Czech University of Life Sciences Prague

Faculty of Economics and Management

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Diploma Thesis

Financial Analysis of a chosen company

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Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

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Thesis title

Financial analysis of a chosen company

Objectives of thesis

The aim of the thesis is to conduct the financial analysis that will be based on annual reports of Hotel Ambassador Zlata Husa a.s.. It allows to formulate recommendations for financial management of the company.

Methodology

The main methods applied in this thesis are the following: literary research, methods of financial analysis, selected statistical and mathematical methods, evaluation and comparison in terms of benchmarking, description analysis.

Literature review includes analysis of literature and academic articles, which correspond with the chosen topic. The findings will be represented as confrontation of authors' opinions. Upon them the theoretical background will be formed.

For the practical part of the thesis annual reports and information from financial statements will serve as data sources for financial analysis.

The comparison will be made between the company and other competitor. The relative performance will be assesed in terms of chosen basic indicators of profitability, indebtedness and liquidity.

The results of comparison and financial analysis will be described within recommendation part of the thesis.

The proposed extent of the thesis

60-80

Keywords

Financial analysis, horizontal analysis, vertical analysis, analysis of financial ratios, benchmarking, annual reports, financial reports, financial leverage, liabilities, indebtedness ratios.

Recommended information sources

ARDALAN, A. Economic and Financial Analysis for Engineering and Project Management. London: CRC Press, 1999. 221 p. ISBN 9781566768320.

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Declaration

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

In Prague on 31.3.2021 ______________________________

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Financial Analysis of a chosen company

Abstract

The aim of the thesis is to conduct the financial analysis basing on the financial and annual reports of Hotel Ambassador Zlatá Husa a.s. and provide recommendations for financial management of the company.

For the purpose of financial analysis Hotel Ambassador Zlatá Husa in Prague has been chosen. The theoretical part deals with the definition of basic concepts, the possibility of finding and verifying input data, the definition of comparative bases and various methods of financial analysis.

In the practical part of the work, attention is already paid to the selected hotel, to which the theoretically described methods are applied. First, the main financial statements are analyzed, both horizontally and vertically. Subsequently, the main difference and ratio indicators are quantified. The results are compared not only over time, but also with the nearest competition. Based on the evaluation of the current state and development tendencies, some recommendations are presented at the end.

Keywords: analysis of financial ratios, benchmarking, financial analysis, horizontal analysis, vertical analysis.

Finanční analýza vybrané společnosti

Abstrakt

Cílem práce je provést finanční analýzu založenou na finančních a výročních zprávách hotelu Ambassador Zlatá Husa a.s. a poskytnout doporučení pro finanční řízení společnosti.

Pro účely finanční analýzy byl vybrán hotel Ambassador Zlatá Husa v Praze. Teoretická část se zabývá definicí základních pojmů, možností vyhledávání a ověřování vstupních údajů, definicí srovnávacích základen a různými metodami finanční analýzy.

V praktické části práce je již věnována pozornost vybranému hotelu, na který jsou aplikovány teoreticky popsané metody. Nejprve jsou analyzovány hlavní finanční výkazy, a to horizontálně i vertikálně. Následně jsou kvantifikovány hlavní rozdílové a poměrové ukazatele. Výsledky jsou porovnávány nejen v průběhu času, ale také s nejbližší konkurencí. Na závěr jsou na základě vyhodnocení současného stavu a vývojových tendencí uvedena některá doporučení.

Klíčová slova: analýza finančních ukazatelů, benchmarking, finanční analýza, horizontální analýza, vertikální analýza.

Table of content

List of figures

List of tables

1 Introduction

Financial analysis is an important tool for assessing the financial health of a company. Based on it, the company's executives can set specific steps to meet the main goal of the business and at the same time take such measures that will eliminate undesirable deviations or mitigate the impact of expected negative events. For various reasons, external entities (e.g. the state, competing companies, customers, suppliers, leasing companies, banks or potential investors) are also interested in the results of the financial analysis. It follows from the above that the ability to compile and subsequently interpret financial analysis should definitely belong to the portfolio of knowledge of the student of economics.

For the purpose of financial analysis Hotel Ambassador Zlatá Husa in Prague has been chosen. The theoretical part deals with the definition of basic concepts, the possibility of finding and verifying input data, the definition of comparative bases and various methods of financial analysis (horizontal and vertical analysis of financial statements, differences, ratios and summary evaluation indices) as defined in literature.

In the practical part of the work, attention is already paid to the selected hotel, to which the theoretically described methods are applied. First, the main financial statements (balance sheet, profit and loss statement) are analyzed, both horizontally and vertically. Subsequently, the main difference and ratio indicators are quantified. The results are compared not only over time, but also with the nearest competition. Based on the evaluation of the current state and development tendencies, some recommendations are presented at the end.

2 Objectives and Methodology

2.1 Objectives

The aim of the thesis is to conduct the financial analysis basing on the financial and annual reports of Hotel Ambassador Zlatá Husa a.s. and provide recommendations for financial management of the company.

The research questions 1 is the following: based on the financial analysis, what are the main financial problems of the chosen company?

The research question 2 is the following: based on the results of financial analysis, what are the recommendations for the chosen company to improve its financial situation?

2.2 Methodology

The following methods of empirical research are used to perform financial analysis and elaboration of this diploma thesis. Above all, it is an analysis of literature and professional sources that deal with the issue of financial analysis and assessment of the financial health of the company. The theoretical part is an analysis of methods and tools of financial analysis, users of financial analysis and individual indicators that are used to perform financial analysis of the company and determine the financial stability or financial health of the company. The list of data sources consists of professional articles, authors' books, and contributions from scientific conferences. The findings will be represented as confrontation of authors' opinions. Upon them the theoretical background will be formed.

The practical part of the work will focus on a hotel located in the capital of the Czech Republic - Prague, in the very center of Prague 1. It is a five-star hotel Ambassador Zlatá Husa. The reason for choosing this hotel was the personal interest in its financial development in recent years and the financial stability of this hotel.

Before performing the financial analysis, an evaluation of the development of tourism in the Czech Republic will be performed, focusing on the development of five-star hotels. This analysis is performed because it is necessary to monitor the development trends of five-star hotels in the Czech Republic. It is also interesting whether tourism has developed in a positive direction in recent years, which are the period analyzed. The analysis is based on statistical data and data published by the Czech Statistical Office and also the Ministry of Tourism of the Czech Republic. Time series analysis will be used to process the statistical analysis. The term time series means chronologically arranged monitoring of certain values of a quantity:[1]

$$yt1,\ldots, ytn \text{ at time } t1 < tn \qquad (1)$$

In this work, discrete time series are analyzed, i.e. when the analyzed values are determined in discontinuous time intervals.

Table 1 Methods of financial analysis used in the thesis

Group of indicators of financial analysis	**Name of the indicator**
Horizontal analysis of financial statements	Horizontal analysis of balance sheet Horizontal analysis of income statement
Vertical analysis of financial statements	Vertical analysis of balance sheet Vertical analysis of income statement
Differential analysis	Working capital analysis Net Working Capital analysis Analysis of different types of profit (EBT, EAT, EBIT, EBITDA)
Ratio analysis	Profitability ratios Debt ratios Liquidity ratios Activity ratios
Bankruptcy models	Altman Z-score Kralicek Quicktest

Source: own processing

[1] KLUFOVÁ, R., ROST, M. *Modelování regionálních procesů*. 2012.

Financial analysis will include classical methods of financial analysis, namely horizontal and vertical analysis, analysis of differential indicators, analysis of ratios and comparison with selected competing hotel Alcron, which is located in the center of Prague and provides accommodation services of the same level as the hotel Ambassador Zlatá Husa.

The table 1 lists the tools and methods of financial analysis that will be analyzed in this work. The formulas and procedures for calculating indicators are part of the theoretical part of this work.

The thesis also includes comparative analysis. The comparison will be made between the company and other competitor (Prague hotel of the similar level and number of rooms and scale of services). The comparison will be made in terms of chosen basic indicators and profitability, indebtedness, activity and liquidity. The results of comparison and financial analysis will be described within recommendation part of the thesis.

The main source of data for the processing of financial analysis, including all the above methods, are the company's financial statements for the period 2012-2019. The financial statements for 2020 were not published at the time the work was prepared. However, on the basis of the financial analysis carried out for the said period, a forecast of the development of the financial situation will be made, taking into account the pandemic measures that were in 2020, inter alia, in the field of tourism and continue to this day.

3 Literature Review

3.1 Data for financial analysis

Financial Statement is a collection of data on the financial position, assets of the organization and the results of its activities for a certain reporting period. Financial Statements provide an overview of the position and structure of assets, sources of coverage, the creation and use of profit/loss, and cash flows. Information is most often available in established norms in the form of tables. Financial Statement combines information from all types of accounting reports and determines as a key step in accounting.[2]

A financial statement is required for:[3]

1. *Business management*. According to the information provided in the documents, managers make decisions, analyze, and evaluate the effectiveness of the company's activities, determine its financial stability, and warn about the negative results of business operations.
2. *External users with a financial interest in the enterprise*, such as employees, creditors, shareholders, investors, suppliers, etc. Based on the financial statements, these users can draw conclusions about the prospects for cooperation, the liquidity and solvency of the enterprise, as well as potential investment.
3. *Official organization*. Tax and regulatory authorities, non-profit organizations, statistical office, etc.

Organizations may be interested in verifying the accuracy of tax accounting, insurance premiums, and other aspects of a company's operations. Financial Statements are often used as a link between the company and the external environment. The main task of providing information is to raise funds on the financial markets. The fate of a company largely depends on how the information will be provided. Senior Finance Managers are

[2] AVON, J. *The Handbook of Financial Modeling: A Practical Approach to Creating and Implementing Valuation Projection Models*. 2013, p. 202.

[3] MARTIN, L. *Financial Management for Human Service Administrators*. 2016, p. 203.

responsible for the Financial Statements. Before providing information to external users, they are required to know what effect this will have on the decisions received by stakeholders.

There are three main types of Financial Statements:[4]

- Balance Sheet, which groups the assets and liabilities of the company in monetary terms
- Statement of Profit & Loss containing aggregate information about income, expenses, and financial results during the reporting period.
- Cash-Flow Statement or Cash-Flows, which shows the difference between the increase and decrease in cash for a particular reporting period.

3.1.1 Balance Sheet

The concept of balance has a great importance in accounting process. Balance Sheet is a Statement of Financial Position.[5] In a broader sense, we understand the term "balance sheet" as a set of information about the value of assets and liabilities of the organization, presented in tabular form. Balance Sheet consists of two parts - assets and liabilities. Assets should always be equal to Liabilities; therefore, this form of accounting is called Balance Sheet. Balance Sheet is the main form of financial reporting by which it could be assessed the financial condition of the company, what assets it has and how much debt it has. Balance Sheet contains data about company’s position on a specific date (usually at the end of a year or a quarter). Thus, the Balance Sheet is fundamentally different from the second most important form of reports, namely from Statement of Profit & Loss, with which we will deal in the next chapter.[6]

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[4] AVON, J. *The Handbook of Financial Modeling: A Practical Approach to Creating and Implementing Valuation Projection Models*. 2013, p. 232-233.

[5] SIMKINS, B., SIMKINS, R. *Energy Finance and Economics: Analysis and Valuation, Risk Management, and the Future of Energy*. 2013, p. 183.

[6] MARTIN, L. *Financial Management for Human Service Administrators*. 2016, p. 203.

Balance sheet assets reflect the authorized share capital and working capital. The authorized capital is a whole set of production tools. This part of the capital participates in a number of production processes and gradually transfers its costs to finished products. Working capital is the sum of all those parts that participate in one production cycle and then transfer their costs to the complete final products of production. To determine the authorized share and working capital, the organization examines the assets of Balance Sheet. The authorized share capital includes a part of the property such as buildings, structures, transport, the rest belongs to working capital.[7]

If the assets of the balance sheet show what assets the company owns, then the liabilities disclose the sources of formation of these assets. Balance sheet liabilities consist of three parts: capital and reserves (own funds of the company's owners); long-term liabilities (loans, credits and other receivables with a maturity of more than 1 year) and short-term liabilities (current receivables from employees, suppliers and other receivables with a maturity of up to 1 year).

Thus, three positions of the organization are distinguished:

- neutral (when the company has neither profit nor loss);
- the company makes a profit as a result of savings within the organization;
- the company incurs losses due to lack of funds to repay.

The organizational development process is carried out through individual actions, i.e. business transactions. All business operations performed in an organization affect the status of the Assets of this organization, the status of credentials and liabilities, i.e. the status of Assets and Liabilities.[8]

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[7] ROBINSON, Th. R., HENRY, E., PIRIE, L., BROIHAHN, M. A. *International Financial Statement Analysis*. 2015, p. 9.

[8] ROBINSON, Th. R., HENRY, E., PIRIE, L. and BROIHAHN, M. A. *International Financial Statement Analysis*. 2015, p. 42.

3.1.2 Statement of Profit & Loss

A Profit and Loss statement is a type of statistical report that is provided to external users and is used to track the current financial performance of a company. The income statement must show all income and expenses that meet the definitions of expense and income and which are permanently and temporarily linked to the reporting period. There are internal and external income statements that differ in format.[9]

An Internal Statement of Profit & Loss typically includes sales after direct deduction costs, gross profit after depreciation and deductions from overhead and net income. The level of detail and format of the internal report may vary from company to company, but from a management perspective, it is important that the profit and loss account contains the correct model of the company's situation, which allows for accurate tracking of various fundamentals and making decisions. However, in the profit and loss statements prepared for the company's insiders, it is possible to come across such concepts as the cost of goods sold; total gross profit; provisions for bad debts. [10]

An External Income Statement shows more than just the value of the profit and loss for the financial year. It also shows the volume of sales; additional cost information; the amount of bank interest to be paid and collected; taxation; dividends to shareholders and profits remaining in the development finance company.

Basically, the profit or loss is calculated as follows: the amount of sales that buyers must pay according to the invoice issued (even if they have not been paid yet) during the year, after deducting the amount of expenses incurred during the year (even if they have not paid yet), which are associated with the sale according to the invoice, and after deducting the depreciation accrued during the year, which is in the fixed assets of the company.

The profit received by the company and the amount of cash received usually do not coincide, because the Income Statement is not based only on actual cash receipts and payments during the financial year. During expansion, a profitable manufacturing company often spends more money than it earns because it requires additional funding to increase

[9] AVON, J. *The Handbook of Financial Modeling: A Practical Approach to Creating and Implementing Valuation Projection Models*. 2013, p. 289.

[10] MARTIN, L. *Financial Management for Human Service Administrators*. 2016, p. 24.

inventories of raw materials and finished goods, increase customer accounts receivable, and invest in machinery and equipment.

The annual profit and cash flow forecasts need to be updated regularly to accurately calculate the expected default. The review should be carried out at least once a quarter, but preferably monthly. However, the monthly report should not be limited to financial summaries. The information provided should include what is necessary for the effective management of the enterprise, such as information about the cost or number of bids and requests to participate tenders; orders received and lost sales due to lack of finished products in stock.

3.1.3 Cash-Flow statement

One of the main forms of financial statements that summarizes information about the company's cash inflows and outflows is Cash-Flow or Cash-Flow Statement. The cash flow indicator expresses the internal financial prosperity of the company's operating activities, in other words, the ability to generate financial resources that were spent in business activities.[11]

Cash-Flow Statement (Statement of Cash-Flow or simply Cash Flow) is complimentary to Balance Sheet and Statement of Profit & Loss. If Balance Sheet reflects the company’s financial position at a certain point in time (the end of the reporting period), then the Cash -Flow explains the changes that occur when funds are traded from one date of Financial Statement to another. Information about an entity's cash flows is useful in providing users of financial statements with a basis for assessing an entity's ability to attract and use cash and cash equivalents.[12]

In addition, Cash Flow contains information that is sometimes useful in assessing a company's financial flexibility. Financial flexibility is the company’s ability to generate significant amounts of funds to respond in a timely manner to sudden needs and changes. Information on cash flows over the past period, especially cash flow from operating

[11] RAJNI, S., PREETI, H. *Strategic Financial Management*. 2015, p. 224.

[12] MARTIN, L. *Financial Management for Human Service Administrators*. 2016, p. 30.

activities, helps to assess the financial flexibility of the company. Assessing a company's ability to survive, such as an unexpected drop in demand, may include analyzing the cash-flow from core activities over the past period. The greater the cash flow, the greater the company's ability to withstand adverse changes in economic conditions.[13]

Cash flow has three main sections:

- *Operating activities*. Cash flows usually arise from the main income generating activities of the company.
- *Investment activities*. The cost of resources to generate future revenue.
- *Financial activities*. Cash flows associated with the creation of the company's share capital.

Cash flow from operating activities can be generated in one of two ways: [14]

- The direct method, in which the main categories of gross cash receipts and payments are disclosed, is in fact a profit and loss account drawn up on the basis of the cash method;
- An indirect method whereby the net profit or loss is adjusted for the results of non-monetary transactions and changes in the company's current assets and liabilities.

3.2 Users of financial analysis

Anyone who is interested in the company and its activities can really be a user of the company's financial analysis. However, in the professional literature, users of financial analysis are divided into external and internal users in relation to the company itself.[15]

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[13] AVON, J. *The Handbook of Financial Modeling: A Practical Approach to Creating and Implementing Valuation Projection Models*. 2013, p. 236.

[14] RAJNI, S., PREETI, H. *Strategic Financial Management*. 2015, p. 226.

[15] RAJNI, S., PREETI, H. *Strategic Financial Management.* 2015, p. 180.

Internal users of financial analysis include:[16]

- business owners or shareholders. Their main aim is to know about the development of the company in the long term, about the company's profit and its performance.
- managers and other executives. Management goals may differ from those of company owners or shareholders. Managers are usually remunerated for performance and in many cases have a shared salary - a fixed salary and % of total turnover. Therefore, for managers the financial analysis it is a way to learn about the overall performance of the company in the long or short term.
- regular employees of the company. This type of users of financial analysis want to know information about the development of the company and about the opportunities for career growth and sustainable personal development in the company. If a company has poor financial health and is on the verge of bankruptcy, then employees may be worried about their future careers and will, for example, tend to look for another job. There is a particularly high risk when it comes to key jobs.
- internal and external auditors. Auditors are specialists who are obliged by law or on the basis of a contract with the company to verify its financial statements and determine the financial condition of the company. Therefore, financial analysis serves this type of user as a basis and information for further evaluation of the situation and for the design of solutions.

External users of financial analysis are mainly:[17]

- financial and government bodies. Companies are required by law to publish their financial statements. In the case of companies with high turnovers, public authorities require not only financial statements but also an extended version of

[16] FLYNN, D., KOORNHOF, C. *Fundamental Accounting.* 2005.

[17] KUBÍČKOVÁ, D., JINDŘICHOVSKÁ, I. *Finanční analýza a hodnocení výkonnosti firmy.* 2015.

the financial analysis verified by an auditor. It is also important for the assessment of the company's tax obligations and its capitalization.

- the public. The general public is also interested in monitoring the development of companies. Therefore, the financial statements are disclosed so that, in addition to the company's marketing representation, there is also financial information about the company's activities.
- university students studying examples of financial analysis. For students, financial statements and financial analysis of companies can be useful in education in financial management in the company.

3.3 Methods of financial analysis

In general, the term method of financial analysis means the choice of the method or system and organization of problem solving. In other words, the solution to the problem is not accidental or one-time but uses specific data or facts that are based on the nature of the problem. The correct choice of method will prevent significant errors in the implementation and assessment of the financial analysis results.[18]

The most common methods of financial analysis are represented in the following table. As seen, there are different ways and methods how to understand the company’s financial situation and predict its financial situation for the future.[19]

There are many methods of financial analysis, and their more detailed analysis is not necessary for the purposes of this work. Next part will be focused on horizontal and vertical analysis and ratios analysis.

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[18] MARTIN, L. *Financial Management for Human Service Administrators*. 2016, p. 55.

[19] RAJNI, S., PREETI, H. *Strategic Financial Management.* 2015, p. 174.

Table 2 Methods of financial analysis

Methods of financial analysis	Components
Analysis of absolute indicators	• Analysis of financial statements data • Horizontal (trend) and vertical (structural) analysis
Analysis of differential indicators	• Indicators of financial resources • Volume Profit Level Indicators • Indicators of added value
Ratio Analysis	▪ Profitability indicators ▪ Liquidity ratios ▪ Capital structure indicators (indebtedness) ▪ Turnover indicators (activities) ▪ Productivity and cost indicators ▪ Capital market indicators
Analysis of systems of indicators	▪ Pyramidal systems ▪ Linear systems ▪ Bankruptcy models ▪ Creditworthiness models
Benchmarking	▪ One-dimensional methods ▪ Multivariate methods
Mathematical and statistical methods	▪ Point and interval estimates of indicators ▪ ANOVA, regression, and correlation analysis ▪ Statistical tests of remote data and empirical distribution functions ▪ Autoregressive modeling ▪ Multivariate analysis and robust methods
Non-statistical methods	▪ Methods based on matt set theory or alternative set theory ▪ Methods of formal mathematical logic or expert systems ▪ Methods of fractal geometry or neural networks ▪ Methods based on Gnostic theory of uncertain data

Source: RAJNI, S., PREETI, H. *Strategic Financial Management.* 2015, p. 174.

3.3.1 Horizontal analysis

Horizontal analysis of financial statements includes a comparison of financial indicators and parts of financial statements for different reporting periods. This method of analysis is also known as Trend Analysis, which allows to assess the absolute and relative changes of individual indicators over time, as well as to establish trends for their changes. Horizontal analysis monitors the development of items in financial statements over time, evaluates stability and development in terms of the adequacy of all items, the strength of development, and seeks answers to the question of how the corresponding item changes over time.[20]

The main objects of horizontal analysis of financial statements are Balance Sheets, Statement of Profit & Loss and Cash Flow Statements. In addition, the following can be used as objects of its use: revenues, costs of sales, assets, equity, liabilities, financial indicators, etc. In the horizontal analysis, the indicator (line) and its changes during two or more periods are examined. Any of the same time intervals can be used as the period, but usually quarterly or annual analysis is used for financial reporting. The number of analyzed periods may vary depending on the specific tasks, however, it is possible to talk about qualitative analysis at least after 3 periods.[21]

The use of horizontal analysis involves comparing indicators, both in absolute terms and in relative terms. In the first phase of the analysis, the absolute deviations in the relative base period statements are calculated:

Horizontal Analysis (absolute) = Amount in comparison year- Amount in base year (2)

This makes it possible to identify in the extract the articles containing the greatest deviations in monetary terms. At the second stage of the analysis, the relative changes in the analyzed indicators are calculated in comparison with the base period:

Ratio change = (Absolute change/ Baseline) x 100 % (3)

In this case, the value of the absolute deviations is normal for the values in the base period. This is useful when comparing several companies of different sizes and with different scopes of activity. The reliability of the results of the horizontal analysis increases as the number of analyzed accounting periods increases. Usually, the year or quarter is used as the accounting period, sometimes also the month.

[20] GILBERTSON, C. B., LEHMAN, M. W., GENTENE, D. *Century 21 Accounting*. Cengage Learning, 2013, p. 528.

[21] WARREN, C. S., REEVE, J. M. DUCHAC, J. *Financial Accounting*. Cengage Learning. 2015, p. 125.

3.3.2 Vertical analysis

Vertical statement analysis, also known as common-size analysis, is a technique of financial statement analysis that examines the ratio of a selected indicator to other similar scores within a single accounting period.[22]

Vertical analysis tracks the proportionality of financial statements items to the base quantity, it seeks answers to the questions of whether the mutual proportions of individual items change in the development of the company and whether there are any changes in the structure of assets, capital and profit. [23]

The vertical analysis is generally focused on the studying the structure of assets, liabilities, income, expenses of the organization. For example, a vertical analysis of the assets of the balance sheet gives an idea of the share of fixed assets, intangible assets, inventories, receivables and other types of assets in the total assets of the company (vertical analysis of Balance Sheet assets). In determining the percentage of each indicator in the total, the analyst is given the opportunity to compare the company with other entities, which is impossible if it uses absolute indicators.

This transformation of financial statements makes it easier to compare financial information about a company for different reporting periods. In addition, the use of vertical analysis makes it possible to identify trends that may not always be apparent when analyzing financial reporting in a traditional presentation. In the liabilities part of the balance sheet, a structural analysis of own and borrowed funds is performed, as well as the composition of indebted funds according to repayment conditions (long-term and short-term liabilities).

Common formula to perform the calculation:

Percentage of Baseline = (Individual Value / Baseline) x 100 % (4)

According to this formula the percentage of the baseline is calculated as the ratio of the line items to the selected baseline.

[22] GILBERTSON, C. B., LEHMAN, M. W., GENTENE, D. *Century 21 Accounting*. Cengage Learning, 2013, p. 299.

[23] WARREN, C. S., REEVE, J. M., DUCHAC, J. *Financial Accounting*. Cengage Learning. 2015, p. 125.

In a vertical analysis of Balance Sheet, the final amount of assets, as well as the amount of equity and liabilities are used as the base value. Similar calculations are made in the equity section. In the part of Profit & Loss Statement analysis, vertical analysis is used to identify the structure of income and expenses, determine the share or net profit from sales. Vertical analysis is performed within one reporting period. However, they often resort to horizontal analysis when calculating percentages of indicators in order to track changes in these indicators over several periods.

3.3.3 Analysis of differential indicators

"Difference indicators are calculated as the difference between a certain asset item and a certain liability item".[24] The differential indicators determine a certain value at a certain moment and thus indicate the present value, not its development over a certain period. In this work, differential indicators will be examined as indicators of financial resources of the company and profit indicators at different levels.

Gross and net working capital

A typical indicator of financial resources is the indicator of working capital and net working capital. Working capital is all current assets or current assets in a company. If the term Net working capital" (NWC) is used, then it is an indicator of current assets minus current liabilities (short-term debt).[25]

The formula for calculating net working capital is as follows:

NWC = Current assets - current liabilities (5)

Net working capital is the resource that the company currently has to operate. The value of net working capital is constantly changing in the company, as the amount of inventories, financial assets and receivables changes. The higher the company's net working capital, the greater the security that the company will meet its current liabilities and

[24] MANAGEMENT MANIA, *Differential Indicators*. 2020.

[25] HOFFMAN, E., MAUCHER, D. et all. *Ways Out of the Working Capital Trap: Empowering Self-Financing Growth Through Modern Supply Management.* 2011.

will not be exposed to the risk of insolvency in the short term. However, each company should properly manage the amount of working capital to avoid excessive accumulation of liquid assets in the company, which can be invested in more profitable assets or activities. This indicator can also be examined together with the liquidity indicator, which is a ratio indicator.[26]

Profit indicators at various levels

Other indicators, which are also differential indicators, are profit indicators at different levels and in different forms. Every company has a different form of operation, some companies employ foreign capital for which interest is paid. Furthermore, the amount of the company's net profit is also affected by taxes that the company is obliged to pay, which somehow distort the actual performance of the company in its core business. Therefore, profit indicators are also examined from different angles. These are the following indicators[27]:

EBT - Earnings before taxes;

EAT - Earnings after taxes;

EBIT - Earnings before interest and taxes;

EBITDA - Earnings before interest, taxes, depreciation and amortization.

3.3.4 Analysis of financial ratios

Ratio analysis is an elementary method and represents the core of financial analysis. The ratios are divided into several groups with the aim to analyze a specific aspect of the financial health of the company. From the title of this analysis, it can be inferred that it uses data from financial statements that are compared if they are related.

The ratios are divided into the following groups: indicators of profitability, activity, liquidity, debt, and capital market indicators.

[26] HOFFMAN, E., MAUCHER, D. et all. *Ways Out of the Working Capital Trap: Empowering Self-Financing Growth Through Modern Supply Management.* 2011.

[27] WERNER, F., STONER, J. *Modern Financial Management. Continuity and Change*. 1995.

Profitability indicators

A group of these indicators are used to measure how successful a company has been in achieving profit and profitability goals. They indicate how efficiently the company is operating, whether it is capable of creating new resources and making a profit.

ROI (Return on Investment)

The first indicator of profitability is the return on investment (ROI). It compares the total profit with the amount of capital needed to achieve this profit. For example, only Equity and Total Assets can be used (see ROA).[28]

$$ROI = \frac{Profit}{Invested\ Capital} * 100 \tag{6}$$

ROI expresses profit as a percentage of invested capital. It is therefore evident that the higher the ROI, the more the invested capital contributed to the creation of profit.

ROA (Return on Assets)

Another indicator that is a small change to ROI is the Return on Assets (total Equity).

$$ROA = \frac{Profit}{Total\ Assets} * 100 \tag{7}$$

This indicator represents the overall return on equity and therefore does not consider whether it is equity or dept. The higher the result, the better the company uses its resources. Simkins states that recommended ROA should not be less than 5 %.[29] However, it depends on the type of business, turnover and business and marketing strategy. Also, it depends on the amount of assets in the company.

[28] AVON, J. *The Handbook of Financial Modeling: A Practical Approach to Creating and Implementing Valuation Projection Models*. 2013, p. 243.

[29] SIMKINS, B., SIMKINS, R. *Energy Finance and Economics: Analysis and Valuation, Risk Management, and the Future of Energy*. 2013, p. 205.

ROE (Return on Equity)

A similar indicator to ROI is also ROE, representing the Return on Equity.

$$ROE = \frac{Earnings\ after\ Taxes\ (EAT)}{Equity} * 100 \tag{8}$$

The result is a percentage of the profit generated by the equity invested. The recommended value of this indicator should exceed 8 %. However, Arditti states that *“The required return on equity for an investment to be acceptable to a firm's financial management it must provide a positive answer to the question "Will the acquisition of this asset increase the value of the owner's equity*?"[30]

ROS (Return on Sales)

Return on sales is an indicator of the profit margin and points to the company's ability to generate profit at a given level of sales. In other words, it says how much profit one crown of sales made.

$$ROS = \frac{(EBIT)}{Sales} * 100 \tag{9}$$

The result indicates how much profit was made by one crown of sales.

Cost indicator

This indicator is complementary to the ROS indicator and reflects the relative level of costs.

$$Cost = 1 - ROS \tag{10}$$

ROCE (Return on Capital Employed)

Return on Capital Employed expresses the efficiency of capital invested in a company for more than one year.

[30] ARDITTI, F. D. *Risk and the Required Return on Equity*. 1967, pp. 19–36.

$$ROCE = \frac{(EBIT)}{Capital\ Emplyed} * 100 \qquad (11)$$

This indicator is especially important for bank creditors and investors. McLaney states that this indicator is the primary indicator not only for investors, but also for owners, because it compares inputs and outputs in business, thus showing the real situation of the company and its efficiency. [31]

Activity indicators

These indicators are used in the management of the company's assets. The obtained values indicate how efficiently the company is working with its assets. Activities show how the individual components of equity are linked to specific assets.

Total Assets Turnover

It is a relatively complex measure of the effectiveness of the overall use of a company's assets.[32]

$$Total\ Assets\ Turnover = \frac{Sales}{Total\ Assets} \qquad (12)$$

The indicator shows how many times total assets turn into sales. The optimal values for this indicator range from 1,6 to 2,9.

Inventory Turnover Ratio

This indicator represents the value of how many times the inventory is converted into cash.

$$Inventory\ Turnover\ Ratio = \frac{Sales}{Inventory} \qquad (13)$$

[31] MCLANEY, E. *Accounting: an Introduction.* 2007.

[32] AVON, J. *The Handbook of Financial Modeling: A Practical Approach to Creating and Implementing Valuation Projection Models*. 2013, p. 245.

A higher value of the indicator reflects a good solvency of the company, since the company does not have excess reserves. On the contrary, they are very productive and produce a good yield.

Inventory Turnover Period

Inventory turnover period expresses a specific number of days during which the inventory is stored in the enterprise.

$$Inventory\ Turnover\ Period = \frac{365}{Inventory\ Turnover\ Ratio} \qquad (14)$$

The indicator therefore expresses how many days it takes for products and goods to be returned in money.

Receivable Turnover Ratio

It is an indicator that measures the rate at which receivables are converted into funds.

$$Receivable\ Turnover\ Ratio = \frac{Sales}{Receivables} \qquad (15)$$

It is evident that the faster the turnover, the faster company gets paid for its receivables.

Receivable Turnover Period

This indicator plays a role in determining the terms of the loan and defines it as the ratio between accounts receivable and average daily sales.

$$Receivable\ Turnover\ Period = \frac{Receivables}{\left(\frac{Sales}{365}\right)} \qquad (16)$$

The optimal value of this indicator should be close to the average maturity of invoices.

Liquidity ratios

This group of indicators shows how the company is able to pay off its obligations. The term liquidity refers to the ability of a company to convert its assets into liquid assets, as cash. There are different optimal values for individual sectors, but certain values of individual liquidity ratios are usually recommended.[33]

Current liquidity

Current liquidity expresses the number of times a company's current liabilities are covered by current assets. It is also called Level 3 liquidity or Current Ratio. Optimal values of current liquidity should be between 1.5 and 2.5.

$$Current\ Liquidity = \frac{Current\ Assets}{Current\ Liabilities} \tag{17}$$

Robinson states that in case of financially healthy company the number should not exceed 1, which means that current assets should be equal to current liabilities. But there is no rule of this indicator, because it can differ with the sphere of business and industry.[34]

Ready liquidity

The available liquidity ratio is also called a level 2 liquidity test or acid test. This indicator shows how many units of cash and short-term receivables are covered by a unit of short-term liabilities. Optimal values should be in the range of 0.7-1.2. Robinson names this indicator as Quick ratio, and confirms that this indicator should not exceed 1, but also disclaims that it can differ from industry to industry.

$$Ready\ Liquidity = \frac{Current\ Assets - Inventories}{Current\ Liabilities} \tag{18}$$

[33] AVON, J. *The Handbook of Financial Modeling: A Practical Approach to Creating and Implementing Valuation Projection Models*. 2013, p. 240.

[34] ROBINSON, Th. R., HENRY, E., PIRIE, L., BROIHAHN, M. A. *International Financial Statement Analysis*. 2015, p. 19.

Immediate liquidity

This indicator is referred as Cash Ratio or liquidity of the 1st degree. It compares the most liquid assets of the company and short-term liabilities. Ideally, the values should be in the range of 0.2 to 0.5.

$$Immidiate\ Liquidity = \frac{Cash\ and\ Cash\ Equivalents}{current\ liabilities} \tag{19}$$

It is important to highlight the basic type of liquidity policy decision, which is the cash balance strategy decision. The basic strategies are:[35]

- **conservative strategy**, which is characterized by an effort to reduce the risk of payment difficulties of the company (the company maintains a relatively high level of cash), even at the cost of lower returns that could be achieved with short-term investment;
- **aggressive strategy** is characterized by an effort to make maximum use of temporary free cash resources by using them for the needs of internal financing of other activities or for investing in short-term financial assets; however, the risk is the possibility of temporary payment difficulties in the event of a loss of expected revenue;
- **moderate strategy** is a combination of both of the above options.

Debt ratios

The indicators of this group express the rate of use of external resources for the company's activities. It is common practice for companies to use external resources because they are often cheaper than equity.

Debt Ratio

[35] AMADEO, K. *Liquidity definition ratios, how i tis managed*. 2020.

This indicator shows the total debt of the company and compares the total amount of liabilities (total liabilities to total assets). The higher the value of this indicator, the more risk lenders are exposed. A short-term increase in debt also means an increase in the return on invested capital.[36]

$$Debt\ ratio = \frac{Total\ Liabilities}{Total\ Assets} \tag{20}$$

Equity Ratio

You can also use the ratio of shareholder’s equity to total assets. The equity ratio serves as an additional measure of creditors' risk.

$$Equity\ Ratio = \frac{Shareholder's\ Equity}{Total\ Assets} \tag{21}$$

Debt to Equity Ratio

A very similar indicator is the debt-to-equity ratio, which is applied to measure debt equity. Ideal values should be in the range 0.8-1.2.

$$Debt/Equity\ ratio = \frac{Total\ Liabilities}{Total\ Equity} \tag{22}$$

Interest Coverage Indicator

This indicator expresses how many times profits exceeds interest. It is an expression of how large the security space is for a company's creditors. Ideally, it should be stated that the values should be at least 3, because even after interest costs have been paid, the interests of shareholders should be covered.

$$Interest\ coverage = \frac{EBIT}{Interest\ Expense} \tag{23}$$

[36] SIMKINS, B., SIMKINS, R. *Energy Finance and Economics: Analysis and Valuation, Risk Management, and the Future of Energy*. 2013, p. 200.

Capital market indicators

This group of indicators differs from others in the analysis of ratios in one key point. This fact indicates that it is based on market prices. Thus, capital market indicators represent the analysis of a company using stock market indicators.

M / B indicator (Market-to-Book value)

It is also sometimes referred to as the P / B ratio (price-to-book ratio). If the ratio of the market price of a share to the book value is less than 1, this is a sign of a lower market value of the company than the valued equity within the Balance Sheet.

$$M/B\ ratio = \frac{Market\ price\ of\ the\ share}{book\ value\ of\ the\ share} \qquad (24)$$

Market Value Added

This indicator was described in more detail in subchapter 3.2.3.

Payout Ratio

The payout ratio expresses how much of the profit is paid in the form of dividends and thus indicates how much of the profit is reinvested and used in the corporate strategy.

$$Payout\ ratio = \frac{Dividents\ per\ Share}{Earnings\ per\ Share} \qquad (25)$$

Earnings per share (EPS)

Earnings per Share shows the amount of taxable earnings per common share. This is the ratio of EAT to the total number of issued shares.

$$EPS = \frac{Net\ Profit}{Number\ of\ shares} \qquad (26)$$

Dividend yield

Dividend yield is primarily of interest to institutional investors, who are focused on dividend yield within the return on managed capital. This simple indicator basically shows the percentage appreciation of the stock.

$$Dividend\ Yeld = \frac{Dividends\ per\ Share}{Price\ per\ Share} \tag{27}$$

P / E indicator (Price-Earnings Ratio)

It is an indicator linking the share price and Net Earnings per Share. High P / E values indicate investors' expectations for future growth of the company. In contrast, a low P / E ratio means that the company's shares may be undervalued by the market and there is greater growth potential, but at the cost of higher risk.

$$PE = \frac{Market\ price\ per\ Share}{Profit\ per\ share\ after\ tax} \tag{28}$$

3.3.5 Benchmarking analysis

The Benchmarking Method is based on comparing the company with its competitors, but it is also possible to apply procedures, methods that another organization has used anywhere in the world and have proven to be effective. The table below presents opportunities and barriers used in benchmarking.

Table 3 Benchmarking – opportunities and threats

Opportunities	Threats
An inspirational starting point for improvement processes.	Lack of will and capacity to improve.
Lessons from a better reality than one's own.	Lack of humility of top managers
Willingness to internal changes.	Possible problems finding partners.
Part of the learning organization processes.	Lack of resources for systematic implementation
Gaining a temporary competitive advantage.	Weak corporate culture.
Better understanding of own activities	Lack of interest of top management.
Real economic benefits.	Myths associated with benchmarking

Source: PORTMAN, J. *Building Services Design Management*. 2014, p. 24.

There are the following types of benchmarking: process, functional, performance, internal and external. Comparative analysis of processes is now considered as a key because it not only examines the results of the processes, but also how they were achieved using which procedures or methods, which are compared afterwards.[37]

Functional deals with the comparison of a certain function (or even more functions). For example, it can be offered after-sales services (complaints, spare parts).

Unlike process benchmarking, performance benchmarking deals mainly with data that are achieved, and then compares it.

Internal benchmarking can be implemented for larger companies, the comparison is performed between individual divisions, which must perform similar or the same activities.

[37] PORTMAN, J. *Building Services Design Management*. 2014, p. 24.

External is often the only benchmarking option for SMEs, and the likelihood of having more divisions with the same focus on a scale that makes comparisons possible is low. While it is possible for large companies to first prepare for an external benchmarking within the company and gain some experience with it, small and medium-sized enterprises usually do not have this opportunity.[38]

Trust, openness, and communication between partners are essential for a successful external or internal benchmarking only then it can be beneficial.

In the Czech Republic, a tool provided by the Ministry of Industry and Trade, the INFA Financial Benchmarking System, which is available on the Ministry's website, can also be used for benchmarking. Data are provided for 2007, each year divided into 4 quarters for more accurate information. The company chooses for which period it wants to compare the results, enters values from individual reports and the line of business for comparison. Two forms can be selected, which are based on a comparison of individual indicators or a system of indicators. [39]

Bench-learning works on a similar principle, focusing mainly on learning. Unlike benchmarking, the main role here is played by employees who learn from their colleagues from the partner company, even from their mistakes. The goal is not an exact imitation, but rather an inspiration.[40]

For benchmarking and bench-learning, it is necessary to mention the ethical side. Cooperation should benefit all parties, so it is important for businesses to act fairly. Benchmarking codes of ethics also help. An example is The European Benchmarking Code of Conduct. The company's use of benchmarking would liquidate the organization, no one would have the desire to enter into a partnership with this company but would also damage its own reputation.

[38] MORABITO, V. *Trends and Challenges in Digital Business Innovation*. 2014, p. 84.

[39] MPO, MINISTERSTVO PRŮMYSLU A OBCHODU. *Benchmarkingový diagnostický systém finančních indikátorů INFA*. 2020.

[40] NORTH, K., KUMTA, G. *Knowledge Management: Value Creation Through Organizational Learning*. 2018, p. 176.

3.4 Creditworthiness and bankruptcy models

Bankruptcy and creditworthiness models are compiled to predict a possible financial distress of a company. There are two categories of bankruptcy models, which are one-dimensional and multidimensional models. The disadvantage of one-dimensional models is that on the basis of some indicators it is possible to classify the company into a group of problem-free zones and on the basis of other indicators the company is in problems. This shortcoming is addressed by multidimensional models, which are more complex. Probably the best-known multidimensional model is the Altman model, which is also the most widely used.

3.4.1 Altman's model

Altman's Z-score is constructed using five indicators to which weights are assigned. The Altman Z-score equation has the following form[41]:

$$\textit{Z-score} = 1.2x1 + 1.4x2 + 3.3x3 + 0.6x4 + 1.0x5 \quad (29)$$

The calculation of individual coefficients is given by the following relations:

- X1 = total working capital / assets;
- X2 = retained earnings / total assets;
- X3 = profit before tax and interest (EBIT) / total assets;
- X4 = market value of equity / book value of debt;
- X5 = sales / total assets.

The Z-score is then included in the following evaluation:

[41] JOHNSON, S. *Debt Market and Analysis*. 2013.

Table 4 Z-score result and evaluation

Z-score	Evaluation
$Z \geq 2{,}99$	Business that has no financial problems
$1{,}81 < Z < 2{,}99$	Grey zone
$Z \leq 1{,}81$	High risk of bankrupcy

Source: JOHNSON, S. *Debt Market and Analysis*. 2013

For companies that are in the gray zone, it is not clear whether they will go bankrupt or not, but it is good to see whether it is closer to 2,99 or 1,81. Based on this, the future development of the company can be expected. Businesses above 2,99 can be said to be unlikely to fail for the next two years. Conversely, companies with a rating below 1,81 are highly likely to go bankrupt in the next two years.[42]

3.4.2 Kralicek's Quicktest

This creditworthiness model assesses the basic areas of financial analysis (financial stability and income situation of the company). It uses four indicators, and the result is the assignment of the company to one of the four categories listed below, where the minus sign means a negative state and plus a positive state in the area.

Table 5 Kralicek's Quick test evalution

Yield situation + Financial stability +	Yield situation + Financial stability -
Yield situation - Financial stability +	Yield situation - Financial stability -

Source: Finanalysis, *Kralickův rychlý test.* 2020

[42] JOHNSON, S. *Debt Market and Analysis*. 2013.

Financial stability is expressed using indicators of the self-financing rate and cash flow in % of revenues. The company's revenue situation is then evaluated on the basis of return on total capital and debt repayment period in years.[43]

R1: Self-financing rate

This indicator indicates the long-term financial stability and independence of the company, in other words, how the company is able to cover its activities with its own resources.

Self-financing rate = Equity / Total assets (30)

R2: Cash flow in % of revenues

Cash flow in % of revenues indicates the financial performance of the company and the calculation is based on the relationship below. Cash flow is determined as the sum of profit after tax and depreciation.

Cash flow in % of revenues = (cash flow / sales) x 100 (31)

R3: ROA

Return on total assets represents how well a company works with invested capital.

R4: Debt repayment period in years

This indicator shows how long (in years) a company would be able to repay its debts with its own resources.

Debt repayment period = (short-term + long-term liabilities - financial assets) / balance sheet cash flow (32)

[43] Finanalysis, *Kralickův rychlý test. Finanalysis*. 2021.

The final Quick – ratio is calculated as a sum of four Ratios (R1+R2+R3+R4) and is divided by 4. The arithmetic mean gives the final grade. If the company achieves a rating of 3 or more, it is rated as creditworthy, if it achieves a rating of 1 or less, the company is facing serious financial problems. There is a gray zone between the values 1 and 3, where it is not possible to clearly determine the situation of the company.

4 Practical part - financial analysis of Hotel Ambassador Zlatá Husa a.s.

In the practical part of this thesis is a case study, which analyses the financial situation and financial indicators of Hotel Ambassador Zlatá Husa. This hotel has been taken as an example, because this thesis was processed in 2020, when the biggest pandemic in the new history of the Czech Republic (since 1993) was the cause of issuing government measures consisting in reducing tourism and closing hotels. According to the Czech economists, these measures have a significant to catastrophic impact on some areas of business, especially hotels and restaurants. However, other economists claim that the problem will be only for those companies that incorrectly conducted financial management and therefore their financial indicators were bad even before this year (2020), i.e. before the crisis.

Therefore, it was decided that in this work will be chosen a specific hotel in Prague 1, whose financial indicators will be analyzed in the financial analysis. Subsequently, an assessment of the situation before the pandemic will be carried out and the consequences of the pandemic and the implementation of measures at this hotel will be evaluated.

4.1 Introduction of the chosen company and industry

Hotel Ambassador Zlatá Husa is located in the historic center of Prague, on Wenceslas Square, just 50 meters from Mustek Metro Station and 400 meters from Old Town Square. The hotel building, which consists of 6 floors, is distinguished by the Art Nouveau style and is the pride of Wenceslas Square. Originally, two different hotels were conceived, built in the 1920s, but in 1964 the hotels were merged. In 2004, all rooms, restaurants and congress halls were completely renovated, with the last partial renovation taking place in 2018.[44]

The company owning the hotel has another commercial building in Marianské Lázně, which is in a long-term rent. This building has been reconstructed in 2016. This information

[44] Ambassador.cz, Historie. 2020.

is important in terms of financial analysis, because it can be an explanation for the financial fluctuations of expenses and revenues of the company analyzed.

The historical character of the building, typical of Prague at the beginning of the 20th century, has been preserved to this day. The stylish interior of the hotel lobby, the attractive ambience of the Ambassador French restaurant and congress hall, as well as the spacious rooms equipped with exquisite furniture, try to bring the traditions of old Prague and its guests closer to the atmosphere of the modern era.

The hotel offers 162 air-conditioned suites, including 33 suites, 37 rooms have a view of Wenceslas Square. All rooms are equipped according to all modern standards.

A special feature of the hotel is the Art Nouveau-style Ambassador Congress Hall for 500 people. This is the only conference room in the city center that offers such a spacious area for conferences, seminars, presentations, as well as for parties, banquets and balls. Together with 8 additional meeting rooms of different sizes, the Ambassador Congress Hall can accommodate 1 500 people.

In order to understand the level of service and the reputation of the hotel, reviews on the portal Booking.com have been analyzed. In general, the reviews about the hotel are positive, but there are comments about the outdated air conditioning system of the rooms, the small area of the bathrooms and the proximity to the casino.

Since July 1, 2020, this hotel has been a member of the project "Prague at home". The project is aimed at Czech tourists and especially at the resumption of tourism after the recent coronavirus crisis.[45]

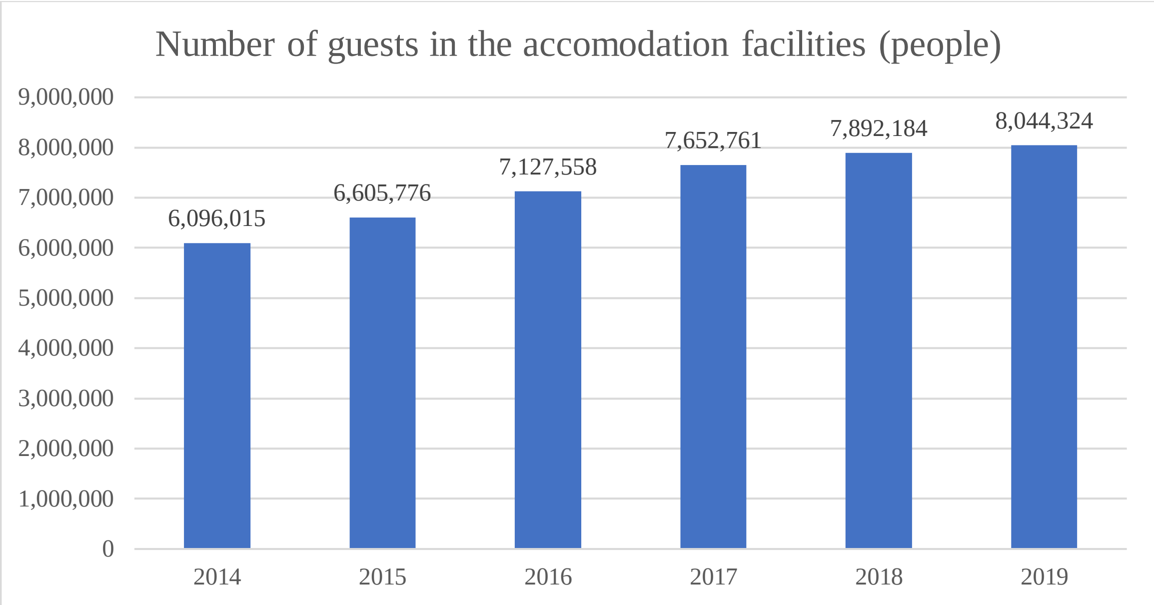
4.1.1 Hotel industry in the Czech Republic

It is also necessary to introduce the sector in which the chosen company operates. This is tourism in the Czech Republic, which has developed significantly recently. According to data from the Czech Statistical Office, tourism has developed positively in terms of attendance at mass accommodation facilities in recent years. The flow can be seen in the following figure.

[45] VPRAZEJAKODOMA.CZ, *Jak to funguje?*2020.

The picture shows that the number of guests in hotels and guesthouses has increased. However, it is also necessary to confirm that the number of guests increased not only in lower category hotels, but also in hotels that are at the same level as the analyzed hotel, i.e. in 5 * hotels.

Figure 1 Number of tourists accommodated in the accommodation facilities in the Czech Republic

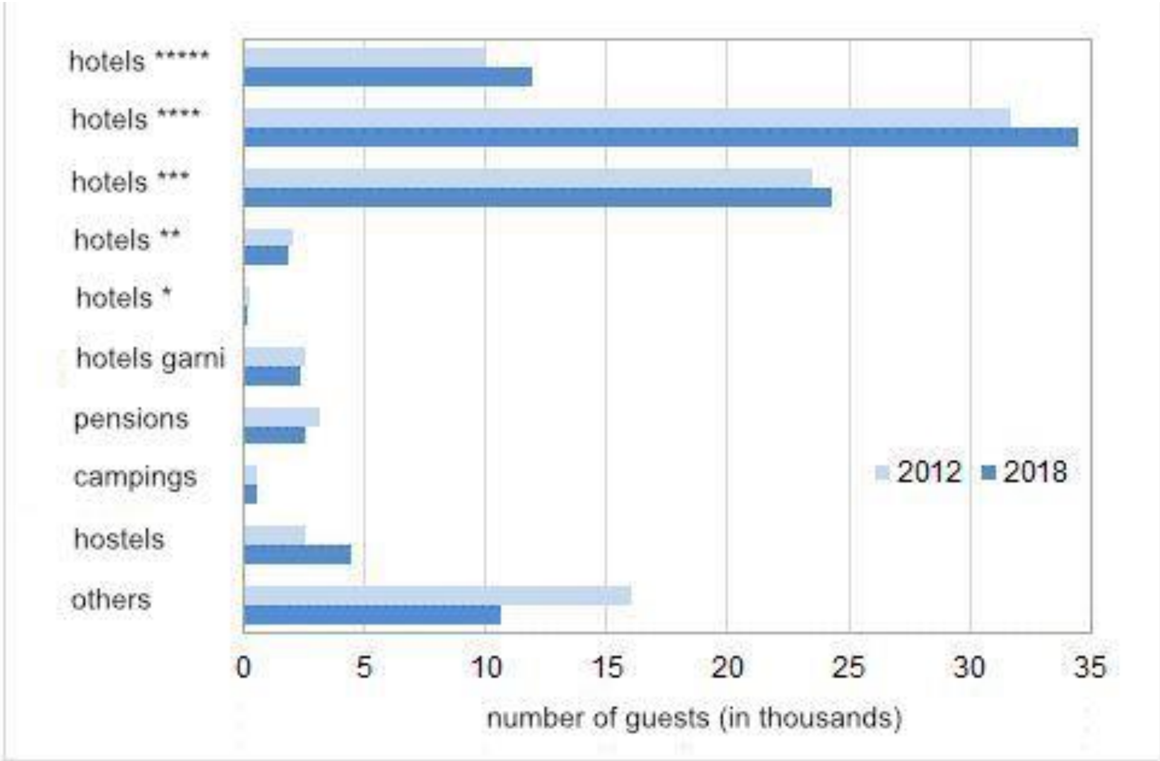


Source: ČSÚ, *Globální turismus v číslech.* 2020

The Czech Statistical Office provides information that the number of guests in hotels of the highest category has been constantly increasing since 2012, see the following figure 2.

In line with these statistics, it can be argued that tourism has developed positively, both in general and in relation to top-class hotels. The financial analysis will analyze the development of the financial situation in the hotel. And it will be possible to relate the individual indicators to the development of tourism and assess whether the development of tourism has had an impact on the situation in the hotel.

Figure 2 Number of tourists accommodated in different types of accommodation facilities in the Czech Republic



Source: ČSÚ, *Globální turismus v číslech.* 2020

The development of tourism is closely linked to the global economy, which has been very successful in recent years. Since 2012, annual global GDP growth has continued to increase. According to Organization for Economic Cooperation and Development (OECD) this economic growth accelerated to 3,3 % in 2017 and to 3,6 % in 2018. Positive effects include low oil prices and the expansionary monetary policy of central banks. Britain's exit from the European Union may also have a negative effect, reducing business investment in the UK and raising inflation. The OECD expects British GDP growth to slow to 1 % in 2021.[46]

The Czech economy was also doing well. It grew by 2,4 % in 2016, for 2017 the growth was 2,5 %. In the last three years economic growth has been constantly increasing. Since 2013, household disposable income has grown in almost all countries, even at an

[46] OECD, *Strengthening the recovery: The need for speed. OECD Economic Outlook, Interim Report*. 2021

accelerating pace in most countries. The more is the growth of the disposable income of people, the more they want to spend on holidays and traveling, and it can have positive effect on tourism.

Another very important economic factor for the analysis of the hotel is the development of the exchange rate. The development of the euro exchange rate against the Czech Crown is very important for visitors who can buy more goods or services after exchanging for their money when the Czech Crown weakens against the euro.

The Czech National Bank launched the course liability in November 2013 in order to meet the inflation target, support economic growth, domestic consumption and exports. The exchange rate suddenly rose above 27 CZK / EUR. In January 2015, after another intervention by the CNB, the exchange rate even exceeded the record level of 28 CZK / EUR. During 2015, the exchange rate stabilized at the required 27 CZK / EUR. The inflation targets of 2 % was met and in April 2017 the Czech National Bank announced the end of its interventions. It can therefore be expected that the koruna will strengthen, but rather it will be a longer-term process, at the end of which the exchange rate should stabilize back at around 25 CZK / EUR.[47]

4.2 Horizontal analysis of Hotel Ambassador

Furthermore, a horizontal analysis of the balance sheet and profit and loss statement in the selected hotel is performed. With the help of this analysis, it is possible to learn how the individual items of the balance sheet and profit and loss statement changed over time (2014-2019).

If we look at the development of individual asset items in a given company in the years 2014-2019 (Table 6), it can be seen that there are many values among the indicators are negative. This means that asset items in the company have developed negatively in the last five years.

[47] OECD, *Strengthening the recovery: The need for speed.* 2021

One of the largest decreases is recorded in the item "current assets", because in the last observed period their value decreased by more than 30 %. The main increase is in the item of cash equivalents, which are the part of current assets.

Intangible assets decreased by 50 % in the last monitored year. This is explained by the fact that the value of the software owned has decreased. However, the company's activities are not based on intangible assets and are only ancillary assets, therefore this change cannot be assessed either positively or negatively.

The other huge decrease is recorded in the current assets in the last examined period. It decreased on 35 % primarily due to the decrease in cash and cash equivalents (decrease on 67,5 %), which are part of the current assets. The main problem is the decline of cash on the bank accounts. This may indicate a deterioration in the hotel's liquidity or that the hotel has changed its liquidity management strategy and transferred cash to other higher yielding assets. However, it will be analyzed in the analysis of liquidity indicators.

Table 6 Horizontal analysis of the balance sheet - assets

Indicators	**14/15**	**15/16**	**16/17**	**17/18**	**19/18**
Total Assets	-2,19 %	-3,68 %	-3,47 %	-2,35 %	-5,02 %
Fixed assets	-3,34 %	-2,74 %	-3,40 %	-2,72 %	-3,07 %
Intangible fixed assets	0,00 %	0,00 %	-25,00 %	-33,33 %	-50,00 %
Tangible fixed assets	-6,05 %	-5,25 %	-6,55 %	-5,42 %	-6,28 %
Long - term financial assets	-0,07 %	0,00 %	0,00 %	0,00 %	0,00 %
Current assets	16,62 %	-17,16 %	-5,49 %	4,31 %	-35,38 %
Inventories	-2,75 %	-1,81 %	-7,38 %	-1,56 %	4,48 %
Receivables	-12,16 %	-5,70 %	-5,44 %	-22,06 %	-11,69 %
Short-term receivables	-12,16 %	-5,70 %	-5,44 %	-22,06 %	-11,69 %
Short - term financial assets	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Cash and equivalents	91,95 %	-33,97 %	-4,54 %	43,76 %	-67,50 %
Cash	83,96 %	-32,20 %	46,79 %	-21,17 %	-6,79 %
Cash on accounts	92,30 %	-34,04 %	-6,70 %	48,07 %	-69,64 %
Accrued assets	4,5 %	9,2 %	16,8 %	-9,2 %	-3,7 %

Source: author, according to financial statements of the hotel

Also, we can see the decrease of trade receivables. That could have meant positive effect that there are more “good” receivables that are paid in time by the clients and partners of the hotel. However, in this case it would be mirrored in some other financial statements, for example, on the bank accounts of the company. That is why, the most probable reason of the decrease is the decrease in revenues and thus the decrease in receivables, which is a negative effect.

Changes in the structure of liabilities and capital in this hotel are significant (Table 7). Capital indicators are changing in a positive direction, primarily due to the appearance of funds from profits and reserves in the hotel. So, in the last studied year, the amount of capital reached positive values, in contrast to previous years, when it was negative, primarily due to losses. Further, it should be noted that the result of the hotel's economic activity was negative in all the years under study, and this amount increased from year to year.

As for debts, they reach high values, but the positive is that this value is decreasing. However, the decline in debt is very small, even insignificant. The most troubling fact is that the hotel hasn't generated any bottom line for a long time. In this case, a situation may arise when the hotel will not be able to cover its costs and will be forced to sell part of its assets, or, even worse, shareholders will have to raise investment capital by reducing their own stakes in the company.

On the other hand, when carrying out a financial analysis, it must be borne in mind that part of the company's long-term assets is the hotel building itself and other real estate, the price of which is more than 380 million CZK. This property is in amortization mode.

These depreciations are in accordance with Czech accounting standards can be applied within 30 years in the case of commercial real estate. If we look at the income statement, we can find out their value – a little less than CZK 30 million per year. This value significantly reduces the value of operating profit, and thus other indicators.

However, depreciation is not a so-called immediate expense, but an expense that will be used in the future. Today, the company is saving money for depreciation in the future, and in a few years will have to invest in the reconstruction of this property. He will use the funds from depreciation of previous years so that he does not touch his current profit.

Table 7 Horizontal analysis of the balance sheet – liabilities and equity

	15/14	**16/15**	**17/16**	**18/17**	**19/18**
TOTAL LIABILITIES and equity	-2,19 %	-3,68 %	-3,47 %	-2,35 %	-5,02 %
Equity	-151,15 %	-8,86 %	-40,22 %	-78,26 %	402,48 %
Initial capital	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Capital funds	25 %	0,00 %	0,00 %	0,00 %	11,71 %
Profit from previous years (+/-)	-0,61 %	-4,61 %	0,76 %	-3,11 %	-2,88 %
Profit or loss for the current accounting period (+/-)	653,59 %	-115,7 %	-313,9 %	-16,33 %	-132,42 %
Reserves and funds	-7,69 %	-3,57 %	-2,76 %	-1,45 %	-6,09 %
Reserves	0,00 %	0,00 %	0,00 %	0,00 %	32,49 %
Liabilities	16,47 %	-3,57 %	-2,76 %	-1,67 %	-6,18 %
Long-term liabilities	14,54 %	-3,97 %	-2,58 %	-2,10 %	-6,10 %
Current liabilities	118,19 %	2,00 %	-5,04 %	4,01 %	-7,14 %

Source: Own processing according to financial statements

The question which arises is why reserves increased in the company in the last monitored period. Apparently, according to the company's internal policy, it was decided that it is necessary to create a profit fund, which will be part of the equity, in which funds will be invested for a specific purpose. It is very likely that this purpose was the reconstruction of the hotel in the near future or a partial reconstruction of the hotel. From the description of the hotel, it is clear that the last comprehensive reconstruction was in 2004, so the hotel need to renovate its rooms again.

The following is a horizontal analysis of the income statement (Table 8). Unfortunately, the same tendency is seen – the turnover of the hotel decreases almost every year. The largest decrease is recorded between 2016 / 2015 and 2019 / 2018. The exact reasons are not known, especially given that during this period the development of tourism in the Czech Republic was very dynamic, according to data from the Czech Statistical Office.

Table 8 Horizontal analysis of the income statement

Indicators	**14/15**	**15/16**	**16/17**	**17/18**	**19/18**
Revenues from sales of own products and services	19,22 %	1,46 %	8,93 %	-7,60 %	-1,39 %
Sale of goods	-99,99 %	-75,00 %	0,00 %	300,00 %	-75,00 %
Revenue costs	24,89 %	4,75 %	13,88 %	-7,65 %	0,36 %
Personal expenses	6,54 %	5,14 %	11,40 %	-1,40 %	3,07 %
Other operating income	150,62 %	-38,37 %	116,02 %	115,51 %	-44,93 %
Other operating expenses	78,33 %	10,70 %	19,74 %	1,22 %	1,56 %
Operating profit	32,65 %	-69,75 %	-105,30 %	-1400,52 %	-243,30 %
Interest expense and similar expenses	-14,55 %	-13,26 %	-18,21 %	-12,06 %	1,20 %
Other financial income	565,50 %	-96,47 %	2729,08 %	-61,44 %	0,74 %
Other financial expenses	-2,97 %	-65,71 %	448,00 %	-65,90 %	-2,65 %
Financial profit	-53,25 %	31,55 %	4,84 %	-35,28 %	8,52 %
Profit or loss for the accounting period	653,50 %	-115,66 %	313,96 %	16,33 %	5,88 %

Source: Own processing according to financial statements

The cost of goods sold, and services provided changes in the same way as the company's turnover. The same can be deduced from the development of personnel costs – their change is proportional to the change in turnover, which is logical, because the more the hotel accommodates guests, the greater the need for human resources.

A very radical change can be observed in the item of operating profit. This indicator is in negative values, but in the period 2018 / 2017 it reaches the value of -1400 %. This was not the lowest value of operating profit for the period under review, as this indicator continued to decline in the following years.

The company has not only income from operating activities, but also financial activities. It has financial income and expenses. Financial income in the period 2017 / 2016 reduced the loss of the hotel, because this item reached positive values and increased incredibly (2729 % in 2017 / 2016). To understand the reason of such an incredible change the balance sheet together with income statement has been analyzed. The financial incomes in the Czech financial statements are recorded on the account number 66 – Financial incomes. Those could be "*income from financial operations, investments, e.g. sales of securities, interest on deposits, dividends received, foreign exchange gains, etc.*"[48] Also it is necessary to say that the company Hotel Ambassador Zlata Husa a.s. owns one more building, which is in a long-term lease to the other company. However, these are not operating revenues. At the same time, it is known from the company's annual reports that this building was very comprehensively reconstructed in 2016. This means that this year the company did not receive rental income from this building, but in previous years before 2016 and in subsequent years after 2016 it received rental income. This perfectly explains this decrease in the Other financial incomes of the company.

There are also financial expenses in the company. These are, on the one hand, the costs of managing investment products, but also payments for loans that the company uses during its activities. These financial costs are several times lower than the financial income in each monitored period.

4.3 Vertical analysis of the chosen company

Furthermore, a vertical analysis of the financial statements will be performed. The first is the analysis of the balance sheet - assets. It can be seen that tangible fixed assets have the largest share in assets. They represent about 40 to 50 % of total assets. This is explained by the fact that the hotel owns buildings and land, including the building in which it operates

[48] SPRAVAFIREM.CZ, *Výnosy a jejich členění*. 2020

hotel services. This is a very valuable asset. Another significant item of assets in the balance sheet is long-term financial assets. These are the hotel's business shares in other companies. The hotel draws dividends from these financial assets, which represent its financial income. The share of inventories in total fixed assets is insignificant. In particular, this is explained by the nature of the industry, as it is a service provider, not a manufacturing company. The main supplies in the hotel are hotel supplies, textiles, food, etc. Receivables are also not a significant asset item. However, this category of assets cannot be looked at only in the scope of vertical analysis, because in this case this item is compared to tangible fixed assets. This item should be considered separately, as the amount of receivables is more important in absolute value or in the analysis of ratios.

Table 9 Vertical analysis of the balance sheet

	2014	**2015**	**2016**	**2017**	**2018**	**2019**
Intangible fixed assets	0,00 %	0,00 %	0,05 %	0,04 %	0,03 %	0,01 %
Tangible fixed assets	51,40 %	49,37 %	48,56 %	47,01 %	45,53 %	42,67 %
Long – term financial assets	42,76 %	43,69 %	45,36 %	46,99 %	48,12 %	48,12 %
Inventories	1,06 %	1,05 %	1,07 %	1,03 %	1,04 %	1,08 %
Short-term receivables	3,11 %	2,80 %	2,74 %	2,68 %	2,14 %	1,89 %
Cash and equivalents	1,46 %	2,87 %	1,97 %	1,94 %	2,86 %	0,93 %

Source: Own processing according to financial statements

The vertical analysis of the income statement shows that the main ratio to total sales is the cost of services, i.e. the cost that the hotel incurs to achieve revenue. These reach up to 50 % in the last monitored period. Personnel costs have a significant ratio in total revenues. These reach up to 42 % in the last year. Depreciation on long-term assets reaches high values. This is because the company owns valuable tangible fixed assets.

Unfortunately, the ratio of financial profit to total revenue is negative. This indicates a poor financial situation in the company. On the one hand, if the ratio were negative in only one analyzed year, it cannot be assessed as a purely negative result, as it can be a fluctuation. On the other hand, as this negative value persists for the six years examined, it can be stated that the hotel has real management problems. Given that the previous text stated that tourism in the Czech Republic has developed positively in the last six years, this cannot be attributed to a bad market economy.

Operating profit first reaches positive values in 2014–2016, but in the last three years examined it reaches only negative values. This means that the operating result is also negative.

Table10 Vertical analysis of the income statement

	2014	**2015**	**2016**	**2017**	**2018**	**2019**
Sale of goods	12,75 %	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Revenue costs	38,63 %	46,38 %	47,89 %	50,06 %	50,04 %	50,93 %
Personal expenses	34,81 %	35,66 %	36,95 %	37,79 %	40,32 %	41,53 %
Adjustments of values in the operating area	11,52 %	10,93 %	11,13 %	10,08 %	10,09 %	11,10 %
Operating profit	4,10 %	5,23 %	1,56 %	-0,08 %	-1,23 %	-4,29 %
Interest expense and similar expenses	2,44 %	2,01 %	1,72 %	1,29 %	1,23 %	1,36 %
Financial profit	-3,63 %	-1,63 %	-2,12 %	-2,04 %	-1,43 %	-1,98 %
Profit or loss for the accounting period	0,50 %	3,60 %	-0,56 %	-2,11 %	-2,66 %	-6,27 %

Source : Own processing, according to financial statements

Interest expenses reach high values. This is 1,3 to 2 % in the various years examined, but even so it can be assessed that the hotel spends quite a lot of its funds to cover interest on loans that are used in the activities of the hotel. This indicator will be thoroughly studied in terms of ration analysis.

4.4 Analysis of differential ratios

In this chapter the working capital and profit on different levels will be calculated.

Gross working capital is equal to total current assets, Net working capital is calculated as Gross working capital less current liabilities. In the following table the calculation is represented.

Table 11 Net working capital of Hotel Ambassador Zlatá Husa

	2014	2015	2016	2017	2018	2019
Current assets	42 101	49 099	40 674	38 440	40 095	25 911
Current liabilities	22 081	48 178	49 142	46 664	48 533	45 069
Net working capital	**20 020**	**921**	**-8 468**	**-8 224**	**-8 438**	**-19 158**

Source: Own processing according to financial statements

The above table shows the development of the value of working capital and net working capital. In the first year, i.e. in 2014, the value of net working capital is positive, reaching up to CZK 20 million. However, in the next year under review, net working capital is reduced by 95 % to CZK 921 thousand. This is because current liabilities have doubled. In the following years, the value of net working capital remains negative, which is around CZK -8 million. The main reason is that current liabilities remained at almost the same level, but current assets fell sharply. If the net working capital is in negative values, it means that the company faces a high risk of insolvency because its short-term liabilities exceed its short-term assets.

Table 12 Profit on the different levels in Hotel Ambassador Zlatá Husa

	2014	2015	2016	2017	2018	2019
EBT	1 099	8 281	-1 297	-5 369	-6 246	-14 517
Tax	0	0	0	0	0	0
Interest expenses	5 401	4 615	4 003	3 274	2 879	3 159
Depreciation of fixed assets	25 460	25 490	25 985	24 921	24 307	25 736
EAT	1 099	8 281	-1 297	-5 369	-6 246	-14517
EBIT	6 500	12 896	2 706	-2 095	-3 367	-11 358
EBITDA	31 960	38 386	28 691	22 826	20 940	14 378

Source: Own processing according to financial statements

EBT indicator is showing gross profit of the hotel before taxes and other expenses. It is a rather difficult task to understand the real financial situation of the company according to this indicator, as it does not include taxes.

EAT is a net profit after paying taxes. It shows the final result of the company's activities not depending on whether these activities have been received with own capital or borrowed capital. In Hotel Ambassador Zlatá Husa this indicator is positive for the first two analyzed years and it has negative values in the last four analyzed years. Moreover, is it constantly decreasing.

EBIT is an intermediate indicator, between gross and net profit. In the analyzed hotel it is positive in the period of time 2014-2017 and later it decreases rapidly. Subtraction of interest and taxes allows one to abstract from the structure of the organization's capital (the share of borrowed capital) and tax rates.

EBITDA is the only indicator, which stays positive in all the years. Is used to measure a company's debt service ability, which, combined with net income, has served as a source of information on how much interest a company could provide in the near term. The main criticism of EBITDA is the following: by clearing the figure from depreciation, we deprive the user of information about the company's investment needs. At the same time, companies with a high depreciation load and with a high need for reinvestment as is Hotel Ambassador

Zlatá Husa are interested in actively using this indicator and overestimating their results, since the adjustment for depreciation significantly improves the profit indicator.

When evaluating the profit at various levels, it is certain that the hotel has not achieved a positive economic result, especially in recent years. Preliminarily, without other methods of financial analysis, it can be stated that the hotel has relatively high interest costs as well as depreciation, which significantly reduces its result.

4.5 Analysis of financial ratios

In this part of the work is an analysis of ratios in the hotel. Indicators of profitability, activity, liquidity and indebtedness will be analyzed. The practical part does not contain analysis of capital market indicators, because this hotel does not trade its own shares and does not offer them on the financial markets.

4.5.1 Profitability ratios

In this analysis, we will evaluate each profitability indicator separately. The first in line is the return-on-investment indicator (ROI). For the purposes of the calculation, the sum of equity and external long-term resources was considered as the sum of investments. This value reaches 1,17 % in the first year (2014) and remains approximately the same in 2015. Subsequently, the value of return on investment begins to decline until negative values in 2017. The decline is recorded until 2019, when it reaches -1,95 %. This is mainly due to the decline in the EBIT indicator, which decreased in the hotel throughout the period under review. Even so, it can be assessed that the value of the ROI indicator was too low in the first monitored periods. If the analysis of investments in the hotel sector in the Czech Republic, especially in Prague, is performed, various sources state that this is a very suitable investment with a return of at least 20 % per year, if it is a suitable location and higher categories of hotel.[49] In the case of the Ambassador Zlatá Husa hotel, which is located directly on Wenceslas Square and has a 5 * category, the return on investment should be many times higher.

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[49] CUSHMAN & WAKEFIELD, *Loňský rekordní objem hotelových transakcí by měl být ltos překonán*. 2020.

Table 13 Profitability ratios

	2014	2015	2016	2017	2018	2019
ROI	1,17 %	1,89 %	0,41 %	-0,33 %	-0,55 %	-1,95 %
ROA	0,87 %	1,76 %	0,38 %	-0,31 %	-0,51 %	-1,80 %
ROE	-3,84 %	56,54 %	-9,72 %	-67,27 %	-360 %	-166,52 %
ROS	0,50 %	3,60 %	-0,56 %	-2,11 %	-2,66 %	-6,27 %

Source: Own processing according to financial statements

The value of return on assets (ROA) is also at a very low level and has reached negative values in recent years. Given the number of long-term tangible assets and their value in the company, it can be assessed that these assets are used inefficiently. There are certainly other ways to use these assets to achieve a higher return on assets.

Return on equity is negative in all monitored years. Even in recent years, it has reached high negative values (up to -360 % in 2019 and -167 % in 2019). This means that the company's equity does not bring profit to the owners, on the contrary, the investment requires further investment.

Another problematic indicator is the profitability of sales. It is too low and reaches 3 % only in 2015. In 2016-2019 it reaches negative values. This means that sales at the hotel do not make any profit for the hotel.

All profitability indicators can be assessed completely negatively. Neither the revenues, nor the assets, nor the company's own capital bring the company a profit, they are used inefficiently. As part of the analysis of other ratios, a deeper analysis can be made, which are the main causes of this inefficiency.

4.5.2 Debt ratios

The value of indebtedness indicators in the hotel will be analyzed. The first indicator is the ratio of total liabilities to total assets in the hotel (Debt ratio). It can be seen that this indicator is not completely balanced, and the hotel uses only borrowed capital to finance its own activities. The value of this indicator reaches up to 99,5 % in 2018. In other years, it is also very high. It reaches the lowest value in 2014, i.e. in the first analyzed year -82,3 %. Another indicator of indebtedness is the indicator of the ratio of equity to total assets (Equity ratio). This indicator is the opposite of the previous one and reaches very low values, even insignificant ones. This also indicates that Another indicator is the ratio of the company's liabilities to equity (Debt – to – equity ratio). This indicator is also not fully balanced. The values of the indicators do not even have to be commented on, because, for example, in 2018 it reaches the value of 38066 %, which is a completely inadmissible value for this indicator.

The last indicator of indebtedness is the indicator of interest coverage. This expresses the company's ability to cover interest on borrowed capital from its own profit. The value of this indicator is also unsatisfactory in the hotel. It reaches the highest value of 2,79 % in 2015, then decreases to negative values. The lowest value of this indicator is in the last monitored year. This means that the company cannot even cover the costs of borrowed funds from its profits.

Based on the analysis of indebtedness indicators, it can be stated that the company is too indebted, and this is undoubtedly one of the reasons for its poor financial situation. The high cost of borrowed capital reduces the company's overall profit.

And foreign capital is not in itself a bad tool in business. With a balanced ratio of debt and equity, the effect of so-called financial leverage is created. This is a positive effect of the effect of foreign capital on increasing the return on equity, provided that the interest rate on debt is lower than the return on total assets. If the interest rate on debt is higher, this is a negative effect. It is therefore an additional financial risk that is more concentrated with the business owner.

The overall level of financial leverage has its limits. With more debt, the interest rate also rises due to the growing risk of the company's solvency. Increased indebtedness also reduces the company's overall financial stability.

Table 14 Debt ratios

Debt ratios	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Debt ratio	103,8 %	98 %	98,1 %	98,8 %	99,5 %	98,2 %
Equity ratio	-3,8 %	2 %	1,9 %	1,2 %	0,5 %	1,8 %
Debt to equity ratio	-2147,9 %	4890,6 %	5174 %	8416,2 %	38065,9 %	7107,5 %
Interest coverage indicator	1,20	2,79	0,68	-0,64	-1,17	-3,60

Source: Own processing according to financial statements

4.5.3 Liquidity ratios

Liquidity ratios are another indicator that is part of our financial analysis. Given that the previous text analyzed the indicators of indebtedness and profitability, whose values are not positive, it can be expected that the liquidity in the company will not be satisfying. In fact, all three liquidity ratios analyzed in the work are of insufficient value. In the theoretical part of the work it is also stated that liquidity may differ in connection with the business sector, but also with the strategy of liquidity management in the company. Some companies thus decide that higher liquidity leads to a reduction in the return on equity, so they hold little liquidity. However, in case of the chosen hotel Hotel Ambassador Zlatá Husa, the liquidity values are almost zero, which means that the company has no money to pay its currently due liabilities and does not have enough liquidity to cover extraordinary costs.

Table 15 Liquidity ratios

Liquidity ratios	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Current liquidity	1,9	1,0	0,8	0,8	0,8	0,6
Ready liquidity	0,1	0,1	0,0	0,0	0,1	0,0
Immidiate liquidity	0,5	0,4	0,3	0,3	0,4	0,1

Source: Own processing according to financial statements

This cannot be called an aggressive liquidity management strategy, as it is very likely that this strategy is not intended as such, but there is poor financial management in the company.

4.5.4 Activity ratios

An analysis of activity indicators was also performed. Here it is necessary to refer to the theoretical part, which sets out recommendations for activity values. The first indicator is the turnover of total assets. Its recommended value is 1,6-2,9. This indicator in the analyzed hotel does not reach these values. The highest values were reached in 2017 and 2019 (0,37). Another indicator is inventory turnover. Due to the fact that the inventories in this hotel are low, because it is not a manufacturing company, the value of the indicator is high. But this cannot be evaluated positively. Inventory turnover time is relatively short, also because the value of inventories is low. The turnover of receivables is also relatively small. The receivables turnover time is approximately 20 days. In the Czech Republic, the standard maturity of receivables is 14 days.[50] In the hotel, the turnaround time of receivables is a bit higher, but this is not a drastic difference. This means that the payment morale of the hotel's customers and partners is good.

The purpose of receivables management is to find optimal conditions for providing business loans so that they are affordable for all parties involved. The aim is therefore to minimize the risk of bad and late receivables and at the same time set the credit policy so that the conditions are not too strict, and the result is not an outflow of customers to the

[50] Finance.cz, *Každá 10. faktura v Česku je zaplacena až po splatnosti.* 2019.

competition, for example, touristic operators to other hotels. The only exceptions are companies that have such a strong market position that they can strictly dictate terms without having to worry about their existence. But hotel industry in Prague is very competitive, so no hotel has strong market position. However, for most hotels, competition is an important factor, and they cannot afford to adapt the conditions only to their needs. At the same time, however, they cannot be too benevolent in the area of credit policy. It would bring them higher sales, and thus higher potential profit, but at the expense of the quality of receivables, increased costs and high risk.

Table 16 Activity ratios

Activity ratios	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Total assets turnover	0,30	0,31	0,33	0,37	0,35	0,37
Inventory turnover ratio	27,9	29,9	30,9	36,3	34,1	32,2
Inventory turnover period	13,07	12,22	11,83	10,05	10,71	11,34
Receivables turnover ratio	11,02	13,31	14,94	15,07	20,55	22,68
Receivables turnover period	33,13	27,43	24,43	24,22	17,76	16,09

Source: Own processing according to financial statements

4.6 Creditworthiness and bankruptcy models

In this chapter, an analysis of the creditworthiness and bankruptcy model is performed, which are presented in the theoretical part. Firstly, Altman model will be implied, and the Z-score will be calculated.

Table 17 Calculation of Z-score

	2014	2015	2016	2017	2018	2019
X1	0,027	0,001	-0,012	-0,012	-0,013	-0,030
X2	-0,242	-0,246	-0,244	-0,254	-0,268	-0,291
X3	0,009	0,018	0,004	-0,003	-0,005	-0,018
X4	-0,047	0,020	0,019	0,012	0,003	0,014
X5	0,258	0,315	0,331	0,374	0,354	0,367
Z-score	-0,0478	0,0423	0,0002	0,0004	-0,0524	-0,1272

Source: Own processing according to financial statements

In all the analyzed years the Z-score is ≤ 1,8, which means that this hotel has big Financial problems and is facing bankruptcy. The worst Z-score is reported in 2014 and subsequently in 2018 and 2019.

Table 18 Kralicek Quick test score

	2014	2015	2016	2017	2018	2019
R1	-0,04	0,02	0,02	0,01	0,00	0,01
R2	22,84	30,64	25,56	36,76	27,85	63,39
R3	0,01	0,02	0,00	0,00	-0,01	-0,02
R4	0,14	0,10	0,11	0,07	0,10	0,04
Evaluation of ratios						
	2014	**2015**	**2016**	**2017**	**2018**	**2019**
R1	0,00	1,00	1,00	1,00	0,00	1,00
R2	1,00	0,00	1,00	0,00	1,00	0,00
R3	1,00	1,00	0,00	0,00	0,00	0,00
R4	4,00	1,00	4,00	2,00	4,00	2,00
Score	**1,5**	**0,75**	**1,5**	**0,75**	**1,25**	**0,75**

Source: Own processing according the financial statements

In accordance with the results of Kralicek's rapid test, in some years a so-called gray zone is emerging, where it is probably not possible to determine whether the company is financially stable or whether it is in danger of bankruptcy. These are the years 2014, 2016, 2018. In other years, the company is in financial distress because the Quick score is lower than 1. Because the analysis of Altman's model has already been performed in this work, it can be said with certainty that in the examined years 2014, 2016 and 2018 the company is also in financial distress and is in danger of bankruptcy.

4.7 Comparison with a competing hotel

In this section, we will compare the hotel Ambassador Zlatá Husa with the competitive Alcron Hotel, which is located close to the selected hotel and offers the same level of services and accommodation rates. All shown by Alcron Hotel were calculated for the same period of time for which the financial analysis of the selected hotel was carried out. Based on these indicators, it will be revealed what differences there are in the financial management of the two hotels.

Profitability ratios

Table 19 Profitability ratios

Profitability	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
ROI	11,96 %	16,02 %	14,77 %	11,26 %	8,04 %	7,60 %
ROA	11,74 %	15,34 %	14,04 %	18,01 %	13,27 %	15,60 %
ROE	31,70 %	36,93 %	35,30 %	13,88 %	9,65 %	11,40 %
ROS	21,15 %	23,56 %	20,64 %	24,32 %	18,15 %	19,60 %

Source: Own processing according to financial statements

In the case of the Alcron Hotel, all profitability indicators reach positive values, which can be assessed very positively. Indicators such as return on investment and return on assets show a declining trend from 2017 to 2019, but still a relatively high return compared to the analyzed hotel Ambassador Zlatá Husa. Other indicators of profitability record a growing trend in the period 2018-2019. Primarily this happens because Hotel Alcron has high turnover from accommodation services.

A very positive fact is that return on equity (ROE) is really high in 2014–2016 and it still reaches relatively high results in the following years. Also, return on investment reaches good values, which is a very attractive fact for current and potential investors.

Indebtedness ratios

Furthermore, the indebtedness indicators of the hotel are analyzed. It can be seen that the ratio of debt to total assets averages 60 %, which can be considered an acceptable result. Again, in terms of debt ratios, the Alcron hotel outperforms the analyzed hotel.

A very positive fact is that the interest coverage ratio reaches high values. In all years, this indicator reaches up to thousands of percent, which means that for the Alcron Hotel, foreign capital really represents a financial leverage with which the hotel can increase the return on equity. The hotel is not in danger of credit risk, unlike our analyzed hotel Ambassador Zlatá Husa, where credit risk and insolvency risk are quite high.

Table 20 Indebtedness ratios of Alcron hotel

	2014	**2015**	**2016**	**2017**	**2018**	**2019**
Debt ratio	70,47 %	63,79 %	64,21 %	59,9 %	65 %	59,6 %
Equity ratio	29,53 %	36,21 %	35,79 %	40,1 %	35 %	40,4 %
Debt to equity ratio	254,5 %	199,42 %	208 %	59,9 %	65 %	64,5 %
Interest coverage indicator	1737,2 %	3494,70 %	5037 %	4959,6 %	4652 %	4620 %

Source: Own processing according to financial statements

On the positive side, the Alcron Hotel is not only able to pay interest on loans but has also been gradually reducing its loan since 2014. In some years the number of external resources is declining, in others it is increasing, but this means that the hotel uses external resources for temporary financing solutions, but then repays these loans. Therefore, the policy of financing the activities of the Alcron hotel can be positively assessed.

Compared to the Alcron Hotel, the Ambassador Hotel has a bad policy of using external resources because it is over-indebted and cannot even pay its interest because it does not have the necessary resources.

Liquidity ratios

Liquidity ratios are very important for the hotel industry, as the hotel has many processes that require current and immediate liquidity. At the Ambassador Hotel, these indicators were purely negative, and it was clear from the results that the hotel had a poor management policy. Although the liquidity indicators in the Alcron hotel do not reach the recommended values (which were stated by some authors in the theoretical part of the work), they are higher than in the Ambassador hotel.

Table 21 Liquidity ratios of Alcron hotel

Liquidity ratios	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Current liquidity	1,04	1,18	0,85	0,77	0,47	0,40
Ready liquidity	0,22	0,16	0,19	0,19	0,16	0,20
Immidiate liquidity	0,25	0,60	0,33	0,32	0,50	0,20

Source: Own processing according to financial statements

Activity ratios

Furthermore, indicators of activity in the hotel will be analyzed. The biggest difference between the analyzed hotels is in the turnover of stocks. At the Alcron Hotel, this indicator is significantly higher. However, it has already been said in the previous section that this indicator is not very important for a hotel, as it is not a manufacturing company but a service company.

Table 22 Activity ratios of Alcron hotel

Activity ratios	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Total assets turnover	0,41	0,50	0,53	0,57	0,53	0,54
Inventory turnover ratio	87,93	98,16	93,39	96,26	84,56	87,50
Inventory turnover period	4,15	3,72	3,91	3,79	4,32	4,21
Receivables turnover ratio	31,75	29,53	23,62	26,17	42,67	33,70
Receivables turnover period	11,49	12,36	15,45	13,95	8,55	9,22

Source: Own processing according to financial statements

An important indicator is the turnover of receivables and the time of turnover of receivables. This indicator is important mainly because the hotel needs liquid funds to finance its activities. At the Alcron Hotel, the turnover of receivables is many times higher than at the Ambassador Hotel. This means that the hotel has a better policy with customers and better relationships with partners. Receivables turnover period is much shorter in Alcron hotel than in Ambassador hotel, which is also a comparative advantage.

5 Results and Discussion

Based on the performed analysis, it can be stated, that Ambassador Zlatá Husa hotel has poor financial management. The problem is not only that the hotel has low turnover from its main activity, but also that it is over-indebted, unable to repay its current liabilities, has too many external resources, does not have enough financial income to cover all costs, and thus, it deepens its financial loss from year to year.

If we analyze the development of tourism in the Czech Republic over the last 6 years, we will see that tourism has really developed in the right direction, and there were no preconditions for five-star hotels not to make profit. Not only the demand, but also the purchasing power of clients who come to the Czech Republic until 2019 grew. This can be confirmed not only by inbound tourism statistics, but also by the results of another five-star hotel which was compared in analysis with the Ambassador Zlatá Husa hotel.

Unfortunately, in the examined Hotel Ambassador Zlatá Husa there were problems already in 2014, and since then the problem has only deepened, because no steps have been taken to improve financial management and overall management of the company. All indicators of the hotel Ambassador Zlatá Husa are below the recommended values.

And not only that. Some values are negative, especially the value of return on equity and investment, which is bad not only for the current management of the company, but also for potential investors who want to invest in this company.

The analysis of working capital showed that the hotel has insufficient net working capital to finance its activities. Current liabilities significantly exceed current assets, and each year the hotel reports a value of CZK -8 million, which is insufficient to cover short-term liabilities.

Unfortunately, with the current financial results, the hotel will not be able to attract further investment in the hotel, and therefore will not be able to further manage, renovate or implement the marketing strategy. Because he doesn't have the resources.

And this is quite interesting, because a hotel of such a level as an Ambassador should be attractive to every client and can generate turnover and therefore profit not only from accommodation services, but also catering services, because the hotel has an excellent five-star restaurant.

Using the bankruptcy model of Altman and the creditworthiness model Kralicek Quicktest, it was found that the Ambassador Zlatá Husa hotel is in financial distress. The company is in danger of bankruptcy, as this situation persists for all the years examined, i.e. the last six years. In 2020, the situation did not improve due to the cessation of tourism in the Czech Republic and the freezing of the hotel industry.

It should also be noted that the analysis was performed in the period before the global pandemic Covid-19. The years 2020 and 2021 will have appalling consequences for the entire field of tourism and hospitality in the Czech Republic and other countries. Government compensation programs do not compensate for the hotel's profit and turnover, but only part of the cost. Given that the hotel did not have a good financial situation before the pandemic, it can be assumed that in the last 12 months since the beginning of the pandemic in March 2020 in the Czech Republic, the hotel deteriorated in its situation. Therefore, the following recommendations are directed not only in relation to the previous activities of the hotel before the pandemic, but also taking into account the circumstances that were caused by the pandemic in the Czech Republic.

Furthermore, individual recommendations resulting from the performed financial analysis and aimed at improving the financial health of the Ambassador hotel can be submitted.

The first recommendation is to reorganize the company's liabilities. It can be seen that the hotel is poorly managing its interest obligation and is not enough to repay the interest on the loans, let alone the loans themselves. At the time of the pandemic, banks offered various options for refinancing and debt restructuring, including stopping their repayment for a certain period of time. In addition, due to unexpected facts, banks are more loyal to clients and try to suit the individual situation. For the Ambassador Hotel, this may be a good time for the hotel to change its financial management and management strategy in the hotel and focus on sustainable growth .

Another recommendation for a given hotel is to set up a policy of partnership with suppliers and customers so that the hotel always has liquid funds for the debts just due. It is very likely that precisely because of the lack of liquidity, the hotel is reaching for expensive short-term loans and borrowing. Therefore, it is necessary for the hotel to agree on the conditions of cooperation with suppliers, so that the due date of received invoices is longer than the due date of issued invoices. Thus, the hotel will have more liquid funds to finance the debts just due.

It is also necessary to recommend that the hotel management look for other options for hotel promotion and sale of accommodation. Cooperation with travel agencies is not always beneficial for the hotel, as it guarantees turnover, but does not guarantee profitability. Travel agencies often charge high commissions for clients, so the hotel has a low margin on accommodation services. Therefore, it is necessary to check all possible channels for the sale of hotel accommodation services, set a suitable pricing and marketing policy and sell not only through travel agencies, but also through direct orders on the hotel website.

Thus, the hotel can achieve high margins and profitability of sales, generate higher profits and this will lead to improved financial indicators in the hotel, ie to its greater attractiveness to potential investors.

Another recommendation is to reconsider the pricing policy. It is obvious that with relatively high revenues, the hotel achieves low profitability of revenues. This means that the hotel has a bad pricing policy and is unable to generate a profit from the sale of accommodation and catering services.

Pricing policy should be based primarily on the level of services provided. The hotel offers high level services, so it must have an appropriate pricing policy and reassess costs. It is necessary to evaluate the costs in terms of their adequacy and proportionality. Check labor costs and also look at the possibility of saving costs in a rational way, for example by changing energy supplier or data services.

Labor costs are relatively high. It is true that the hotel must provide a certain level of service, but it is also possible that some processes can be outsourced at more favorable prices. It is also possible that the hotel automates some processes in the hotel.

A relatively radical recommendation is to sell the hotel to a new owner – a network of hotels. It is obvious that the Ambassador Hotel Zlatá Husa does not manage strategic or financial management. If the hotel is bought by a large network of hotels, management will be centralized. In addition, there will be centralized sales of accommodation services, which will lead to a uniform pricing policy and higher sales, thanks to the well-known hotel brand.

6 Conclusion

The aim of the thesis was to conduct the financial analysis basing on the financial and annual reports of Hotel Ambassador Zlata Husa a.s. and provide recommendations for financial management of the company. This aim has been decomposed on several parts. First of all, there was a theoretical analysis conducted.

The theoretical part of the work defined the chronological procedure of financial analysis and determined the main indicators to be the subject of further research. In the theoretical part was explained the principle of vertical and horizontal analysis of basic financial statements and approached the specifics of the calculation of differential and ratio indicators, including their use for summary valuation indices. Increased attention has been paid to ratios, as their examination clarifies the basic picture made on the basis of the analysis of financial statements. Emphasis was placed on ways of interpreting the results. It was found that the development of the values of individual indicators cannot be examined separately. The better results of one group of indicators are usually offset by worse developments in the other area. From the point of view of long-term survival in the market, the most important indicator is profitability.

Analytical part was represented by means of calculations of financial indicators and figures. Based on these calculations, conclusions were drawn about the financial condition of the selected hotel, and recommendations were also made to improve this financial situation.

The research questions 1 was the following: based on the financial analysis, what are the main financial problems of the chosen company?

In the analyzed hotel there are complex problems associated with poor financial management. The hotel is over-indebted as a result of poor receivables and payables management policies. The hotel borrows money to cover running costs. These are short-term loans that are relatively expensive. Therefore, the hotel does not have the liquidity funds to use to repay the liabilities currently due, nor does it have the funds to repay the loans and interest due on them. In this case, foreign capital does not create the effect of financial leverage, as in the case of the competing hotel Alcron, but, on the contrary, deepens its financial distress.

The research question 2 was the following: based on the results of financial analysis, what are the recommendations for the chosen company to improve its financial situation? In fact, the main recommendation is to comprehensively replace the financial strategy and financial management in the company. When it comes to people who devise and implement this strategy, it is necessary to replace these people with more competent people who will take into account the situation and change this situation for the better. Another recommendation was to explore the pricing policy at the hotel, find new ways to promote services, get rid of dependence on travel agencies.

An analysis of the development of tourism in the Czech Republic was performed in order to remove the assumption that the poor financial situation in the hotel was caused by poor development in the industry. It was found that the development of tourism in the Czech Republic has been positive recently, specifically since 2014. In addition, the development of demand for more expensive accommodation was positive.

In addition, the analysis of the closest competing hotel in Prague - Hotel Alcron shows that the competition has good financial results. Therefore, it can be stated that the poor financial situation in the Ambassador Zlatá Husa hotel is caused not by external circumstances, but mainly by retroactive financial management.

Based on the performed analyzes and evaluations, recommendations were given to the hotel. Above all, it was a change of financial management and strategy. The year 2020 was also a good way for the hotel to set up the right methodologies based on an analysis of the mistakes made in the past. It is also necessary for the hotel to start looking for an investor to attract new financial resources and capital. Without these resources, the hotel will find it difficult to overcome the current financial situation and will not have the means to cover all costs.

The debt analysis made clear the recommendation that the hotel should focus on disbursing as soon as possible all "expensive" loans, especially short-term ones, with which the hotel covered up temporary cash outages. Debts should be restructured. Loans should be logical according to the structure of the company's assets and activities. Long-term activities should be financing with long-term loans, which are usually less expensive than short-term loans, so the company will reduce the onus of interest costs, which are currently a burden on the company.

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8 Appendix

8.1 Appendix A Balance Sheet Hotel Ambassador Zlata Husa

Items	2014	2015	2016	2017	2018	2019
Total Assets	**747 372**	**730 971**	**704 084**	**679 673**	**663 721**	**630 396**
Fixed assets	**703 708**	**680 239**	**661 626**	**639 150**	**621 734**	**602 663**
Intangible fixed assets	**0**	**0**	**348**	**261**	**174**	**87**
Intangible results of development	0	0	0	0	0	
Valuable rights and royalties	0	0	348	261	174	87
Software	0	0	348	261	174	87
Other valuable rights	0	0	0	0	0	0
Advances provided for intangible fixed assets and intangible fixed assets in progress	0	0	0	0	0	0
Intangible fixed assets in progress	0	0	0	0	0	0
Tangible fixed assets	**384 119**	**360 884**	**341 923**	**319 534**	**302 205**	**283 221**
Land and buildings	356 033	337 976	321 834	304 267	289 380	273 155
Lands	15 660	15 660	15 660	15 660	14 703	14 702
Buildings	340 373	322 316	306 174	288 607	274 677	258 453
Tangible movables and their sets	0	10 279	10 506	8 731	8 824	9 623
Valuation difference on acquired assets	0	12 186	9 140	6093	3047	0
Advances provided for tangible fixed assets and unfinished tangible fixed assets	0	0	0	0	511	0
Advances provided for tangible fixed assets	0	0	0	0	381	0
Incomplete tangible fixed assets	0	0	0	0	130	443
Long - term financial assets	**319 589**	**319 355**	**319 355**	**319 355**	**319 355**	**319 355**
Shares - controlled or controlling person	319 355	319 355	319 355	319 355	319 355	319 355
Current assets	**42 101**	**49 099**	**40 674**	**38 440**	**40 095**	**25 911**
Inventories	**7 914**	**7 696**	**7 557**	**6 999**	**6 890**	7 192

Material	1 704	1 557	1 307	1 075	991	1 157
Work in progress and semi-finished products	0	0	0	0	0	
Products and goods	0	6 139	6 250	5 923	5 899	6 035
Products	0	0	0	0	0	
Goods	6 210	6 139	6 250	5 923	5 899	6 035
Advances provided for inventories	0	0	0	0	0	
Receivables	**23 264**	**20 436**	**19 272**	**18 224**	**14 204**	**12 543**
Long-term receivables	0	0	0	0	0	0
Receivables - controlled or controlling entity	0	0	0	0	0	0
Receivables - other	0	0	0	0	0	0
Long - term advances provided	0	0	0	0	0	0
Short-term receivables	23 264	20 436	19 272	18 224	14 204	12 543
Trade receivables	20 059	17 279	15 612	16 860	11 426	10 206
Receivables - controlled or controlling entity	0	0	0	0	0	
Receivables - other	3 205	3 157	3 660	1 364	2 778	2 337
State - tax receivables	121	122	122	0	5	4
The short-term prepayments	0	0	0	0	596	943
Estimated accounts active	0	0	60	898	1 745	983
Other receivables	3084	3035	3478	466	432	407
Short - term financial assets	**0**	**0**	**0**	**0**	**0**	**0**
Other short - term financial assets	0	0	0	0	0	
Cash and equivalents	**10 923**	**20 967**	**13 845**	**13 217**	**19 001**	**6 176**
Cash	449	826	560	822	648	604
Cash on accounts	10 474	20 141	13 285	12 395	18 353	5 572
Accrued assets	**1 563**	**1 633**	**1 784**	**2 083**	**1 892**	**1 822**
Deferred expenses	1 563	1 633	1 784	2 083	1 852	1 822
Deferred income	0	0	0	0	0	

Items	2014	2015	2016	2017	2018	2019
TOTAL LIABILITIES and equity	747 372	730 971	704 084	679 673	663 721	630 396
Equity	-28 635	14 647	13 350	7 981	1 735	8 718
Initial capital	10 000	10 000	10 000	10 000	10 000	10 000
Initial capital	10 000	10 000	10 000	10 000	10 000	10 000
Premium and capital funds	140 000	175 000	175 000	175 000	175 000	195 500

Capital funds	140 000	175 000	175 000	175 000	175 000	195 500
Other capital funds	140 000	175 000	175 000	175000	175000	195 500
Valuation differences from revaluation of assets and liabilities (+/-)	0	0	0	0	0	
Profit from previous years (+/-)	-180 846	-179 747	-171 465	-172 763	-178 131	-183 265
Retained earnings min min or unreimbursed loss min min (+/-)	-180 846	-179 747	-171 465	-172 763	-178 131	-183 265
Other profit from previous years (+/-)	0	0	0	0	0	
Profit or loss for the current accounting period (+/-)	1 099	8 282	-1 297	-5 369	-6 246	-14 517
Reserves and funds	776 007	716 324	690 734	671 693	661 986	621 678
Reserves	0	0	0	0	1 542	2 043
Provision for pensions and similar liabilities	0	0	0	0	1 542	2 043
Other reserves	0	0	0	0	0	
Liabilities	615 049	716 324	690 734	671 693	660 444	619 635
Long-term liabilities	583 343	668 146	641 592	625 020	611 911	574 566
Bonds issued	0	0	0	0	0	
Other bonds	0	0	0	0	0	
Liabilities to credit institutions	145 728	118 181	75 055	48 731	34 933	19 500
Deferred tax liability	0	0	0	0	0	
Current liabilities	22 081	48 178	49 142	46 664	48 533	45 069
Liabilities to credit institutions	24 855	28 010	27 872	26 255	26 939	23 401
Short - term advances received	427	291	119	0	0	194
Liabilities from trade relations	12 029	9 840	11 117	8 677	8 568	8 195
Liabilities - controlled or controlling person	0	0	0	0	0	
Liabilities - other	9 625	10 034	10 037	11 732	13 026	13 279
Payables to employees	4 085	4 243	4 779	5 177	5 135	5 094
Liabilities from social security and health insurance	2 393	2 457	2 762	3 045	2 975	2 973
State - tax liabilities and subsidies	1563	1971	1435	2 283	2 522	2972
Unbilled passive accounts	1 339	1 366	1 046	1 225	2 394	1 936
Other liabilities	245	0	12	2	0	984
Accrued liabilities	0	0	0	0	0	0

Expenses for the upcomming period	0	0	0	0	0	0
Deferred income	0	0	0	0	0	0

8.2 Appendix B Income Statement Hotel Ambassador Zlata Husa

Items	2014	2015	2016	2017	2018	2019
Revenues from sales of own products and services	**192 840**	**229 908**	**233 259**	**254 099**	**234 785**	**231 514**
Sale of goods	**28 184**	**4**	**1**	**1**	**4**	**1**
Revenue costs	**85 389**	**106 644**	**111 705**	**127 214**	**117 487**	**117 908**
Costs of goods sold	21 104	22 137	23 917	25 937	23 399	23 989
Material and energy consumption	25 069	25 455	25 179	24 958	25 545	26 330
Service costs	60 320	59 052	62 609	76 319	68 543	67 589
Change in inventories of own activities	**0**	**0**	**0**	**0**	**0**	
Personal expenses	**76 947**	**81 978**	**86 191**	**96 015**	**94 674**	96 147
Salary expenses	57 417	61 607	64 375	71 857	70 854	72 155
Social security, health insurance and other costs	19 287	20 371	21 816	24 158	23 707	23 992
Social security, health insurance	19 287	20 371	21 221	24 158	23 707	23 882
Other costs	0	0	595	301	113	110
Adjustments of values in the operating area	**25 460**	**25 127**	**25 965**	**25 605**	**23 682**	25 699
Adjustments to the value of intangible and tangible fixed assets	25 460	25 173	25 703	24 921	24 307	25 736
Adjustments to the value of intangible and tangible fixed assets - permanent	25 490	25 490	25 985	24 921	24 307	25 736
Adjustments to inventory values	0	0	0	0	0	0
Adjustments to receivables	0	-46	262	684	-625	-37
Other operating income	**966**	**2 421**	**1 492**	**3 223**	**6 946**	3 825
Revenues from sold fixed assets	902	45	41	465	3 949	7
Sales of materials sold	902	0	0	0	1	
Other operating income	0	2 376	1 451	2 758	2 996	3 818
Other operating expenses	**3 673**	**6 550**	**7 251**	**8 682**	**8 788**	5 528
Net book value of sold fixed assets	0	0	0	0	957	
Sold material	0	0	0	0	0	
Taxes and fees	1 430	1 319	1 804	1779	1555	5 528
Provisions in the operating area and complex prepaid expenses	0	0	0	0	1542	502
Other operating expenses	0	5 231	5 447	6 903	4 734	3 357
Operating profit	**9 072**	**12 034**	**3 640**	**-193**	**-2 896**	-9 942

Income from long - term financial assets - shares	**0**	**0**	**0**	**0**	**0**	**0**
Income from shares - controlled or controlling entity	0	0	0	0	0	0
Other income from shares	0	0	0	0	0	0
Cost of shares sold	**0**	**0**	**0**	**0**	**0**	**0**
Interest income and similar income	**0**	**0**	**0**	**0**	**0**	**0**
Other interest income and similar income	0	0	0	0	0	0
Value adjustments and provisions in the financial area	**0**	**0**	**0**	**0**	**0**	**0**
Interest expense and similar expenses	**5 401**	**4 615**	**4 003**	**3 274**	**2 879**	**3 159**
Interest expense and similar expenses - controlled or controlling entity	5 401	4 615	4 003	3 274	2 879	3 159
Other interest expense and similar expenses	0	0	0	0	0	
Other financial income	**600**	**3 993**	**141**	**3 989**	**1 538**	**406**
Other financial expenses	**3 231**	**3 135**	**1 075**	**5 891**	**2 009**	**1 822**
Financial profit	**-8 028**	**-3 753**	**-4 937**	**-5 176**	**-3 350**	**-4 575**
Profit before tax	**1 099**	**8 281**	**-1 297**	**-5 369**	**-6 246**	**-14 517**
Tax	**0**	**0**	**0**	**0**	**0**	
Income tax payable	0	0	0	0	0	
Deferred income tax	0	0	0	0	0	
Profit after tax	**1 099**	**8 281**	**-1 297**	**-5 369**	**-6 246**	-14517
Profit or loss for the accounting period	**1 099**	**8 281**	**-1 297**	**-5 369**	**-6 246**	-14517
Net turnover for the accounting period	**222 590**	**236 330**	**234 983**	**261 311**	**243 273**	**235 746**

8.3 Appendix C Cash Flow statement Hotel Ambassador Zlata Husa

Items	2014	2015	2016	2017	2018	2019
Cash and cash equivalents at the beginning of the accounting period	**10 537**	**10 923**	**20 967**	**13 845**	**13 217**	**19 001**
Accounting profit or loss before tax	1 044	8 646	-1 297	-5 369	-6 246	-14 517
Adjustments for non - cash transactions	29 226	29 652	29 927	28 414	25 112	29 353
Depreciation of fixed assets and amortization of provisions for acquired assets	25 460	25 490	25 985	24 921	24 307	25 736
Change in provisions, reserves	-730	-404	-20	684	917	465
Profit from sale of fixed assets	-902	-45	-41	-465	-2991	-7
Income from profit shares	0	0	0	0	0	0
Accrued interest expense with the exception of interest included in the valuation of fixed assets and accrued interest income	5 398	4 611	4 003	3 274	2 879	3 159
Possible adjustments for other non - cash transactions	0	0	0	0	0	0
Net cash flow from operating activities before taxes and changes in working capital	30 270	38 298	28 630	23 045	18 866	14 836
Changes in non - monetary components of working capital	1 526	-10 630	1 857	-1 856	7 049	-1999
Change in receivables from operating activities, temporary asset accounts	2 571	3 197	1 032	65	4 837	1 767
Change in current liabilities from operating activities, temporary liability accounts	-1 512	-14 045	964	-2 479	2 103	-3 464
Change in inventories	467	218	-139	558	109	-302
Change in current non - cash financial assets. and equivalents	0	0	0	0	0	0
Net cash flow from operating activities before taxes	31 796	27 668	30 487	21 189	25 915	12 837
Interest paid, excluding interest included in the valuation of fixed assets	-5 401	-5 615	-4 003	-3 274	-2 879	-3159
Interest received	4	4	0	0	0	0

Paid income tax and additional tax assessments for previous periods	0	0	0	0	0	0
Received profit shares	0	0	0	0	0	0
Net cash flow from operating activities	26 454	22 692	26 484	17 915	23 036	9 678
Expenses related to acquisition of fixed assets	-5 085	-2 026	-7 090	-2 446	-7 848	-6 665
Revenues from sale of fixed assets	902	45	41	465	3 948	7
Net cash used in investing activities	-4 183	-1 981	-7 049	-1 981	-3 900	-6 658
Impacts of long-term changes, resp. short-term liabilities	0	0	-26 557	-16 562	-13 352	-37 345
Impact of changes in equity on cash and cash equivalents	0	35000	0	0	0	21 500
Direct payments from funds	0	0	0	0	0	0
Paid profit shares including paid tax	0	0	0	0	0	0
Net cash used in financing activities	-21 885	-10 667	-26 557	-16 562	-13 352	-15 845
Net increase resp. reduction of funds	386	10 044	-7 122	-628	5 784	-12 825
Cash and cash equivalents. equivalents at the end of the accounting period	10 923	20 967	13 845	13 217	19 001	6 176