health. From the horizontal analysis of the balance sheet is clear the non-current assets slightly decreased comparing from the year 2016 to 2017. This fact has occurred even though, the company was investing into the purchase of new truck in 2017, however, the spending's was not that high. That had the positive effect of the raise of current assets, more precisely on increasing the cash & equivalents, hand by hand with increasing current assets from the point of account receivable, which can be explained by slight increase of sales. From the point of liabilities company is decreasing its bank loan during the years which was proved by solvency ratios and showed side effect of the increase of working capital.

From the point of vertical analysis of the income statement is noticeable the profitability of the company over all four years. However last year 2017 was little bit weaker and the EAT are not that high as was expected. Everything started with the increase in Cost of Goods Sold that are contributing on the structure from 73% which was the highest level reached in 2017. It was one of the leader that pushed the EAT down also with the higher amount of financial expenses. Financial expenses increased principally because of the debit expenses, company currently has more logistic orders from abroad. Also, slight

demand decrease, especially contracts end up, that had not been prolonged also affected the overall profit.

The structure of the balance sheet was detected by the vertical analysis. The outcomes show that the company has significant volume of current assets. In liabilities structure is noticeable change into the equity and eliminating long run debt. From the vertical analysis are noticeable only minor fluctuation in the structure, firm is constantly keeping its rule to purchase at least 1 or 2 newer vehicles to modernize company´s fleet. According to the balance sheet structure is able to see that company operates with a lot of liquid money, however the investment made every year is appropriate to the run of the company and does not bring any high risks for future. It was found out that the majority of the company´s property is finances by own sources. More precisely, own resources are involved in the structure of liabilities by 82% in 2017.

Čechová (2006) emphases that the calculated values of the rentability indicators should always be positive. The analyzed entity fulfills those specifications, as the indicator of net working capital comes out favorably. Fortunately, it did not occur the uncover debt, which would cause a reduction in the balance of payments. According to Růčková (2007), she says that rentability ratios as ROCE, ROE, ROA should have the increasing tendency over the years. This norm was not confirmed by financial ratio analysis, where is able to see fluctuation over the four-year period, however the indicators are always with positive values, which has the final effects of the achievement of the profit and generate new resources.

After the application of solvency ratios, it was computed that the company is using bank loans or other resources of covering only from 17%. This value express minimal risk for the creditors. According to the (Kislingerová, 2007), who says that the company could be indebted from 30% - 60 %. Nevertheless, AUTOTRANSPORT Žídek s.r.o. does not fulfill these recommendations, even though the company could increase its rentability faster. From the last year 2017 the ROA had achieved quite low rate, that is why, the recommendation to process new borrowing, probably would not have positive effect. However, the policy of purchasing bank loans only partly is recommendable, because the company has enough liquid assets to cover some investments from its own part. This combination is less risky and does not negatively affect the company in the future. In this

part of analysis was proved partial aim of the diploma thesis, that the company is financially efficient.

From the results of operating profit margin is clear that company can generate enough resources to cover its operations to run the business. The higher operating margin the favorable is the performance of the company. However, the values of the examined company were really low, which means that company should take into reconsideration its margins for the future. During the years the values weren't achieving better result, vice versa, the fluctuations were noticeable during the four-year period.

As a modern approach of the business performance was calculated economic values added. According to the Ministry of Industry and Trade of the Czech Republic, which was finally decided as corresponding to the AUTOTRANSPORT Žídek s.r.o. environment. It was proved that the company is generating economic value added during the four-year period, which can be assumed as positive sign of the business performance.

As was mentioned just moderately above, the company has not any liquidity issues, does not matter, from which point of ratio we are assuming the results. All of them, current ration, cash ration even the quick ratio reached the positive rates and was exceeded the recommended values almost four times during the past years. Unfortunately, exceeding volume of liquid resources that much is not supportive, in this case. This is evidence of inefficient use of the funds that should be invested instead of lying on company´s bank accounts. Investments should be made into logistical information systems that would save transport costs, and time in case of better planning the routes etc.. In addition, the enterprise could invest in at least one heavy truck, due to higher demand, and thus improve its competitiveness on the market. The company was also analyzed using a comprehensive method of assessing the company's financial performance using the Altman Z -score. This method detects the predisposition of the enterprise to the bankruptcy. The company has reached perfect values during all the years; therefore, it is not any likely to bankrupt. As there is no evidence of any further issues, it can be assumed that the company is efficient also in this part of the analysis.

For the purposes of intercompany comparison has been used spider analysis, which includes Liquidity, Rentability, and Debt ratios. Ratio values of AUTOTRANSPORT Žídek s.r.o. are compared with the values of CZ – NACE, sector 49, Transportation and Storage, letter H. By using spider analysis, the company was compared to the industry

values. In most evaluations compared to the industry, the enterprise achieved above-average results. This is mainly driven by the use of all company´s assets, which are buildings, land, vehicles. Also, in case of emergencies where any repairs are needed, the enterprise saves costs, as well as the time when a group of companies is primarily serviced at operating costs. This cooperation of course has positive effect on the performance of the company.

8 Bibliography

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9 Appendix

Figure 9-1: BALANCE SHEET

BALANCE SHEET				
	2014	**2015**	**2016**	**2017**
Total Assets	**3,063**	**3,887**	**4,166**	**4,342**
Cash & Equivalents	1,560	1,506	1,694	1,719
Accounts Receivable	678	968	1,000	1,329
Inventory	42	128	70	35
Total Current Assets	**2,280**	**2,602**	**2,764**	**3,083**
Non-Current Intangible Assets	0	0	0	0
Non-Current Tangible Assets	688	1,198	1,206	1,038
Non-Current Financial Assets	0	0	0	0
Accruals	95	87	196	221
Total Non-Current Assets	**783**	**1,285**	**1,402**	**1,259**
Total Liabilities	**1,015**	**1,096**	**793**	**750**
Accounts Payable	279	580	509	652
Total Current Liabilities	**279**	**580**	**509**	**652**
Long Term Debt	736	516	284	98
Total Long-Term Liabilities	**736**	**516**	**284**	**98**
Total Liability & Equity	**3,063**	**3,887**	**4,166**	**4,342**
Registered Capital	200	200	200	200
Retained Earnings	129	744	562	219
Funds from Profit	0	0	20	20
Accumulated retained earnings	1,719	1,847	2,591	3,153
Total Equity	**2,048**	**2,791**	**3,373**	**3,592**

Source: *Own calculation, Data from Balance Sheet of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

Figure 9-2: INCOME STATEMENT

INCOME STATEMENT				
	2014	**2015**	**2016**	**2017**
Net Sales Revenue	6,080	9,224	8,661	7,500
Cost of Goods Sold	(3,911)	(5,344)	(5,977)	(5,540)
Gross Profit	**2,169**	**3,880**	**2,684**	**1,960**
Personal expenses	236	559	473	346
Depreciation	64	250	381	418
Other operating revenue	0	10	53	8
Other operating expenses	24	32	73	75
Operating expenses	1,576	1,986	1,027	411
Operating Profit	269	1043	677	702
Other Revenue	28	58	239	37
Other Financial Expenses	(126)	(174)	(219)	(428)
Earning before tax	**171**	**927**	**697**	**311**
Tax Expenses	(42)	(183)	(135)	(92)
Earnings after tax	**129**	**744**	**562**	**219**
EBIT	297	1,101	916	739

Source: *Own calculation, Data from P&L of AUTOTRANSPOR Žídek s.r.o. 2014-2017*

Figure 9-3: Industrial data from MIT

	2014	**2015**	**2016**	**2017**
(rLA)	0.39%	0.31%	0.29%	0.30%
(rFINSTAB)	3.27%	2.50%	2.56%	2.46%
(rf)	1.58%	0.58%	0.48%	0.74%
(WACC)	10.30%	8.46%	6.23%	6.10%
(re)	13.06%	12,05%	8.84%	8.14%
(rPOD)	5.06%	5.35%	2.76%	2.60%

Source: *Own calculation, Data from Ministry of Industry and Trade 2014-2017*