Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economic theories

Bachelor Thesis

Financial analysis of a chosen firm

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BACHELOR THESIS ASSIGNMENT

INGA KADYROVA

Economics and Management
Economics and Management

Thesis title

Financial analysis of a chosen firm

Objectives of thesis

The purpose of this paper is to study the theoretical and practical aspects of financial analysis, its application on the example of a specific organization. Study of financial indicators that can be used to make an assessment and forecast of financial condition. Identify opportunities to improve the financial situation and apply economically sound solutions based on the results of calculations. To assess financial stability based on modern methods of analysis and to develop recommendations for its improvement. Future revenue analysis should allow managers, founders, and shareholders to select the most important areas for the organization's revitalization.

Methodology

Consider the main concepts, essence, and content of financial analysis of the organization.

Study the systems of income, expenditure, and their accounting in the organization.

Consider the economic content and income classification of a commercial organization.

Analyse the composition, structure, and presentation of income in financial statements.

Research the economic essence of the financial results using methods of financial analysis.

The proposed extent of the thesis

30-40

Keywords

Revenue, expense, comparative analysis, induction, deduction, forecasting method, profitability, efficiency, stability.

Recommended information sources

DAMODARAN, A., Dealing with Cash, Cross Holdings and Other Non-Operating Assets, SSRN Electronic Journal, c2005, 55 p.

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Expected date of thesis defence

2021/22 SS – FEM

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Electronic approval: 26. 11. 2021

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Prague on 14. 03. 2022

Declaration

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

In Prague on 15.03.2022 ______________________________

Acknowledgement

I express my gratitude to Pavel Srbek for his help in preparing this thesis, valuable advice and recommendations, as well as patience. I also express my gratitude to my parents, who supported me all the time while writing this research.

Financial analysis of a chosen firm

Abstract

This bachelor thesis provides a financial analysis of the company. The financial condition of the enterprise is characterized by the composition and allocation of funds, the structure of their sources, the speed of capital turnover, the ability of the enterprise to repay its obligations on time and in full, as well as other factors. A reliable and objective assessment of the financial condition of the enterprise is necessary for making effective management decisions. In the process of assessing the financial condition, they study the financial and economic condition of the enterprise and make decisions on the management of capital, cash flows, income, expenses and profit.

The purpose of such an assessment is to investigate the most important aspects of the money turnover and take measures to strengthen the financial and economic condition of the economic entity. A stable financial condition of an enterprise means timely fulfilment of obligations to its staff, partners and the state, which implies financial stability, normalization of solvency, creditworthiness and return on assets, equity and sales.

Keywords: Revenue, expense, comparative analysis, induction, deduction, forecasting method, profitability, liquidity, turnover.

Finanční analýza vybrané firmy

Abstrakt

Tato bakalářská práce poskytuje finanční analýzu společnosti. Finanční stav podniku je charakterizován složením a alokací finančních prostředků, strukturou jejich zdrojů, rychlostí obratu kapitálu, schopností podniku splatit včas a v plné výši své závazky a dalšími faktory. Spolehlivé a objektivní posouzení finanční situace podniku je nezbytné pro efektivní rozhodování managementu. Při posuzování finanční situace je studována finanční a ekonomická situace podniku a rozhodováno o řízení kapitálu, peněžních toků, příjmů, nákladů a zisku.

Účelem takového posouzení je prozkoumat nejdůležitější aspekty obratu peněz a přijmout opatření k posílení finanční a ekonomické kondice ekonomického subjektu. Stabilní finanční situace podniku znamená včasné plnění závazků vůči svým zaměstnancům, partnerům a státu, což znamená finanční stabilitu, normalizaci solventnosti, bonitu a návratnost aktiv, vlastního kapitálu a tržeb.

Klíčová slova: Výnosy, náklady, srovnávací analýza, indukce, dedukce, metoda prognózování, ziskovost, likvidita, obrat.

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ROA-return on assets
ROE-return on equity
Rub.-ruble
LLC- Limited Liability Company

1 Introduction

Financial results are the most important economic indicator of an organization's performance. The financial result is calculated by comparing profits and losses for the reporting period. The basis of accounting for financial results is the comparison of income and expenses of the organization. The effectiveness of the organization's production, investment and financial activities is directly reflected in the volume of its financial results. In the current economic conditions, many organizations are in a loss-making state, while for many organizations this situation becomes long-term. Finding reserves to increase the profitability of organizations is becoming a top priority. The reliability of accounting, control and analysis of the financial results of an organization determines the effectiveness of its economic activities and financial stability. The study will improve the quality and reliability of accounting, control and analysis of the financial results of the organization, which in turn will increase the effectiveness of management decisions.

In the modern sense, profit is a kind of summary indicator that reflects the success of the organization's activities, which in turn reflects the growth of production, improving product quality and optimizing the amount of expenses. As the main result of financial activity, profit in its essence performs several basic functions. First, it reflects the economic effect that the organization has received while conducting its business activities. It forms the basic basis for further economic development and work on expanding the organization's production. The increase in profit thus contributes to the development of the enterprise's base for self-financing, expanded reproduction, and solving social and material problems of all employees of the enterprise. In addition, the organization can repay its obligations to the budget, financial institutions, banks and other organizations at the expense of profit. In addition, profit serves as both the financial result of the organization's activities and the main element of the company's financial resources. That is, profit, in turn, also performs reproductive, stimulating and distributive functions. It represents the degree of business activity and financial well-being of the organization. It should also be noted that the financial result is also the result of activities due to any extraordinary circumstances. Such circumstances may arise, for example, due to the unplanned presence of some unforeseen losses. But also, in some cases, the organization may receive some income from emergency circumstances. In view of this, similarly, the financial result can be defined as the difference between extraordinary income over the same expenses. Thus, the amount of the financial result obtained, whether profit or loss, is divided into the financial result from the main, non-operating activities, and in particular cases, from those arising because of extraordinary economic circumstances.

2 Objectives and Methodology

2.1 Objectives

The purpose of this dissertation is to study financial statements and evaluate the work performed by the selected company. All this will affect the development of recommendations for improving the company's activities.

The analysis will be carried out according to the reports of the company "Restaurant Collection". The purpose of the analysis is to obtain a number of key parameters that will give an objective and accurate picture of the financial condition of the enterprise: such as changes in assets and liabilities, profits and losses, all these parameters will help to develop recommendations for improving the analysis of the financial condition of the organization.

It is important to investigate the most important aspects of money turnover and take measures to strengthen the financial and economic condition of the organization under study.

The theoretical significance of the study lies in the fact that the developed provisions make a certain contribution to the development of the system of accounting and analysis of financial indicators, as well as the formation of a report on the financial results of the organization.

The practical value of the study is that the main conclusions and results formed within the framework of the study can be used by LLC "Restaurant Collection".

2.2 Methodology

The information base of the study was the accounting (financial) statements of LLC "Restaurant Collection" for 2013-2019.

The literature review describes the theoretical aspects of financial analysis for organizations, specifically the concept and role of financial analysis in the firm, its methods and users, as well as the features and impact on business decisions related to the development of the organization.

The fourth chapter is devoted to the study of the procedure for generating a report on financial results on the example of LLC "Restaurant Collection". The methodological basis of the study was based on various modern methods. There were liquidity coefficients, such as Current ratio, which reflects the solvency of the company, characterizing its ability to repay current liabilities and is calculated by the formula:

$$Current\ ratio = \frac{\text{Current assets}}{\text{Current liabilities}} \tag{1}$$

The cash ratio was also examined, showing what proportion of short-term debt obligations can be covered by cash and cash equivalents. Cash ratio calculating by using formula:

$$Cash\ ratio = \frac{cash + cash\ equivalents + invested\ founds}{\text{Current liabilities}} \tag{2}$$

Next, the profitability indicators were examined, showing the relative ratio of own funds used to finance the company's assets. The debt equity ratio, this coefficient shows the amount of time it will take to pay off the debt, provided that the entire operating cash flow of the company is directed to its repayment.

$$Debt\ equity\ ratio = \frac{Liabilities}{Equity} \tag{3}$$

ROA showing the percentage ratio of the company's net profit to its total assets and ROE has the efficiency of using its own invested funds. profit margin is one of the profitability coefficients used, which is calculated as the ratio of net profit and total revenue from the sale of the company's products. The main turnover coefficients such as account receivable, payable and asset turnovers were also used. The final stage was the analysis of the probability of bankruptcy, which was carried out using two methods. The first was the Altman model, which is the most widely used, that is calculated like this:

$$\text{Z-score}=6{,}56T1+3{,}26T2+6{,}72T3+1{,}05T4 \tag{4}$$

The Lis model, which is closer to the realities of the market where the Restaurant Collection is located and calculated by using this formula:

$$Z=0{,}063*K1+0{,}092*K2+0{,}057*K3+0{,}001*K4 \tag{5}$$

All of these methods will make the analysis of the company multilateral, which will help to see a more detailed and versatile situation. To make decisions, the resulting indicators will be compared with the industry norm and the nearest competitor.

In the last chapter, based on the results of the analysis, the shortcomings of the company that require special attention will be revealed. The identified shortcomings and the analysis will allow us to make assumptions to improve the financial performance of the company.

3 Literature Review

3.1 Basic concepts and essence of financial analysis of an organization

The main purpose of the activity of each business entity is to obtain high financial results. All aspects of the company's activities are directly reflected in the financial results, namely, the level of technology and organization of production, control of the level of costs and the level of selling prices, the effectiveness of the management system, state regulation of the development of a certain industry, the features of the economic mechanism. During the economic crisis, the study of the problem of financial results becomes even more relevant, since the level of remuneration of employees depends on the profit received, the saturation of the market with relevant products as needed, the dynamics of cash flows to budgets of various levels.

Indicators of financial results characterize the efficiency of the enterprise. Therefore, the analysis of the financial results of the enterprise is one of the most important areas of financial analysis of the enterprise.

An integral part of the financial work at the enterprise is the financial analysis and assessment of the financial condition of the enterprise.

Further, the definitions of the financial analysis of some authors whose works were used when writing a bachelor's thesis are analysed.

Author Růčková (2015) asserts that financial analysis is a systematic analysis of the data obtained, which are mainly presented in financial reports, their articles, combined data and analysis of relationships and trends. Financial analysis includes three-time levels of evaluation. The assessment consists of the past, present and forecast of the company's financial conditions in the future. Financial planning and financial analysis are used for financial management and evaluation of the overall performance of the company, and their purpose is to formulate certain conclusions about the overall financial and economic situation of the company and to prepare the basis for further decisions. Based on the analysis, users could eliminate the risk associated with the company. These reports were suitable for determining the creditworthiness of companies.

At the same time, Knapkova (2017) supplements this with a statement that the main source of data is the company's financial statements - profit and loss statement, balance sheet, cash flow statement, statement of changes in equity and notes to the financial statements. The annual report also contains a lot of important information.

According to the definition of the author Ravinder (2013), financial analysis is the process of identifying the financial strengths and weaknesses of a firm by properly establishing the relationship between the items of financial statements.

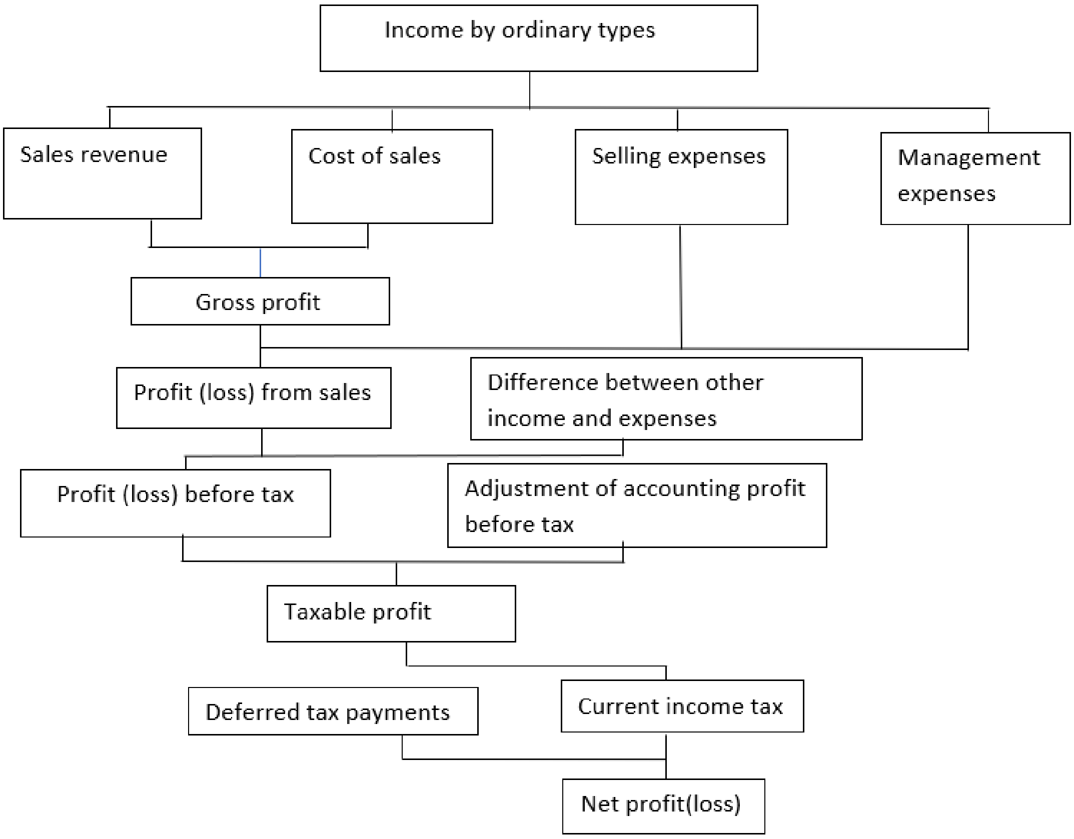
According to the definition of the author Helfert (2001, p. 11)“ "The main purpose of financial analysis is to help those responsible for the results to make informed business decisions within the appropriate cash flow framework”"

Thus, based on the above opinions of the authors about the economic essence of financial analysis, it can be concluded that financial analysis is a necessary tool in the process of managing the activities of each enterprise, the purpose of which is to conduct an analysis, develop assumptions and proposals to improve the efficiency of economic activity of the enterprise.

3.2 Formation of income, expenses and their accounting in the organization

According to Bank (2008) in the modern sense, profit (income) is a kind of summary indicator reflecting the success of the organization's activities, which, in turn, reflects the growth of production, improvement of product quality and optimization of costs. Profit reflects the economic effect that an organization will receive in the course of carrying out its business activities. Profit is the main one for further economic development and expansion of the organization's production. The increase in profits contributes to the development of the enterprise's base for self-financing, expanded reproduction and solving social and material problems of all company personnel. In addition, at the expense of profit, the organization can repay obligations to the budget, financial institutions, banks and other organizations. In addition, profit serves as both the financial result of the organization's activities and the main element of the financial resources of the enterprise. That is, profit, in turn, also performs reproductive, stimulating and distributive functions. It reflects the degree of business activity and financial well-being of the organization.

Figure 3.1 A company's revenue generation scheme



Source: (Rakhimov, 2012)

The sources of information for the analysis of financial and economic activities are accounting data.

Liferenko (2005) believes that accounting statements are a unified system of data on the property and financial position of an organization and on the results of its economic activities, compiled on the basis of accounting data in accordance with established forms. Reporting data is used by external users to evaluate the effectiveness of the organization. Reporting is necessary for the operational management of economic activities and serves as a starting point for subsequent planning and forecasting.

Financial analysis largely depends on the input information used. They should not only be of high quality, but also correct and comprehensive. Primary data is most often taken from financial reports. Financial reports provide information to a wide range of organizations. They can be divided into two main parts: financial reports and internal financial reports.

* Financial statements in monetary terms - include them in external reports because they provide information mainly to external users. They provide an overview of the condition and structure of assets, sources of coverage, creation and use of profit or loss and

cash flows. This information is publicly available, and the company is obliged to publish it at least once a year.

* Internal financial reporting - does not have a legally binding form and is based on the internal needs of each company. The use of internal information leads to more accurate results of financial analysis and will eliminate the risk of deviation from reality, since these are reports that have a more frequent frequency of compilation and allow you to create more detailed time series, which is very important for financial analysis.

The balance sheet is a financial report that reflects in the form of a balance sheet the state of tangible and intangible fixed assets and their sources of financing (liabilities) always on a certain date. The balance sheet is usually compiled on the last day of each year. It provides a basic overview of the company's assets at the time of preparation of the financial statements. We want to get a true picture in three main areas, namely the property status of the company, sources of financing and the financial situation of the company. The first area is the property status of the company. In this area, we find out what specific types of property belong to and how it is evaluated, how worn it is, the optimal composition of the property, etc. The second area is the sources of financing through which real estate was purchased, mainly interested in their structure. The third area is information about the financial position of the company, which contains information about what profit the company received, how it distributed it. And indirect information about whether the company is able to fulfill its obligations. (Růčková, 2015)

Financial analysis works with indicators that are either items of financial statements and data from other sources, or figures derived from them. Růčková (2015) draws attention to the fact that the time aspect plays a very important role in financial analysis. Therefore, it is important to distinguish between the values of state and flow. The state variables relate to a specific point in time (balance sheet data), and the flow variables then relate to a specific time interval (income statement data). From an analytical point of view, the creation of time series is important because only a well-managed time series can give objective results. The less time we spend evaluating the company and the less information we have, the more inaccuracies and ambiguities may arise when interpreting the results.

3.3 The main purpose of financial analysis

The main purpose of financial analysis is to assess the financial condition and identify the possibility of improving the efficiency of the functioning of an economic entity with the help of a rational financial policy.

The analysis of the financial condition of the enterprise pursues several goals by Sheremet (2007):

- identification of changes in financial condition indicators;
- determination of factors affecting the financial condition of the enterprise;
- assessment of quantitative and qualitative changes in financial condition;
- assessment of the financial situation on a certain date;
- determination of trends in the financial condition.

The main task of the analysis of the financial condition is to timely identify and eliminate the shortcomings of financial activities and find reserves to improve the financial condition of the enterprise and its solvency.

So, having understood the goals of financial analysis, it is possible to draw conclusions about its users and their goals of using this report.

3.4 Users of financial analysis

Assessment of the financial condition, like all forms of accounting (financial) statements of an enterprise, is of interest to several groups of consumers at once (Liferenko 2005):

a) internal: business owners, managers of the enterprise, officials responsible for the development of the company. Most management decisions are based on the results of data analysis, which are contained in accounting (financial) statements;

b) external: entities directly or indirectly interested in the development of the enterprise (shareholders, business partners, investors, creditors, representatives of the tax service) use reporting to obtain information about the company's profits, assess solvency, reliability, and the like.

If the target user of financial analysis is known, the purpose of the financial analysis itself can be adjusted based on this information. This is not a distortion or concealment of data. Different users are interested in different information. Therefore, this chapter lists ordinary users and highlights their requirements for financial analysis. First of all, for potential and real investors, business owners interested in the continuous and profitable functioning of the company; suppliers and buyers who expect timely and full fulfilment of obligations under business contracts. So, having identified the user, it will be possible to properly select a specific type of financial analysis that will meet the needs of a particular user. (Liferenko, 2005)

3.5 Types of financial analysis

The owners of the enterprise, analysing the accounting statements, assess the financial prospects of the enterprise in the future and the possibility of further income generation. Investors providing equity want to get an idea of the amount of dividends due, about the possible risks associated with investment investments. Lenders and creditors need reliable information that will allow them to assess the company's ability to repay a loan or loan debt in a timely manner and pay the interest due on loans and borrowings in full.

According to Krylov (2016), a qualitative analysis is formed as a result of information about the economic activity of the enterprise. Not all data on the financial activities of the company are freely available, and depending on the subsequent user, there are 2 types of enterprise analysis:

* External financial analysis of the company
* Internal financial analysis of the company

External financial analysis is based on open accounting information of the company and involves the use of standard calculation methods. In this case, a relatively small amount of initial information is usually used - the financial indicators of the quarterly or annual balance sheet of the company.

When conducting an external analysis, the main attention is paid to comparative methods and quantitative determination of the level of the actual financial condition of the enterprise by calculating various coefficients and indicators. The reasons, conditions and factors determining a low or high level of financial condition cannot be reasonably determined in the process of external analysis due to the lack of special information.

Internal financial analysis is sometimes called an analysis of the economic activity of an enterprise. In his opinion, there is not enough information about the entire enterprise contained in standard accounting reports, and therefore there is a need to use management accounting data. During the analysis, the greatest attention will be paid to identifying the causes and factors that determine the level and changes in the financial condition of the enterprise, finding solutions aimed at improving this condition. The theoretical basis of internal financial analysis is the factor analysis of complex systems.

Table 3.1 Comparative characteristics of external and internal financial analysis

The comparison criterion	Financial analysis	
	External	Internal
Goal	Assessment and diagnostics of the company's financial condition based on public reporting data, analysis of profit and efficiency.	Ensuring the receipt of funds and compliance with equity and debt capital for the effective operation of the enterprise.
Objects	Enterprise as a whole	The enterprise as a whole and its structural divisions
Sources	Public accounting statements	Complex of economic information of the enterprise
Users	Internal, external	Internal
Frequency	Year, quarter	Year, half-year, quarter, month as needed
Availability of results of analysis	Public access	Employees of the enterprise

Source: (Efimova, 2010)

The interrelation and differences between external and internal financial control of organizations and enterprises are expressed, first of all, in the presence of a common goal, which at the same time is and is crucial for compliance with legal requirements when carrying out activities both during the audit and during the standard business activities of the enterprise or organization. The purpose of this analysis is to assess the final financial results of the enterprise, to study the main reasons for their changes in dynamics and in comparison, with similar indicators in the industry and with the indicators of competitors. It is also very important in the analysis to identify reserves for increasing profits, increasing profitability and determining specific measures for their use in current activities and in the future. (Efimova, 2010)

Efimova (2010) argues that in order to achieve their goals, commercial enterprises must solve the following tasks:

* Assess the extent to which profit maximization has been achieved.

* In cases of unprofitable work, determine the reasons for such management and determine ways out of the current situation

* Revenue analysis based on their comparison with expenses and determination of profit from sales

* To study trends in income changes by major product groups and in general from trading activities

* Identify reserves to increase profits and improve profitability and determine how and when these reserves can be used.

3.6 Stages of financial analysis

When conducting a financial analysis of the company's activities, they are guided by the following principles: concreteness, complexity, regularity, economy and objectivity. These principles underlie the system of analytical work. Any management decision is preceded by a certain justification, usually based on the results of some analytical procedures. The meaning and significance of such procedures, especially in business, go far beyond simple arithmetic operations or the calculation of a number of analytical indicators.

The preliminary analysis is distinguished by the study of the financial activity of the enterprise as a whole. The main means of conducting preliminary control is compliance with certain rules, procedures and lines of conduct. Since rules and rules of conduct are developed to ensure that plans are carried out, strict adherence to them is a way to make sure that work is progressing in a given direction. Similarly, if you write clear job descriptions, effectively convey the formulation of goals to subordinates and recruit qualified people to the administrative apparatus of the department, all this will increase the likelihood that the organizational structure will work as intended. In organizations, preliminary control is used in three key areas - in relation to human, material and financial resources. (Liferenko, 2005)

Masson (2018) highlights the main stages of financial analysis:

1. Description of the purpose of the analysis, its format

At this stage, analysts are usually involved, who, based on the questions that need to be answered, choose methods that can be used to obtain the necessary information.

Already at this stage you need to understand:

● who will use the financial analysis data, in what form the results should be presented, what part of the confidential information;

● the time period for which data will be needed;

● a list of documents from which you can extract the necessary information;

2. Preliminary overview of the state of the enterprise

Data is collected on what are the key performance indicators of the company at the time of analysis. It is necessary to record the following data:

● The results achieved by the company;

● property status at the beginning and end of the reporting period;

● Prospects;

3. Checking the property and financial condition of the organization

At this stage, the rationality of investing money in assets is checked. The solvency and liquidity of the organization is also assessed. In this case, liquidity ratios are usually calculated.

Based on the coefficients obtained, it is possible to understand how stable the company is in the long term. It is necessary to consider these indicators in dynamics.

3.7 Methods of financial analysis

The method of financial analysis is a system of the most general, key concepts of this science, general scientific and specifically scientific methods and principles of the study of the financial activities of economic entities.

Financial analysis works with indicators that are either items of financial statements and data from other sources, or figures derived from them. Růčková (2015) draws attention to the fact that the time aspect plays a very important role in financial analysis. Therefore, it is important to distinguish between the values of state and flow. The state variables relate to a specific point in time (balance sheet data), and the flow variables then relate to a specific time interval (income statement data). From an analytical point of view, the creation of time series is important because only a well-managed time series can give objective results. The less time we spend evaluating the company and the less information we have, the more inaccuracies and ambiguities may arise when interpreting the results.

Financial analysis is based on the research methodology. The methodology is a set of organizational approaches and special methods used to process economic information.

Rakhimov (2012) writes that for the analysis of available indicators and the analysis of financial results, there are methods that are common all over the world and have been used for a long time:

- EBIT: an indicator reflecting the amount of profit before interest and income tax;

- EBITDA: earnings before interest, income tax and depreciation. Compared to the previous indicator, this indicator does not include the amount of expenses for accrued depreciation of fixed assets;

The most commonly used methods of financial analysis:

Horizontal analysis (temporary) - comparison of each reporting position with the corresponding position of the previous period, consists in the construction of one or more analytical tables in which the absolute balance indicators are supplemented by the forms and dynamics of its individual indicators. In the course of horizontal analysis, absolute and relative changes in the values of various balance sheet items for the reporting period are determined. (Robbinson, 2015)

Vertical analysis (structural). The purpose of vertical analysis is to calculate the specific weight of individual balance sheet items, i.e. to clarify the structure of assets and liabilities at a certain date. (Robbinson, 2015)

Trend analysis is the comparison of each reporting position with the positions of a number of previous periods and the determination of the trend, i.e. the main trend of the indicator dynamics, cleared of random influences and individual characteristics of individual periods. With the help of the trend, possible values of indicators in the future are formed, and therefore, a prospective, predictive analysis is conducted. (Helfert, 2001)

The analysis of relative indicators (ratio analysis) is reduced to the study of the levels and dynamics of relative indicators of financial condition, calculated as the ratio of the values of balance sheet items or other absolute indicators obtained on the basis of reporting or accounting. When analysing financial ratio, their values are compared with the basic values, and their dynamics for the reporting period and for a number of adjacent reporting periods are studied. (Helfert, 2001)

According to Scholleova's book (2012), vertical and horizontal analysis must comply with the rules of the balance sheet. The golden balance rule compares long-term resources (equity + long-term debt) and long-term assets, the ideal situation is balanced. The risk equalization rule states that foreign resources should be less than their own. The Betting rule is a different view on the coordination of the time horizon of assets and liabilities and states that equity should finance fixed assets, but long-term debt should also be used, i.e. that equity in the company should be less than fixed assets - in extreme cases they can be equal.

3.7.1 Analysis of liquidity and financial stability

The financial condition of an enterprise from a short-term perspective is assessed by indicators of liquidity and solvency, which in the most general form characterize whether it can timely and fully settle short-term obligations to counterparties. The short-term debt of the enterprise, isolated in a separate section of the balance sheet liability, is repaid in various ways, in particular, any assets of the enterprise, including non-current ones, can act as collateral. At the same time, it is clear that the forced sale of fixed assets to repay current accounts payable is often evidence of a pre-bankruptcy state and therefore cannot be considered as a normal operation. Therefore, speaking about the liquidity and solvency of an enterprise as characteristics of its current financial condition, it is quite logical to compare short-term liabilities with current assets as a real and economically justified security for them. The liquidity of an enterprise, means that it has working capital in an amount theoretically sufficient to repay short-term obligations, even if in violation of the repayment terms stipulated by contracts. In other words, liquidity means a formal excess of current assets over short-term liabilities.(Bank 2006)

Solvency means that the company has sufficient cash and cash equivalents to settle accounts payable that require immediate repayment. Thus, the main signs of solvency are: (a) the availability of sufficient funds in the current account; (b) the absence of overdue accounts payable. The balance sheet liquidity analysis presupposes checking the ratio of assets to liabilities, each of which is grouped in a certain way: assets - according to the degree of liquidity, liabilities - according to the urgency of repayment. (Sheremet, 1999)

The main task in assessing the liquidity of the balance sheet is to determine the degree of coverage of the company's liabilities by its assets, the term of conversion of which into cash (liquidity) corresponds to the maturity of obligations (urgency of repayment). The liquidity of the balance sheet is achieved by establishing the identity between the obligations of the enterprise and its assets. (Sheremet, 1999)

In other words, the liquidity of the balance sheet is the ability of an enterprise to turn its assets into cash to repay its payment obligations.

There are 4 main groups according to the degree of liquidity.

Table 3.2 Methods of grouping assets

Indicator	Meaning	Balance sheet items
The most liquid assets (A1)	Can be used to fulfil obligations at a given time.	Investments+cash
Fast-selling assets (A2)	Can be used it to fulfil obligations after a certain time	accounts receivable+other current assets
Slow-selling assets (A3)	They include stocks of raw materials and goods and cannot be sold until all stages of production have passed and they are not equipped with stocks of finished products.	Inventory+value added tax
Hard-to-sell assets (A4)	These include non-current assets that are intended for long-term use	Non-current assets-investments

There are 4 groups of liabilities according to the urgency of the return.

Table 3.3 Methods of grouping liabilities

Indicator	Meaning	Balance sheet items
Most urgent obligations (L1)	Accounts payable and other short-term liabilities	Accounts payable + other liabilities
Short-term liabilities (L2)	Borrowed funds that are repayable within 12 months	Borrowed funds
Long-term liabilities (L3)	Funds repayable for more than 12 months	Long-term liabilities
The company's own capital (L4)	Equity capital	Capital and reserves

Traditionally, the liquidity of the balance sheet is considered absolute if all the following identities are fulfilled (Bank, 2006):

$A1 \geq L1$;

$A2 \geq L2$;

A3 ≥ L3;

A4 ≤ L4.

Being absolute, the indicator characterizing the value of own working capital is not adapted for spatial and temporal comparisons, therefore, relative indicators - liquidity ratios - are more actively used in the analysis. It is customary to distinguish three groups of current assets that differ from the position of their participation in the repayment of settlements: inventories, accounts receivable and cash and cash equivalents. (Bank, 2006)

The current liquidity ratio gives an overall assessment of the liquidity of the enterprise, showing how many rub of working capital (current assets) account for one rub of current short-term debt (current liabilities).(Krylov, 2016)

$$Current\ ratio = \frac{\text{Current assets}}{\text{Current liabilities}} \tag{6}$$

The value of the indicator can vary significantly by industry and type of activity, and its reasonable growth in dynamics is usually considered as a favourable trend. According to Krylov (2016), the approximate value is 1-2, but not its exact normative value. This ratio will be compared with a competitive enterprise for a more realistic assessment.

Cash ratio is the most stringent criterion for the liquidity of an enterprise; it shows how much of the short-term debt obligations can be repaid immediately, if necessary, at the expense of available funds. (Krylov, 2016)

$$Cash\ ratio = \frac{cash + cash\ equivalents + invested\ founds}{\text{Current liabilities}} \tag{7}$$

There are no generally recognized criteria values for this coefficient. The recommended values are 0,2-0,5. This ratio will be compared with a competitive enterprise for a more realistic assessment. (Krylov 2016)

The two indicators considered are the main ones for assessing liquidity and solvency. Nevertheless, there are other indicators that have a certain interest for the analyst. The assessment of liquidity should be carried out intelligently; for example, if the value of own working capital is negative, then the financial position of the enterprise in the short term is considered unfavourable, while the calculation of liquidity ratios no longer makes sense. (Savitskaya 2004)

Financial stability can be considered one of the most important indicators of the stability of an organization. We can talk about financial stability if the level of income of an organization exceeds the level of its expenses. During the operation of the enterprise, its reserves are constantly replenished by using current and borrowed funds (various loans and borrowings). In order to find out the sources that form the reserves, you need to have information about the availability of the company's own money, about the availability of sources from which the company borrows funds. It is necessary to take into account the size of the main sources from which reserves are formed (own sources of financing, deficiencies or surpluses of working capital, the size of these sources of coverage).(Bank,2006)

The financial leverage (debt equity) ratio is directly proportional to the financial risk of the enterprise, while reflecting the ratio of debt and equity, but it is also possible to trace the relationship between profit and this ratio. Optimal, especially in Russian practice, is an equal ratio of liabilities and equity (net assets), i.e. the financial leverage ratio is equal to 1. A value of up to 2 may be acceptable (for large public companies, this ratio may be even greater). With large values of the coefficient, the organization loses its financial independence, and its financial situation becomes extremely unstable. (Bank,2006)

$$Debt\ equity\ ratio = \frac{Liabilities}{Equity} \tag{8}$$

The equity ratio shows how independent an organization is from creditors. The lower the coefficient value, the more the organization is dependent on borrowed sources of financing, the less stable its financial position is. equity ratio belongs to a group of indicators describing the capital structure of an organization, and is widely used in Russia. West a similar indicator " Debt ratio " is more often used, which also characterizes the capital structure. (Bank,2006)

$$Equity\ ratio = \frac{Equity\ capital}{Assets} \tag{9}$$

Having calculated these indicators, we can get a general idea of the financial stability of the enterprise.

3.7.2 Profitability analysis

In Kovalev (2006) opinion the effectiveness of the company's activities in the financial sense is characterized by indicators of profit and profitability. These indicators seem to sum up the company's activities for the reporting period; they depend on many factors: the volume of products sold, cost intensity, organization of production, etc. Among the key factors are the level and structure of costs (production and circulation costs), therefore, within the framework of intra—company financial management, an assessment of the expediency of costs, their dynamics, structural changes can be carried out in this block, and the main indicators are the level of production costs (circulation) and absolute and relative savings (cost overruns). It is possible to distinguish various profit indicators that are of particular interest to certain categories of users. Such as return on equity and return in assets. Since these indicators are the most common generalized characteristics of the company's success, it is necessary to clearly and unambiguously identify them, which will allow you to make informed value judgments. Profitability indicators are relative indicators, expressed as a percentage, in which profit is compared with some base that characterizes an enterprise from one of two sides - resources or total income in the form of revenue received from counterparties in the course of current activities.

Various algorithms for their calculation are possible, depending on which of the profit indicators is the basis for calculations, but gross, operating (profit before interest and taxes) or net profit are most often used. Accordingly, three indicators of the profitability of the enterprise are calculated. (Kovalev, 2006).

ROA is a financial indicator of the efficiency of doing business, which, in fact, indicates the effectiveness of the company's use of its property, including credit borrowings. A high ROA does not always reflect the true state of affairs in the company. If the ROA is significantly higher than the norms in the industry, then this may mean that the company does not invest in asset renewal. The lack of investment in new equipment and technologies can slow down business development and affect the long-term prospects of the company.(Liferenko, 2005)

$$Return\ on\ assets = \frac{Net\ income}{Total\ assets} \tag{10}$$

ROE is the annual profit of the company, after deducting all taxes, fees and other mandatory expenses, divided by the value of all funds invested in the company by the founders without borrowed funds. There are several ways to interpret the return on equity indicator. Obviously, in an ideal situation, the higher the ROE value, the more efficient, the better the enterprise. (Liferenko, 2005)

$$Return\ on\ equity = \frac{Net\ income}{Average\ shareholders'equity} \tag{11}$$

The marginality of a business reflects its stability. The higher indicator, the less likely that the company will go bankrupt due to lower prices for its products, falling consumer demand or rising production costs. All other things being equal, a business with a good margin is preferable for long-term investments. It will be less affected by negative external factors. Management efficiency is also assessed by the dynamics of net profit margin. Ideally, this indicator should grow steadily both by increasing revenue and by optimizing costs. (Liferenko, 2005)

$$Net\ profit\ margin = \frac{Net\ income}{Revenue} \tag{12}$$

Each profitability coefficient is aimed at achieving different goals, therefore, in order to obtain detailed information, the calculation must be made for all indicators. The main ways to increase profitability: increasing profits and reducing the cost of production, choosing the most profitable projects, selling high-margin goods for trading companies.

3.7.3 Analysis of turnover indicators

Turnover analysis allows you to assess the ability of an organization to generate income by making a turnover of "money - goods - money". As a result of the turnover analysis, it is possible to understand the conditions of material supply, sales of finished products, terms of settlements with buyers and suppliers, etc.

From the point of view of cash flow, an industrial enterprise takes the money at its disposal and uses it to pay for raw materials. The money is then returned (usually with a profit) in the form of payment for finished products. This is a financial cycle, it also has the characteristic "Duration", which is measured in units of time. The period of time between the shipment of products to the buyer and receiving payment from him for these products is called the "Turnover period of accounts receivable". (Bank 2006)

Savitskaya (2004) highlights that the most popular turnover coefficients in financial analysis are:

- turnover of current assets
- inventory turnover
- turnover of accounts receivable
- turnover of accounts payable
- asset turnover
- turnover of equity

The higher the asset turnover ratio, the more intensively assets are used in the organization's activities, the higher the business activity. However, turnover is highly dependent on industry specifics. In trade organizations where large volumes of revenue are generated, turnover will be higher; in fund-intensive industries, it will be lower. A comparative analysis of the turnover coefficients of two similar enterprises in the same industry can show differences in the effectiveness of asset management. For example, a large turnover of accounts receivable indicates a more efficient collection of payments from buyers. (Savitskaya 2004)

The purpose of the analysis of business activity is to assess the quality of management by the criterion of the speed of transformation of the organization's assets into cash.

For our analysis we will use such coefficients as:

$$Accounts\ receivable\ turnower\ ratio = \frac{Net\ credit\ purchases}{Average\ accounts\ receivable} \tag{13}$$

$$Payable\ Turnower\ Ratio = \frac{Net\ credit\ purchases}{Average\ accounts\ payable} \tag{14}$$

$$Asset\ turnover\ ratio \frac{Net\ Sales}{Average\ Total\ Assets} \tag{15}$$

3.7.4 Assessment of the probability of bankruptcy

Diagnosis of bankruptcy is of paramount importance in the current crisis situation in Russia. The assessment of the probability of bankruptcy is understood as forecasting the possibility of a situation of deterioration in the solvency and liquidity of the enterprise, which will mean the inability to repay its obligations to creditors. It should be noted that from the point of view of information support, all of them are focused mainly on balance sheet data. It is quite difficult for a company to assess the risk of bankruptcy. After all, it is necessary to take into account many different factors. For this purpose, there are many suitable methods that are designed to help in predicting the risk of insolvency.

The most difficult stage is the choice of the evaluation methodology. There are quite a lot of them. In this analysis, for a more universal calculation, 2 bankruptcy models will be used. The first of them, the Altman model, is the most frequently used, while the Lis model is closest to the market segment in Russia according to the author Bank (2006). The most popular option is the Altman’s model. The simplest model for diagnosing bankruptcy is the Altman four-factor model. When building the model, the indicators on which the probability of bankruptcy depends are taken into account. The Lis model as a whole is closer to the Russian realities in terms of content and a set of factors-signs. This model takes into account factors such as profitability, liquidity and financial independence.

Altman 's model looks like this (Bank 2006):

$$Z\text{-score}=6,56T1+3,26T2+6,72T3+1,05T4 \quad (16)$$

where:

T1 - the ratio of working capital to the value of all assets

T2 - the ratio of retained earnings to the value of all assets

T3 - the ratio of EBIT to the value of all assets

T4 - the ratio of equity to debt

The Lis model looks like this (Bank 2006):

$$Z=0,063K1+0,092K2+0,057K3+0,001K4 \quad (17)$$

where:

K1 - The ratio of working capital to assets

K2 - The ratio of profit from sales to assets

K3 – The ratio of retained earnings to assets

K4 - The ratio of equity and debt capital

We can say that each forecasting model has its drawbacks. For example, the Altman model does not take into account the sectoral and regional specifics of the functioning of economic entities, which can significantly distance from the real result. The values of the coefficients differ significantly as a result of the peculiarities of the Russian economy, so the mechanical use of Altman models can lead to significant deviations of the forecast from reality. It can also be said that the advantage of the Lis model is that all financial performance indicators depend on the size of assets, regardless of whether this item is profitable or expendable. The model is based on the assumption that the more assets, the higher their liquidity. It should be borne in mind that the Lis model for determining the probability of bankruptcy in the analysis of Russian enterprises shows somewhat inflated estimates, since the profit from sales, excluding financial activities, has a significant impact on the final indicator. As expected, any bankruptcy model cannot provide 100 percent accuracy. So, to form a more realistic picture of the probability of bankruptcy, 2 definition models will be used.

No model can guarantee bankruptcy. They all have their own probability. The assessment of the probability of bankruptcy may be affected by all the indicators that have been studied previously. In addition, the probability may be influenced by entrepreneurial decisions aimed at changing the quality of activity. (Bank, 2006)

3.8 The results of the financial analysis

After carrying out all the main stages, financial indicators will be formed, which are the basis for financial planning, forecasting, budgeting and auditing.

The results of the analysis of financial statements are used to identify problems of management of production and commercial activities, to select areas of capital investments, to evaluate the activities of the management of the organization, as well as to predict its individual indicators and the financial performance of the organization as a whole. The analysis of the financial condition is the basis on which the development of the financial policy of the enterprise is based.

4 Practical Part

4.1 General characteristics of the organization's activities

The company was registered on December 17, 2012. The general director of the organization is Ustuzhanin Valerii.

According to the legal form of the company "Restaurant Collection" is a limited liability company and its rights and obligations are determined by the charter in accordance with the Civil Code of the Russian Federation. This organization is located at the address: Kazan, Russia.

LLC "Restaurant Collection" in its activities is guided by the legislation of the Russian Federation and mandatory acts of the executive authorities.

The main activity is:

- Activity of restaurants and services for the delivery of food
- Drinks serving
- Food serving

The main goal of LLC "Restaurant Collection" is the activity aimed at making a profit to meet the social, cultural and economic interests of the members of the labour collective and the interests of the founders.

4.2 Financial analysis of the organization's activities

The presented analysis of the financial condition and performance of LLC "Restaurant Collection" was performed for the period from 01.01.2013 to 31.12.2019 (7 years).

The financial analysis of the company "Restaurant Collection" LLC was made on the basis of the financial statements https://www.list-org.com/company/1160722/report .
The main indications of the company's financial statements will be indicated as they are used and all balance sheet in appendix.

Brief information about the organization being compared:

The company was incorporated on October 30, 2012. General Director Nazipova Nailya. According to the organizational and legal form, the Yuzhanka company is a limited liability company. This organization is located at: Kazan, Russia. The main activity is the activity of restaurants and food delivery services.

4.2.1 Analysis of the company's property

The term "property of the organization" means fixed and current assets, as well as other values, the value of which is reflected in the balance sheet of the organization.

The analysis of the balance sheet begins with a description of the total amount of the company's assets and the dynamics of its changes during the period under review. The result of this part of the analysis should be to identify the sources of an increase or decrease in the assets of the enterprise and to determine the items of assets for which these changes have occurred.

Horizontal analysis is a dynamic analysis of indicators. It allows you to set their absolute increments and growth rates.

Table 4.1 Horizontal analysis of the company's property

Asset	Absolute values, thousand rub.(Changes, thousand rub)						
	2013	2014	2015	2016	2017	2018	2019
1. Non-current assets, including:	205	528 (323)	296 (-232)	0 (-296)	0	0	0
Fixed assets	205	528 (323)	296 (-232)	0 (-296)	0	0	0
2. Current (current) assets, including:	31875	21099 (-10776)	21177 (78)	21141 (-36)	23099 (1958)	22786 (-313)	0 (-22786)
Stocks	14726	6061 (-8665)	10757 (4696)	13049 (2293)	11645 (-1404)	15786 (4141)	17488 (1702)
Accounts receivable	17146	15025 (-2121)	9998 (-5027)	7657 (-2341)	11192 (3535)	6934 (-4258)	5547 (-1387)
Cash	3	13 (10)	422 (409)	435 (13)	262 (-173)	66 (-196)	23 (-43)
Balance	32080	21627 (-10453)	21473 (-154)	21141 (-332)	23099 (1958)	22786 (-313)	23058 (272)

Source: company’s balance sheet

Horizontal analysis.

The total value of the property does not have stable indicators and changes significantly over the analyzed period. In 2019, it increased by 272 thousand rubles. This was due to a decrease in both current assets and non-current assets by 100 percent. It can also be noted that since 2016, the company's fixed assets have been reduced to 0. This factor should be noted as a negative component, since this trend may provoke a decrease in the production potential of the enterprise. The company's balance sheet has increased, but it is possible to judge the positive effect only by analyzing the structure of this increase.

Considering this indicator in dynamics, we can also note a certain instability of working capital. decreased by 22,786 thousand rubles or 100%. This is due to the lag in the growth rate of mobile assets compared to the growth rate of all total assets. This happened mainly due to a decrease in the value of accounts receivable and cash by 1,430 thousand rubles.

During the analyzed period, the volume of accounts receivable has a negative trend and decreases every year, only 2017 stands out due to a positive indicator. Only over the past year, the indicator of accounts receivable decreased (by 1,387 thousand rubles), which is a positive change and may indicate an improvement in the situation with the payment of the company's products and the choice of a suitable sales policy.

Superficially analyzing the property of the enterprise, it is impossible to form a clear idea of the company's activities. To talk about the efficiency of the enterprise and its potentials, it is necessary to analyze this enterprise for liquidity and solvency and find out whether the enterprise will be able to repay all its short-term obligations without violating the maturity dates and whether the enterprise has sufficient cash and their equivalents sufficient to repay accounts payable requiring immediate repayment.

4.2.2 Liquidity analysis

Liquidity (current solvency) is one of the most important characteristics of an organization's financial condition, determining the ability to pay bills on time and is actually one of the indicators of bankruptcy. The results of the liquidity analysis are important from the point of view of both internal and external users of information about the organization.

To determine the solvency of an enterprise, taking into account the liquidity of its assets, a balance sheet is usually used. The analysis of the liquidity of the balance sheet consists in comparing the amounts of funds on the asset, grouped by their degree of liquidity, with the amounts of liabilities on the liability, grouped by their maturity.

Table 4.2 Liquidity of LLC " Restaurant Collection»

Indicators	2013	2014	2015	2016	2017	2018	2019
Most liquid assets (A1)	3	13	422	435	262	66	23
Fast-selling assets (A2)	17146	15025	9998	7657	11192	6934	5547
Slow-selling assets (A3)	14726	6061	10757	13049	11645	15786	17488
Hard-to-sell assets (A4)	205	528	296	0	0	0	0
Balance sheet	32080	21627	21473	21141	23099	22786	23058

Source: own calculations

The table below shows the grouping of assets by the degree of liquidity for the analysed enterprise.

Table 4.3 The structure of assets on the degree of liquidity, %

Indicators	2013	2014	2015	2016	2017	2018	2019
Most liquid assets (A1)	0.01	0.06	1.97	2.06	1.13	0.29	0.1
Fast-selling assets (A2)	53.45	69.47	46.56	36.22	48.45	30.43	24.06
Slow-selling assets (A3)	45.9	28.03	50.1	61.72	50.41	69.28	75.84
Hard-to-sell assets (A4)	0.64	2.44	1.38	0	0	0	0

Source: own calculations

The average value of the share of fast-selling assets is 44.09% of the total working capital. The average value of slow-moving assets amount is 54.47%.

The grouping of the company's assets showed that the asset structure in the reporting period was dominated by slowly developing assets (A3) totaling 17488 thousand rub last year.

The analysis of the table shows that the value of assets increases mainly due to slow-selling assets (A3) in the last period, the increase was 6.56%.

During the analyzed period, the following changes occurred.

The share of the most liquid assets has had a negative trend since 2016. Over the last period, these assets have decreased from 0.29% to 0.1% of working capital. The share of fast-selling assets is also decreasing from year to year, for 2019 this decrease was equal to 6.37%. While the volume of slowly sold assets is gradually increasing for 2019, the increase was equal to 6.56%. Consequently, 43 thousand rubles, by which the most liquid assets were reduced, could be used to increase slowly sold assets. And the "net" increase in slow-selling assets is 1702 - 43 = 1659 thousand rubles. Thus, the transformation of the most liquid assets into slow-selling assets takes place. As a result, the total liquidity of working capital decreases.

Table 4.4 Grouping of liabilities

Indicators	2013	2014	2015	2016	2017	2018	2019
Most urgent obligations (L1)	27918	10245	11350	7753	10784	7603	8178
Short-term liabilities (L2)	3397	9813	8127	2435	1439	4926	4441
Long-term liabilities (L3)	0	0	0	8185	7419	6462	0
Own capital (L4)	765	1368	1996	2768	3457	3796	4433
Balance sheet	32080	21627	21141	21141	23099	22786	23058

Based on the data obtained, we will conduct a liquidity analysis applying the norms presented earlier in literature review.

The table with the materials is on the next page. All payments are reflected in thousands of rub.

Balance sheet liquidity analysis (property approach).

Table 4.5 Balance sheet liquidity

Indicator	Asset	Liabilities	Condition	Surplus (shortage) of payment
2013	A1=3	L1=27918	≤	-27915
	A2=17146	L2=3397	≤	13749
	A3=14726	L3=0	≥	14726
	A4=205	L4=0	≥	-560
2014	A1=13	L1=10445	≤	-10432
	A2=15025	L2=9813	≤	5212
	A3=6061	L3=0	≥	6061
	A4=528	L4=0	≥	-840
2015	A1=422	L1=11350	≤	-10928
	A2=9998	L2=8127	≤	1871
	A3=10757	L3=0	≥	10757
	A4=296	L4=0	≥	-1700
2016	A1=435	L1=7753	≤	-7318
	A2=7657	L2=2435	≤	5222
	A3=13049	L3=8185	≥	4864
	A4=0	L4=0	≥	-2768
2017	A1=262	L1=10784	≤	-10522
	A2=11192	L2=1439	≤	9753
	A3=11645	L3=7419	≥	4226
	A4=0	L4=0	≥	-3457
2018	A1=66	L1=7603	≤	-7537
	A2=6934	L2=4926	≤	2008
	A3=15786	L3=6462	≥	9324
	A4=0	L4=0	≥	-37
2019	A1=23	L1=8178	≤	-8155
	A2=5547	L2=4441	≤	1106
	A3=17488	L3=6006	≥	17488
	A4=0	L4=0	≥	-4433

Source: own calculations

Throughout the analysed period, the company has a shortage of funds to repay the most urgent obligations. The calculation of the absolute values of the payment surplus or shortage shows that the most liquid assets cover only 1.86% of liabilities. In accordance with the principles of optimal asset structure by degree of liquidity, short-term accounts receivable should be sufficient to cover medium-term liabilities (short-term debt minus current accounts payable). In this case, this ratio is fulfilled – the company has enough short-term accounts receivable to repay medium-term obligations. Slow-selling assets cover long-term liabilities, so for the entire analysed period there is a surplus, only in 2019 it amounted to 17488 thousand rub. Hard-to-realize assets are less than permanent liabilities (the company has its own working capital), i.e. the minimum condition for financial stability is met. Of the four ratios characterizing the availability of liquid assets in the organization for the period under review, three are performed. The balance of the organization in the analysed period can be called liquid, but it is not absolutely liquid.
The company lacks the most liquid assets, therefore, it is impossible to talk about the absolute liquidity of the balance sheet

For a more detailed analysis of the company's work, we will compare the current liquidity with the nearest competitor of the selected enterprise.

The cash ratio is calculated in the table below.

Table 4.6 Cash ratio

Year	LLC "Restaurant Collection”	LLC "Yuzhanka”
2013	0.0001	-
2014	0.0006	0.0133
2015	0.0217	0.3054
2016	0.0427	0
2017	0.0214	0.2712
2018	0.0053	7.2911
2019	0.0018	-

Source: own calculations

The norm of the cash ratio is 0.2-0.5. (Krylov, 2016) After conducting a comparative analysis of 2 enterprises, it can be concluded that the "Restaurant Collection" has stable indicators of the cash ratio, which are significantly lower than the norm. The analysis of the compared enterprise shows that such indicators are close or normal, while there is no stability of these indicators. Short-term liabilities are secured by highly liquid assets much worse than similar enterprises. This can lead to problems with the repayment of the most urgent obligations.

Table 4.7 Current Liquidity Ratio

Year	LLC "Restaurant Collection"	LLC "Yuzhanka"
2013	1.0179	-
2014	1.0415	3.8133
2015	1.0873	3.9701
2016	2.0751	1.0798
2017	1.8898	2.1271
2018	1.8187	12.0886
2019	1.8272	-

Source: own calculations

The norm of this ratio in the studied industry is 1.8-2.3 (Krylov, 2016). The analysed enterprise has reached the regulatory value since 2016 and maintains it within the limits for the entire further period under study. While the closest competitor does not reach the regulatory value only in 2016. This indicates that the company is to some extent provided with its own funds for doing business and timely repayment of urgent obligations. The ratio of current assets to short-term liabilities is worse than that of a similar organization. This may lead to a loss of solvency in the long or medium term.

4.2.3 Financial stability ratios

In Russian practice, the equity ratio is more common, while in world practice, the opposite Debt Equity is used, but also characterizing the ratio of equity and debt capital. Another similar indicator used in Western practice is the financial leverage ratio (debt to equity ratio).

The Equity Ratio (coefficient of financial independence) characterizes the ratio of equity to the total amount of capital (assets) of an organization.

Table 4.8 Financial stability ratios

Indicator	Equity Ratio of "Restaurant collection"	Equity Ratio of "Yuzhanka"	Debt Equity "Restaurant collection"	Debt Equity "Yuzhanka"
2013	0.0238	1	40.9346	0
2014	0.0633	0.7378	14.8085	0.3555
2015	0.093	0.7481	9.758	0.3367
2016	0.1309	0.0739	6.6376	12.5237
2017	0.1497	0.5299	5.6818	0.8872
2018	0.1666	0.9173	5.0029	0.0902
2019	0.1923	1	0	0

Source: own calculations

The average equity ratio among similar enterprises throughout Russia is at the level of 0.47, while in the “Restaurant Collection, this level is below average. This means that the company has a significantly smaller share of its own funds in the capital than the Yuzhanka enterprise similar in the industry, whose indicators are at a very good level. So, we can conclude that this imbalance in favor of borrowed funds reduces financial stability.

The debt equity ratio shows us that the “Restaurant Collection” has inflated indicators. The average value of the industry is at the level of 0.3, while the indicators significantly exceed the normative indicator, which shows us that the organization is losing its financial independence and its position is extremely unstable. while “Yuzhanka” enterprises show us more realistic coefficients to the norm, but in 2016 it loses its stability and tries to bring it back to normal in the following years. In 2019, both companies completely abandoned debt capital, which leads to a low possibility of financial risks, but also leads to a decrease in the ability to generate growth in financial profitability.

4.2.4 Calculation and analysis of profitability indicators

Profitability indicators characterize the efficiency of the enterprise as a whole. They characterize the activity of the enterprise more fully than profit, because their value shows the ratio of the effect with costs or resources. The table shows the initial data and the calculation of profitability indicators. All indicators can be calculated on the basis of profit from sales and net profit.

Also, after analyzing the profitability, we will compare it with an enterprise that is already familiar to us, which is a close competitor in the city of Kazan.

The table with the materials is on the next page.

Table 4.9 Profit indicators of the enterprise

Indicators	2014	2015	2016	2017	2018	2019
1. Revenue	116976	85518	82000	80366	79313	60680
2. Expenses for ordinary activities	116071	83650	81400	79341	77862	59134
3. Profit (loss) from sales	905	1868	600	1025	1451	1546
5. EBIT	1037	1585	965	1026	1013	576
6. Interest payable	202	763	0	227	489	576
8. Net profit	640	628	772	639	339	-144

Source: Company’s balance sheet

In the reporting period, the company's profit from sales varies from 600 to 1868 thousand rubles. Since 2016, it has a positive trend. While the company's revenue has been declining since 2016

Next, we will pay attention to such coefficients as ROA in the comparative table between the two enterprises. The industry average value of this indicator is about 6%.(Federal Tax Service statistics)

Table 4.10 Return on assets

Year	“Restaurant Collection” Indicator (%)	“Yuzhanka” Indicator (%)
2014	2.38	3.8
2015	2.91	11.98
2016	3.62	1.17
2017	2.89	3.25
2018	1.48	65.11
2019	2.78	35.49

Source: own calculations

Having studied this table and the coefficients, we can draw the following conclusions: The “Restaurant Collection” is in a steadily declining state. The return on the use of all assets is significantly lagging behind with an average of 2.67. While the indicators of the nearest competitor are in a much better position. They do not have stability in the studied period, but they are significantly ahead of the norms of this industry. So, we can say that a competitive enterprise is trying to improve its ability to generate profit without taking into account the structure of its capital.

Further, such coefficients as return on equity in the comparative table will be considered. The norm of this value for this industry is 36%. (Federal Tax Service statistics)

Table 4.11 Return on equity

Year	“Restaurant collection” Indicator (%)	“Yuzhanka” Indicator (%)
2014	60.01	4.56
2015	37.34	16.12
2016	32.41	7.13
2017	20.53	22.91
2018	9.35	87.22
2019	15.48	36.8

Source: own calculations

From this table it can be seen that at the beginning of the analyzed period, this indicator reached the industry norm, but at the same time, every year there is a significant decrease in the indicator, which indicates that the efficiency of using equity capital is getting worse every year. While the coefficients of the «Yuzhanka» have the opposite value and are developing, gradually approaching the normative value. In this case, the growing return on equity suggests that the company increases its profit without needing a lot of capital. It also shows how well the company's management uses the equity capital.

Next, the coefficients of the net profit margin of the organization will be presented.

Table 4.12 Net profit margin

Year	“Restaurant collection” Indicator (%)	“Yuzhanka” Indicator (%)
2014	0.55	0.25
2015	0.73	0.46
2016	0.94	0.12
2017	0.8	0.35
2018	0.48	1.08
2019	1.05	1.15

Source: own calculations

The profit margin shows how much net profit an organization receives in each ruble of revenue. At LLC "Restaurant Collection" this indicator is worse than that of most similar organizations, since the average rate is about 4.5% (Federal Tax Service statistics), because no indicator is even close to the normal indicator. The company reaches its maximum coefficient only in the 7th studied period, which was 1.05% and is not included in the normal indicator. While comparing the indicators with a close competitor operating in the same market as the main enterprise, we can say that these coefficients are in approximately the same position. The average value of the “Restaurant Collection” is 0.76, while the Yuzhanka, this indicator is 0.57. In this case, it can be assumed that the geographical location affects this indicator, because both enterprises show very low figures, but in any case, we can say that the enterprise shows a profitable state, and not unprofitable.

4.2.5 Turnover analysis

Table 4.13 Turnover indicators LLC „Restaurant Collection“

Indicator	2014	2015	2016	2017	2018	2019
Turnover of accounts receivable (Duration,days)	7.27 (49.5)	6.84 (52.6)	9.29 (38.8)	8.53 (42.2)	8.75 (41.1)	9.72 (37)
Payable Turnover Ratio (Duration,days)	6.1 (59)	7.85 (45.9)	8.59 (41.9)	8.67 (41.5)	8.63 (41.7)	7.69 (46.8)
Asset turnover ratio (Duration,days)	4.36 (82.6)	3.97 (90.7)	3.85 (93.5)	3.63 (99.2)	3.46 (104)	2.65 (135.8)

Source: own calculation

The coefficient of total capital turnover shows the efficiency of the use of property, reflects the turnover rate of the entire capital of the organization. The duration of capital in the assets of the organization decreased by 0.81 and amounted to 9.72 times, i.e. the assets of the enterprise began to be used less effectively in the production process.

It should be noted that the turnover of accounts receivable is higher than the turnover of accounts payable, which is a favorable factor in the company's activities. Accounts receivable turn around faster than working capital.

The simultaneous growth of profitability and asset turnover is an indicator of the effective activity of the company in the sale of products and the work of the marketing department (the growth rate of revenue is accelerating.

The turnover of assets for the analyzed period shows that the organization receives income equal to the sum of all available assets for 135.8 calendar days, which is within the norm. The average value is from 40 to 100 days (Data of the Federal Tax Service). An increase in the duration of turnover throughout the entire activity of the enterprise negatively affects the activities of the organization, since the assets of the enterprise have become slower to turn into monetary form. So, only in the last analyzed period, one turnover increased by 31.8 days.

The indicator of the duration of the turnover of short-term debt on cash payments (37 days), considered as an indicator of solvency in the short term, did not exceed 180 days. Thus, it can be assumed that the deadlines for fulfilling obligations have not expired yet or the company has enough resources to pay off creditors.

The interval of self-financing (or solvency) at the end of the reporting period indicates a low level of the company's reserves for financing its costs as part of the cost price.

The analysis made it possible to draw the following conclusions. Accounts receivable from buyers and customers exceed the advances received. Accounts payable to suppliers and contractors exceed the advances issued. This situation does not affect financial stability, since accounts receivable are balanced by accounts payable. There is a small gain in time due to the shift in the financial cycle, hence a small positive impact on profits. The position of the enterprise can be characterized as a "buyer's" market in the sales market and the supply market.

So, for a clearer vision of the situation and a real assessment of the enterprise, it is worth comparing it with the Yuzhanka indicators, the nearest competitor in the market.

Table 4.14 Turnover indicators LLC "Yuzhanka"

Indicator	2014	2015	2016	2017	2018	2019
Turnover of accounts receivable ratio (duration in days)	238.66 (1.5)	560.59 (0.6)	12.29 (29.3)	12.35 (29.1)	993.27 (0.4)	103.37 (3.5)
Payable Turnover Ratio (duration in days)	92.28 (3.9)	102.57 (3.5)	11.23 (32.1)	10.8 (33.3)	238.57 (1.5)	870.13 (0.4)
Asset turnover ratio (duration in days)	15.47 (23.3)	26.33 (13.7)	9.39 (38.3)	9.27 (38.8)	60.48 (6)	30.88 (11.7)

Source: own calculations

The turnover of assets for the analysed period shows that the organization receives income equal to the sum of all available assets for 11.7 calendar days. Since the turnover of accounts payable is lower than the turnover of accounts receivable, this state of affairs can be called a negative factor in the company's activities. The indicator of the duration of the turnover of short-term debt on cash payments for the entire period did not exceed 33.3 days. Thus, it can be assumed that the deadlines for fulfilling obligations have not expired yet or the company has enough resources to pay off creditors. The solvency interval at the end of the reporting period indicates a low level of the company's reserves to finance its costs as part of the cost price.

The indicators given in the table allow us to draw the following conclusions. The advances received exceed the accounts receivable of buyers and customers. The advances issued exceed the accounts payable to suppliers and contractors. This situation does not affect financial stability, since accounts receivable are balanced by accounts payable. There is a slight loss of time due to a shift in the opposite direction of the financial cycle, which therefore has a slight negative impact on profits.

It should be noted that the average value of the duration of the turnover of net production working capital for the analysed period is positive, which ensures the solvency of the organization in the long term.

4.3 Bankruptcy forecast

The forecast of bankruptcy according to the Altman model. (Bank 2006)

One of the indicators of the probability of an organization's imminent bankruptcy is Altman's Z-score.

The estimated probability of bankruptcy, depending on the value of Altman's Z-account, is:

1.1 and less – high probability of bankruptcy

from 1.1 to 2.6 - average probability of bankruptcy

from 2.6 and higher – low probability of bankruptcy

Initial data table for calculating bankruptcy is on the next page.

Table 4.15 Initial data for calculation

Indicators	2014	2015	2016	2017	2018	2019
Working capital, thnd rub	840	1700	10953	10876	10258	4433
Assets, thnd rub.	21627	21473	21141	23099	22786	23058
Ratio of working capital to value of all assets, T1	0.0388	0.0792	0.5181	0.4708	0.4502	0.1923
Average value of assets, thnd rub	26853.5	21550	21307	22120	22942.5	22922
Ratio of retained earnings the value of all assets, T2	0.0238	0.0291	0.0362	0.0289	0.0148	0.0278
EBIT, thnd rub	835	822	965	799	524	0
Ratio of EBIT to all assets, T3	0.0311	0.0381	0.0453	0.0361	0.0228	0
Borrowed capital, thnd rub.	20258	19477	18373	19642	18991	0
The ratio of equity to debt, T4	0.0675	0.1025	0.1507	0.176	0.1999	0
Revenue, thnd rub.	116976	85518	82000	80366	79313	60680

Source: Company's balance sheet

Table 4.16 Banckruptcy score of "Restaurant Collection" by using Altman's model

	2014	2015	2016	2017	2018	2019
Ratio	Value					
T1	0.25	0.52	3.4	3.09	2.95	1.26
T2	0.08	0.09	0.12	0.09	0.05	0.09
T3	0.21	0.26	0.3	0.24	0.15	0
T4	0.07	0.11	0.16	0.18	0.21	0
Z score	0.61	0.98	3.98	3.6	3.36	1.35

Source: own calculations

Comparing the coefficients obtained during the reporting period, it can be concluded that 2014, 2015 were the most unfavourable years in the company's activities and the bankruptcy forecast was very high, but for 2016-2018 the Z-score shows fairly good indicators, which predicts low risks of bankruptcy of the enterprise.

Thus, according to Altman's 4-factor bankruptcy assessment system, the analysed organization has a stable situation for most indicators over the past 4 years. The average indicator for the reporting period was 2.31, which characterizes the company as a company with an average probability of bankruptcy.

For comparison, the results of this analysis for the "Yuzhanka" enterprise will be presented below.

Table 4.17 Banckruptcy score of "Yuzhanka" by using Altman's model

	2014	2015	2016	2017	2018	2019
Ratio	Value					
T1	4.84	4.91	0.48	3.48	6.02	6.56
T2	0.12	0.39	0.04	0.11	2.12	1.16
T3	0.26	0.81	0.08	0.22	4.38	2.38
T4	2.95	3.12	0.08	1.18	11.64	0
Z score	8.17	9.23	0.68	4.99	24.16	10.1

Source: own calculations

Relying on the data of this model, we can conclude that the company is in stable shape and has a low risk of bankruptcy. It was only in 2016 that they did not have a consistently low coefficient, but after this period of time their position recovered to optimal indicators. Perhaps this decrease was caused by external factors, since throughout the analysis we can observe that 2016 was not favourable for the activities of this enterprise.

Next, we will analyse the probability of bankruptcy using the Lis method for both enterprises. (Bank,2006)

The estimated probability of bankruptcy, depending on the value of the Lis Z-account, is:

below 0.037 – a significant probability of bankruptcy

0.037 and higher – insignificant probability of bankruptcy

Table 4.18 Banckruptcy score of "Restaurant Collection" by using Lis's model

	2014	2015	2016	2017	2018	2019
Ratio	Value					
K1	0.0024	0.005	0.0326	0.0297	0.0284	0.0121
K2	0.0031	0.0335	0.0026	0.0043	0.0058	0
K3	0.0014	0.0017	0.0021	0.0016	0.0008	0.0016
K4	0.0001	0.0001	0.0002	0.0002	0.0002	0
Z score	0.007	0.0403	0.0375	0.0358	0.0352	0.0137

Source: own calculations

The values obtained on the basis of the Lis model for the "Yuzhanka" enterprise.

Table 4.19 Banckruptcy score of "Yuzhanka" by using Lis's model

	2014	2015	2016	2017	2018	2019
Ratio	Value					
K1	0.0465	0.0471	0.0047	0.0334	0.0578	0.063
K2	0.156	0.1958	0.066	0.0499	0.226	0.1587
K3	0.0022	0.0068	0.0007	0.0019	0.0371	0.0202
K4	0.0028	0.003	0.0001	0.0011	0.0111	0
Z score	0.2075	0.2527	0.0715	0.0863	0.332	0.2419

Source: own calculations

Based on the results of both enterprises, it can be concluded that the competitive enterprise “Yuzhanka” shows significantly better results, as well as throughout the bankruptcy analysis. It can be said that the probability of bankruptcy of this enterprise is low, since the indicators show positive results for both models. While the indicators of the "Restaurant Collection" are at the borderline level for most of the analyzed period.

Considering the indicators obtained on the basis of two bankruptcy models, it can be assumed that for more stable indicators in these models, the Restaurant Collection enterprise needs to restore its balance sheet indicators and strengthen its position in the local market. Because, relying in business decisions solely on the data in the proposed table, they may not lead to a really relevant and reliable result. It is impossible to rely on search results without studying the overall efficiency of the enterprise and the coefficients described earlier.

5 Results and Discussion

5.1 Comprehensive report on the company's activities

Report on the company's activities. A comparative analysis of the balance sheet and the report on the financial results of LLC "Restaurant Collection" was carried out in the period from 2013 to 2019. The analysis was carried out on the basis of indicators contained in the database of the Federal Tax Service. The main activity of the Organization is the work of restaurants and food delivery services. During the analysis, we compared the key financial indicators of the organization with the average (median) values of these indicators of a specific industry and the nearest competitive enterprise of “Yuzhanka”. When calculating the average industry data, enterprices with assets of more than 10 thousand rub were taken into account, and revenue for the year exceeds 100 thousand rub. For comparison, the average industry indicators of organizations of comparable scale of activity - microenterprises with revenue from 10 to 120 million rub per year are used.

As a result of the analysis of the key financial indicators of the organization, the following was established: the financial condition of LLC "Restaurant Collection" as of 31.12.2019 is worse than the financial condition of similar microenterprises engaged in the activities of restaurants and food delivery services. At the same time, the financial condition of the enterprise has not changed significantly over the last reporting period.

After conducting a financial analysis of the activities of LLC "Restaurant Collection" for the period 2013-2019, the following trends were identified:

- the analysed production enterprise has insufficient payment capabilities; low values of financial coefficients and liquidity coefficients indicate the need to strengthen the financial condition of the enterprise.
- the company is in a loss-making state
- the balance of the organization is illiquid. The Company is not fully provided with funds for timely repayment of urgent and short-term obligations.

According to the functional approach of liquidity analysis, the organization has an imbalance of stocks and accounts payable. The organization has an imbalance of accounts receivable and short-term liabilities. In addition, there is a negative trend of outstripping the growth of short-term liabilities in comparison with the change in accounts receivable. The calculation of profitability and business activity indicators, in particular, the turnover ratio of assets and capital, allows us to assess to what extent and at what speed an enterprise is able to get the profit it needs, i.e. generate net cash flow in the required time. the average return on assets for the analysed periods was 2.67%, which indicates a very low efficiency of property use.

I believe that in order to increase the efficiency of the activities of Restaurant Collection LLC, it is necessary to increase production, and at the same time find an opportunity to reduce its cost. This will reduce the share of costs in revenue and increase the efficiency of production and financial and economic activities of the enterprise.

5.1.1 Production activity

The main characteristics of the organization's production activities are the following: reduction of production capacity, reduction of the duration of the operating cycle, increase in the duration of the financial cycle. There is an increase in the property of the organization (for the entire period there is a decrease in the property of the organization with a tendency of unstable decline), but the rate of inflation outstrips the growth rate of the balance sheet, which devalues such growth. The analysis of the indicators of the efficiency of the use of fixed assets gives grounds to evaluate both the level and dynamics of the corresponding indicators of return on assets neutrally. The turnover ratio at the end of the analysed period reaches 5.33, which indicates that current assets have time to turn into money 5.33 times a year. The efficiency of the use of working capital increases.

The general conclusion about the production activity is neutral throughout the entire activity of the enterprise, since the management of the organization has provided an opportunity for business development, while the activity of the studied enterprise is worse than the average industry companies. The general conclusion about the production activity is satisfactory, since the management of the organization supports the possibility of current business development in some aspects, but does not ensure long-term development.

5.1.2 Financial activity

The company is characterized by a crisis level of financial stability and a moderate financing strategy that uses long-term and short-term loans and accounts payable as sources. Most of the financial stability coefficients are below the standard values. The dynamics of these indicators is negative. Formal liquidity indicators are at an average level. During the analysed period, the company did not increase the authorized capital, the overall assessment of equity is such that equity accounts for less than half of the financing structure.

6 Conclusion

The financial result of the organization's activity is the most important indicator of interest to users of accounting information of an economic entity.

As a result of the conducted research, the concept and content of financial analysis, its goals, objectives, subject, object and subject were considered, the classification of the main types of financial analysis and the process of financial analysis were presented. As a result, the following conclusions were made. Financial analysis is a necessary tool in the process of managing the company's activities, the purpose of which is to conduct an analysis, develop assumptions and proposals to improve the efficiency of the company's economic activities.

The object of financial analysis is the financial activity of the enterprise. The subjects of financial analysis are owners, managers and suppliers, employees of the enterprise, government agencies, financial and credit organizations. The main sources of financial analysis information are accounting information such as the balance sheet, profit and loss statements, capital change statements and cash flow statement. In the case of the study, the basic principles and methods of financial analysis were considered. When conducting a financial analysis of the company's activities, the following principles are observed: correctness, complexity, regularity, objectivity and scientific validity. The financial analysis touched upon the main indicators influencing the overall picture of the organization's activities. The following indicators were examined: general property analysis, liquidity, profitability, turnover and analysis of the probability of bankruptcy. Based on the study of financial analysis methods, we can say that they all have certain advantages and disadvantages, which allows us to develop recommendations on improving the methodology of financial analysis on their basis. The main disadvantages of the methods considered are that they do not take into account the differences of organizations depending on their size, scale of activity and type of economic activity of the organization, so in the analysis a competitor was chosen to draw up a more realistic picture.

In the fourth chapter, a financial analysis of LLC “Restaurant Collection” was carried out, the main activity of which is "activity of restaurants and cafes".

During the analysis, the following indicators were obtained, which show that over the analysed 7 years, the financial situation of the "Restaurant Collection" deteriorated. The profit indicator in 2017 is 80366 thousand rub, but there is a negative trend of -1053 thousand rub. compared to 2017, therefore, in 2018 the profit amounted to 79313 thousand rub and a subsequent decrease of 18633 thousand rub, which amounted to only 76.5% of the income in 2019.

While the indicators of profit from sales are increasing despite the negative trend of profit. So, in 2016, the profit from sales increased by 70%, the next year the increase was 41.5%, and in 2019 the increase was 6.5% Since in 2019 the profit was much less than in the previous 7 years (2013-2018), While the profit from sales is gradually increasing, this indicates that the company is reducing production costs. Unfortunately, this method does not work to a large extent and for a more effective increase in this indicator, general recommendations have been proposed, such as: iincrease in sales (entering new markets), reducing the cost of production, staff optimization and find ways to improve your competitive position in the market.

Thus, within the framework of bachelor thesis, the financial result compiled on the basis of the commercial activities of LLC “Restaurant Collection” were reviewed and recommendations for improving accounting were formulated; an analysis of the financial results of the organization's activities was carried out and conclusions and proposals were identified.

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8 Appendix

Table 8.1 Balance sheet of LLC "Restaurant Collection"

Indicator	2019	2018	2017	2016	2015	2014	2013
Fixed assets	0	0	0	0	296	528	205
Non-current assets	0	0	0	0	296	528	205
Inventory	17488	15786	11645	13049	10757	6061	14726
Accounts receivable	5547	6934	11192	7657	9998	15025	17146
Monetary funds	23	66	262	435	422	13	3
Current assets	0	22786	23099	21141	21177	21099	31875
Total asset	23058	22786	23099	21141	21473	21627	32080
Statutory fund	0	0	0	0	1996	0	0
Capital and reserves	4433	3796	3457	2768	1996	1368	765
Borrowed funds	4441	4926	1439	2435	8127	9813	3397
Accounts payable	8178	7603	10784	7753	11350	10445	27918
Total liability	23058	22786	23099	21141	21473	21627	32080
Revenue	60680	79313	80366	82000	85518	116976	90322
Cost of sales	59134	77862	79341	81400	77669	116071	88250
Gross profit	0	1451	1025	600	7849	905	2072
Commercial expenses	0	0	0	0	5981	0	0
Profit from sales	0	1451	1025	600	1868	905	2072
Net profit	637	339	639	772	628	640	676

Source: The Federal Tax Service