

Mendel University in Brno
Faculty of Regional Development and International Studies

BACHELOR THESIS

**Financial Analysis of a Business with Regard to
its Localization**

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Brno 2016

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Abstract

KOZLOVÁ, P. Financial analysis of a business with regard to its localization. Bachelor Thesis. Brno, 2016. The aim of the Bachelor Thesis is to assess the influence of chosen company on the development of given region where the company is located. Another aim is to analyse the financial situation of the chosen company using the indicators of the financial analysis based on accounting reports from years 2009-2013. Based on these partial steps was came to the conclusion that the company in 2009 amounted to an above-average of the financial health, but in the following years 2010-2013 were to the financial problems which could affect the company in its future development. With respect to the influence on regional development, the company does not directly affect the economy and employment policy in the South Moravian Region, but in terms of services represents the Tourbus, Inc. a significant contribution for this region.

Key words: region, regional development, financial analysis, indicators of financial analysis, environment analysis.

Abstrakt

KOZLOVÁ, P. Financial analysis of a business with regard to its localization. Bakalářská práce. Brno, 2016. Cílem této bakalářské práce je posouzení vlivu vybraného podniku na regionální rozvoj daného regionu, kde vybraný podnik sídlí. Dalším neméně důležitým cílem je provedení analýzy finanční situace zvoleného podniku pomocí ukazatelů finanční analýzy na základě účetních výkazu z let 2009-2013. Na základě sledovaných postupů bylo dospěno k závěru, že podnik v roce 2009 vykazoval nadprůměrné výsledky z hlediska finančního zdraví, avšak v letech 2010-2013 došlo k finančním problémům, které by v budoucnu mohly podnik ohrozit. Z hlediska vlivu podniku na regionální rozvoj bylo zjištěno, že společnost přímo neovlivňuje ekonomiku ani politiku zaměstnanosti Jihomoravského kraje, avšak z pohledu služeb představuje společnost Tourbus, a.s. významný přínos pro region.

Klíčová slova: region, regionální rozvoj, finanční analýza, ukazatele finanční analýzy, analýza prostředí podniku.

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Summary of Abbreviations

EU – European Union

UN – United Nations

WTO – World Trade Organization

NUTS – Nomenclature des Unites Territoriales Statistiques

LAU – Local Administrative Unit

GDP – Gross Domestic Product

EBIT – Earnings before Interest and Tax

EBT – Earnings before Tax

EAT – Earnings after Tax

CF – Cash Flow

ČSAD – Czechoslovak Bus Transportation

CZK – Czech Crown

1 Introduction

Nowadays, the entrepreneurial activity of companies play the import role in regional development. Companies influence the development of given region in several sectors, mainly in the economic and social way.

Concretely, from the economic point of view, the companies use the financial analysis, not only for the assessment of the company's economic situation and financial health, but also for the founding how big influence has the company on the regional development. Through the financial analysis the company's management obtains the information about the current financial and economic situation of the company, thanks to that, they could subsequently affect the future development and position on the market with competition in the given sector. Financial analysis also fraught the stands for the financial decisions making of the company's management, but also deduces the consequences and follow-up measures from the decisions which was already accepted.

Therefore in general, the financial analysis represents some kind of evaluation of the past, present, and future enterprise management from which is possible to determine the position of the company on the market and among the competitors. This market position can be assesses by the company on the basis of the intercompany comparison which includes the comparison between the company and its selected competitors.

Finally, from the results of the financial analysis is possible to approximately determine the economic influence on regional development which can cause increase or decrease of the economic situation or competitiveness of given region. However, the influence may have also the social character which can has the result in the improving of the life quality in given region. Equally important is also the influence of the region on the business activity which may be performed by the state intervention.

2 Goal of Bachelor Thesis

The main goal of bachelor thesis is to determine the impact of the company on the given region where the firm is situated. Given goal will be processed by the localization and subsequent assessment of the economic situation and financial health of the Tourbus, Inc. company. The assessment period for these analysis is the year range of 2009-2013.

The main goal will be achieved by using of partial goals:

- 1) Determination of the company's economic situation and financial health
- 2) Evaluation of the financial analysis results and recommendations
- 3) Intercompany comparison of the financial analysis results
- 4) Analysis of the region and the company's impact on the region

Based on the goals which are stated above have been set these following research questions:

- 1) „What are the weaknesses of the Tourbus, Inc. in the area of financing?”
- 2) „Is the Tourbus, Inc. an important subject in the field of the transport and how affects the transport services in the South Moravian Region?”

3 Region

It is not possible to clearly determine a definition of region that would be used as universal. According to Redlichová (2013) the region is considered for the fundamental term of the regional science and its definition is as follows: „from the most general conception the region is a bordered territory delimited on the basis of certain characteristics”. Diversity of the region term evidenced Dočkal (2004) and has the following form:

- From the point of physical geographic view the region is defined on the basis of physical geographic features (relief, climate, soils, waters, etc.). The region is also characterized by the high degree of homogeneity.
- The economic definition of the region reflects the production patterns, market linkages and direction of economic dependence.
- From a functional point of view the definition of the region is the emphasis on social relationships, interactions, culture and language.
- According to the institutional definition, the region is seen as an institutional structure that is historically or artificially created and has a certain role in relation to the administration of higher unit.

The region is also defined according to the Czech legislation, concretely by the Act n. 248/2000 of Coll., where the region is describe as: „the territorial unit defined by the territorial districts of regions and municipalities, whose development can be supported according to this Act”. Čadil (2010) close this topic by the sentence that the accuracy of the region definition depend on the purpose for which it is used.

Čadil (2010) further deals about the importance of the definition method of the regions - so-called regionalization. During the regionalization the territory of the given state can be divided into the smaller territorial units or on the contrary can be grouped together (for example: into microregion). Based on the different aspects it is possible to distinguish several types of defined regions. The following division is based on the hierarchical levels and exists in the case of socio-economic regions (Krejčí et al., 2010):

- **Sub-region** where are not closed the basic socio-economic relations. Socio-economic relationships are present such as a daily commute to work or school.

Example of the sub-region: part of a community, which may constitute a separate seat

- **Micro-region** represents the basic functional regions where is the closed daily commute to work and school.

Example of the micro-region: microregion at the district level – Znojmo or Břeclav microregion within the South Moravia Region

- **Meso-region** define the region for which is not specific the daily commute to work or - school, but the area of specialized department.

Example of the meso-region: regional courts, theatres, specialized hospitals which are situated in the mesoregions of the county towns – Brno or Olomouc

- **Macro-region** includes important institutions such as parliament or ministry

Example of the macro-region: larger countries such as Germany or the USA have numerous macro-regions which are further subdivided; the Czech Republic has only one macro-region – Prague

- **National region** is limited by national boundaries.

Example of the national region: in the Czech Republic is the national region identical with the macro-region of Prague; in Germany the national level has the center in Berlin which is superior to the other macro-regions of the Federal Republic of Germany

- **Supranational region** is the region that exceed the borders of national state.

Example of the supranational region: institutions of the European Union whose authority is supranational and affects the functioning of all EU member states.

- **Global region** includes power and economic polarity.

Example of the global region: UN, WTO, and other supranational corporations

In practice, it is possible to demonstrate the regional hierarchy on the example of the Czech Republic regional structure which is in accordance with the requirements of the European Union. There are applied so called the Nomenclature of Territorial Units for Statistics - NUTS, in Czech Republic is valid the CZ-NUTS. These territorial entities are created for statistical purposes of the European Union Statistical Office in order to compare and analyse the regional policies of EU member states. For the lower level of

territorial entities are considered the LAU units which are defined as a local administrative units. (Krejčí et al., 2010; Blažek and Uhlř, 2011)

Table n. 1: Classification of territorial administrative units in the Czech Republic

Territory	Indication	Characteristic	Sum in CR
Czech Republic (1/1993 of Coll., Constitution)	NUTS 0	state	1
Czech Republic (1/1993 of Coll., Constitution)	NUTS 1	3 - 7 mil. of population	1
Cohesion Region (248/200 of Coll.)	NUTS 2	0, 8 - 3 mil. of population	8
Regions (VÚSC) (347/1997 of Coll.)	NUTS 3	0, 15 - 0, 8 mil. of population	14
Districts (36/1960 of Coll.)	LAU 1 (NUTS 4)	x	76 (+15 Prague districts)
Administrative Districts of the Municipalities with extended power (314/2002 of Coll.)	AD MEC	x	205 (+22 city parts of Prague)
Administrative Districts of the Municipalities with authorized municipal office (314/2002 of Coll.)	AD AMO	x	393
Municipality	LAU 2 (NUTS 5)	x	6 253

Source: Minařık et al., 2013; edited and translated by author

4 Regional Development and Factors of Regional Development

4.1 Regional Development

Krejčí (2010) and also Maier (2012) presents the regional development as a relatively young scientific discipline whose origin is dated from the 30s of the last century. However, according to Pike et al. (2006) its importance increased in the 60s and 70s, because in this period the regional development has become an important tool for national, regional, and local government.

The definition of the regional development presents Minařık et al. (2013) as a scientific discipline that deals with concepts explaining, finding, and describing of connections, theories, and applications related to its practical and academic perceptions as an ongoing process. This process is implemented from the reason of improving the quality of life in the region.

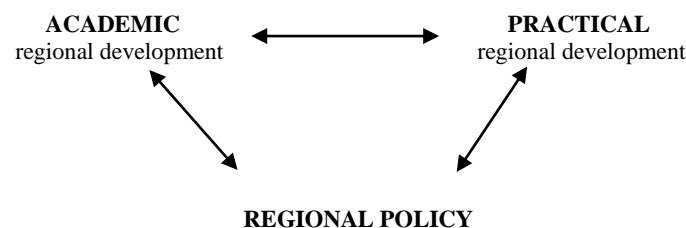
In connection with the regional development definition is obvious that the regional development can be based on the different approaches in relation to the region. Wokoun et al. (2003) identifies two basic possible approaches of regional development:

1. Practical approach is defined as: „the ability of higher utilization and increasing the potential of the region as a result of the spatial optimization of socio-economic activities and utilization of natural resources”.

2. Academic approach is described as: „the application of scientific disciplines whose aim is in the finding of concepts in regional development and tools to its influence”.

Both of these approaches are closely related and subsequently screened in the regional policy.

Picture n. 1: Relationship of regional development approaches to regional policy



Source: Wokoun et al., 2003; edited and translated by author

With the progress of regional development growth the progress of a number of regional development theories. Classification of these theories is not simple. However, Armstrong and Taylor (2000) divide the theories of regional development into two major groups. First group contains the **convergence theories** also called as the theories of regional balance. The authors of the convergence theories support the idea that the basis of the regional development is reducing differences between the individual regions. The second group is created by the theories of so-called regional imbalances, technically called as the **divergence theories**. The authors of these theories advance the opinion that the development has the impact in the expansion of inter-regional differences.

On the basis of differences in understanding of the mechanisms and principles of regional development arose a number of regional development theories which are describes in the Table n. 2.

Table n. 2: Main stages of theories of regional development and regional policy

General approach	Prevailing theory of regional development	Regional policy
neoclassical (1920-1940)	theories of regional balance (especially neoclassical models)	basic concept - „workers for the work”, using the tools of increasing the labour mobility
keynesian (1950-1975)	theories of regional imbalance (eg. theory of cumulative causes, theory of poles growth)	„work for the workers”, tools supporting inflow of investment from the private and public sector into the problematic regions (eg. investment grants)
neomarxist (1970-1985)	theories of regional imbalance (eg. theory of unequal exchange)	Neomarxists did not formulate the proposals for action; in some socialist countries the regional policy was very effective (eg. CSSR), but it leads to the loss of economic performance and external competitiveness of the whole country
neoliberal (1975-)	theories of regional balance and imbalance (eg. new growth theory, theory of depending on the chosen path)	„support of the local initiative”, support of the small and medium enterprises, decentralization of authorities, deregulatory measures
institutional (1980-)	theories of regional imbalance (eg. theory of industrial district, theory of learning regions)	cooperation and innovation, support of small and medium-sized enterprises, spreading of innovation, networking, gradualist transformation of local institutions based on the learning

Source: Blažek, Uhlř (2011); edited and translated by author

4.2 Factors of Regional Development

The main aim of every country lies in the elimination of economic disparities between the individual regions within of given state and the subsequent ensuring of economic stability. This aim includes not only economic, but also socio-economic terms. (Temple, 1994; Viturka, 2010; Cooms, 2011; Redlichová, 2013)

In connection with this issue, it is possible to find a number of so-called factors that affect this disparities elimination and even influence the overall development of the region. Matoušková et al. (2000) cited by Redlichová (2013) presents these following factors which influencing the economic level of the region:

- **Localization** represent the advantages or disadvantages in the company’s situation, or in the number of companies located in the given region.
- **Demographic Situation** includes a population and its structure. It contains a number of indicators such as unemployment rate, migration or natural population growth.
- **Interventions of State Economic Policy** through regional, monetary, fiscal and sectoral policies and their instruments.

- **Company Efficiency** expresses the economic situation of given company and its effectiveness in business activity depending on the region.

5 Regional Policy

The discipline of regional policy are closely intertwined with the regional development. Their connection lies in the fact that the process of regional development is realized through the performance of regional policy. (Armstrong and Taylor, 2000; Nicke, 2007; Minařík et al., 2013)

According to Wokoun (2003) the beginnings of the regional policy extend into the 30s of the last century, concretely, in consequence of the economic depression in the United Kingdom. Regional policy is defined in many ways. The following two definitions describe the regional policy in the general way and from the way which is valid for the member states of the European Union:

- Minařík et al. (2013) define regional policy as a set of objectives, measures and tools that reduce the differences especially in the socio-economic areas of the individual regions.

- according to Wokoun (2003) the regional policy is characterized as a kind of conceptual activity of the given public authority that strives to eliminate the negative consequences of territorially unequal economic development and ongoing structural changes.

The objectives of regional policy are identified on the basis of regional issues and economic policy in the given region. According to Wokoun (2003) the main objectives of the regional policy include: reducing interregional differences in the area of unemployment, average income and GDP, as well as support of the entrepreneurship and regional facilities.

Regional policy objectives have become a model for the creation of regional policy tools. Wokoun (2003) divides the tools of the regional policy into the three basic groups:

1. Macroeconomic tools which include three areas: fiscal policy (*eg. regionalization of taxes and payments*), monetary policy (*eg. easier access to loans*) and protectionism (*eg. duties and limits on products producing in declining regions*).

2. Microeconomic tools which affect the decision making process of economic subjects about their localization. These tools include: reallocation of labour (*eg. support in buying of new apartment*) and reallocation of capital (*eg. subsidies on transport*).

3. Other tools whose use is exceptional include: administrative tools (*eg. decision about stop of economic activity*) and institutional tools (*eg. regional development agencies*).

6 Financial Analysis

The anticipated period of the financial analysis formation is almost identical to the period of creation of money. The first financial analysis was used in the United States, however, its then form was purely theoretical which meant that from the practical point of view the financial analysis was not used yet. In the course of time there was a gradual development of financial analysis. The biggest development undoubtedly contributed with the technological progress and the associated creation of the computer. With this progressive advance were changed the mathematical principles and reasons that led to the formation of financial analysis. (Grünwald and Holečková, 2007; Kislingerová and Hnilica, 2008; Růčková, 2011)

In the Czech Republic the beginning of the financial analysis dates until from last century. For the first time, the term "balance analysis" appears in the file by prof. Dr. Pazourek (1906): Balance of joint-stock companies. The file created the first definition of financial analysis. (Knápková and Pavelková, 2010; Růčková, 2011; Sedláček, 2011)

In economic theory there are a lot of definitions for financial analysis. Among the most apposite theories definitely belong those, which defines financial analysis as a kind of systematic analysis of the obtained data, which are primarily included in financial statements. According to this definition, financial analysis also include the company's past, present, and options of future financial conditions. (Grünwald and Holečková, 2007; Kislingerová and Hnilica, 2008; Růčková, 2011)

6.1 The Importance and Objectives of Financial Analysis

The importance of financial analysis consist mainly in its complexity and systematic execution. So company prepares financial analysis for the purpose to express property

and financial situation of the company and preparing documents for internal management decisions of the company. (Brealey et al., 2007; Živělová, 2008; Hrdý and Krechovská, 2013)

The important objective of financial analysis is evaluation of company health. Based on this assessment the company can be financially healthy which means that the company consistently achieves such rates of return on capital that is required by investors with regard on the risk of the business. As another option based on the assessment of the company health, may encounter so-called financial distress of business when the company has very serious problems with liquidity and the company is forced to make major interventions in the area of company financing. So for determine of company's financial health is particularly important profitability with regard to potential risks in given business field. (Brealey et al., 2007; Živělová, 2008; Hrdý and Krechovská, 2013)

6.2 Users of Financial Analysis

Financial analysis provides important information for many subjects that are associated with the company. In technical terminology, these subjects are called as a “users of financial analysis”. Before preparation of the financial analysis the user have to define a clear objective to which he wants to achieve through the analysis. On the basis of the objective is then also chosen the method which is different depending on the target group.

However the main rule is that each method must be in accordance with the time, financial, and cost complexity. (Kislingerová and Hnilica, 2008; Knápková and Pavelková, 2010; Růčková, 2011)

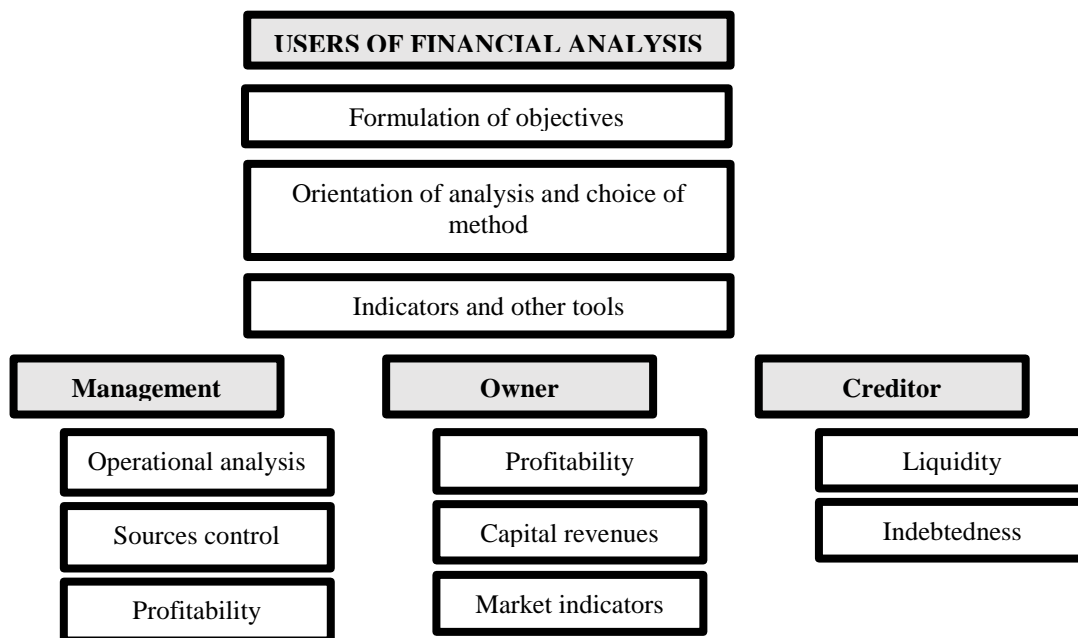
Every user of financial analysis has different subject of interest (Picture n. 2):

1. Management in terms of financial analysis primarily examines the structure of sources and financial independence of the company. The important part is, of course, profitability and liquidity of the company.

2. The owners (investors) primarily verify whether their investments were evaluated and vice versa. Subsequently is examined the maximization of the market value of the company's own equity. Mainly are monitored market indicators, profitability indicators and relationship of cash flows to long-term liabilities.

3. Creditors is looking on the financial analysis in two ways, in terms of long-term and short-term creditors. In cases when the creditor is a bank (i.e. long-term creditor) is the most important the monitoring of long-term liquidity and evaluating of profitability in the long-term horizon. The important part is also the creation of financial means and the stability of their flows. In cases of short-term creditor verifies there the possibility and reality of the contracts performance which mean solvency, the structure of current assets, short-term liabilities and cash flow progress. The main subject of interest for every creditors is the return of invested financial means and must to be taken into account the risk associated with non-payment of these financial means.

Picture n. 2: Users of financial analysis



Source: Růčková, 2011; edited and translated by author

6.3 Sources of Financial Analysis

For the proper processing and the success of financial analysis is particularly important the quality of input information. Financial analysis should include all available data that could in any way affect the results of the evaluation of the financial health of the company. The sources of financial analysis should therefore be high quality but also complex. (Knápková and Pavelková, 2010; Drake and Fabozzi, 2012; Gibson, 2013)

The fundamental sources that provide information for financial analysis:

- **Balance Sheet**
- **Profit and Loss Statement**
- **Cash flow**
- **Accounting Financial Statement**

6.3.1 Balance Sheet

The balance sheet is among the basic financial statements of the company. Expresses assets of the company and the sources from which the assets are financed. The balance sheet is putted together in certain date which company determines itself and there is valid rule that assets must be always equal to liabilities. (Knápková and Pavelková, 2010; Drake and Fabozzi, 2012; Gibson, 2013)

The individual items which the balance sheet records are set according to Decree no. 500/2002 of Collection. In the Table n. 3 is described the structure of the balance sheet which is valid till 2015, and in the Table n. 4 is the structure of the balance sheet valid from 2016.

Table n. 3: Structure of balance sheet valid till 2015

ASSETS		CAPITAL	
A.	Receivables for Subscribed RC	A.	Equity
B.	Long-term Assets	A.I.	Registered Capital
B.I.	Long-term Intangible Assets	A.II.	Capital Funds
B.II.	Long-term Tangible Assets	A.III.	Reserve Funds
B.III.	Long-term Financial Assets	A.IV.	Economic Results from previous years
		A.V.	Economic Results from common accounting period
C.	Current Assets	B.	Liabilities
C.I.	Inventories	B.I.	Reserves
C.II.	Long-term Receivables	B.II.	Long-term Liabilities
C.III.	Short-term Receivables	B.III.	Short-term Liabilities
C.IV.	Short-term Financial Assets	B.IV.	Bank loans
D.	Accruals and Deferrals	C.	Accruals and Deferrals

Source: Knápková and Pavelková, 2010; edited and translated by author

Table n. 4: Structure of balance sheet valid from 2016

ASSETS		CAPITAL	
A.	Receivables for Subscribed RC	A.	Equity
B.	Long-term Assets	A.I.	Registered Capital
B.I.	Long-term Intangible Assets	A.II.	Capital Funds
B.II.	Long-term Tangible Assets	A.III.	Reserve Funds
B.III.	Long-term Financial Assets	A.IV.	Economic Results from previous years
		A.V.	Economic Results from common accounting period
C.	Current Assets	B.+C.	Liabilities
C.I.	Inventories	B.	Reserves
C.II.	Receivables	C.	Liabilities
C.II.1	Long-term Receivables	C.I.	Long-term Liabilities
C.II.2	Short-term Receivables	C.II.	Short-term Liabilities
C.III.	Short-term Financial Assets		
D.	Accruals and Deferrals	D.	Accruals and Deferrals

Source: www.danarionline.cz; processed and translated by author

6.3.2 Profit and Loss Statement

Profit and loss statement shows the revenues, costs and subsequent economic profit of given company. Profit and loss statement also proceed from Decree no. 500/2002 of Collection. (Knápková and Pavelková, 2010; Drake and Fabozzi, 2012; Gibson, 2013)

Revenues - are defined as the amount of money obtained from the variety of company's activities for the given accounting period. It is not important if in this period the activities were collect.

Costs - are defined as the amount of money that were in the given accounting period spent on acquiring of the revenue. However, their actual payment may not be perform in the given accounting period.

Economic Result - is defined as a total of all financial revenues minus total of all financial costs. In the Picture n. 3 is shown the process of net profit generation.

Picture n. 3: Applicable rules for economic result

EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTIZATION (EBITDA)
+ depreciation
= EARNINGS BEFORE INTEREST AND TAXATION (EBIT)
+ cost interest
= EARNINGS BEFORE TAXATION (EBT)
+ income tax from common activity
+ income tax from extraordinary activity
= NET PROFIT (EAT) = ECONOMIC RESULT FOR ACCOUNTING PERIOD

Source: Knápková and Pavelková, 2010; processed and translated by author

6.3.3 Cash flow

Cash flow record the information about cash incomes and expenditures. From the reason of timing difference between costs and expenditures, revenues and incomes, profit and state of the financial means the company uses cash flow which monitors this inconsistency and records the relations between the cash flows. An important essence of cash flow is also registered the change in cash. Furthermore, cash flow is also associated with ensuring the liquidity of the company. (Knápková and Pavelková, 2010; Drake and Fabozzi, 2012; Gibson, 2013)

There are two basic methods for cash flow statements formation:

1. Direct method when the summary of cash flows is compiled on the base of actual payments. The advantage of the direct method is the categorization of cash incomes and expenditures - recording into individual categories. However, the disadvantage is that are not evident the resources and the utilization of these financial means. But in practice this disadvantage can be resolved through to delimitation of utilization purpose of financial means in the accounting documents. (Knápková and Pavelková, 2010)

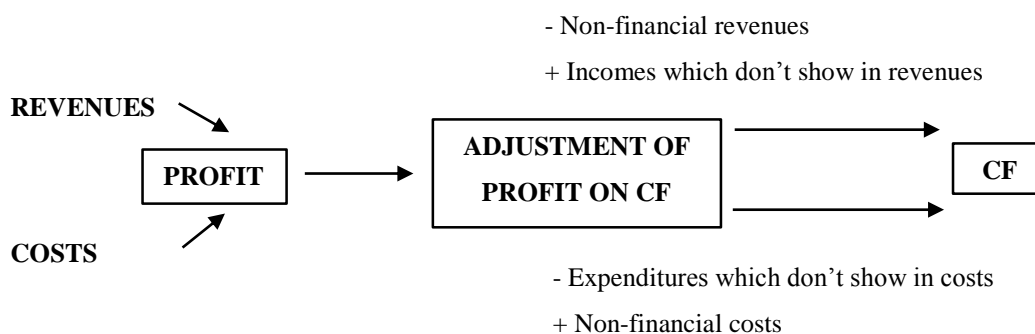
2. Indirect method is patterned on the Economic result in double-entry accounting which means the difference between revenues and costs. After that, this profit or loss is subsequently transformed into cash flow - the difference between income and expenditure.

Picture n. 4: Schematic expression of the direct method

INITIAL STATE OF FINANCIAL MEANS	
+ incomes for a certain period	Total CF
- expenditures for a certain period	
<hr/>	
= FINAL STATE OF FINANCIAL MEANS	

Source: Knápková and Pavelková, 2010; edited and translated by author

Picture n. 5: Transformation of profit into Cash flow



Source: Knápková and Pavelková, 2010; edited and translated by author

Picture n. 6: Schematic expression of the indirect method

INITIAL STATE OF FINANCIAL MEANS
ECONOMIC RESULT OF COMMON PERIOD
+ depreciations
+ creation of long-term reserves
- reduce of long-term reserves
+ increase of short-term liabilities
- reduce of short-term liabilities
- increase of receivables
+ reduce of receivables
- increase of inventories
+ reduce of inventories
<hr/>
= CASH FLOW FROM OPERATING ACTIVITY
- expenditures connected with acquisition of long-term assets
+ incomes from sales of long-term assets
<hr/>
= CASH FLOW FROM INVESTMENT ACTIVITY
+/- long-term liabilities / short-term liabilities
+/- effects from equity changes
<hr/>
= CASH FLOW FROM FINANCIAL ACTIVITY
<hr/>
FINAL STATE OF FINANCIAL MEANS

Source: Knápková and Pavelková, 2010; edited and translated by author

6.3.4 Accounting Financial Statement

The very important source of the financial analysis is also accounting financial statement. According to Decree no. 500/2002 of Collection the accounting financial statements includes following items:

- data about natural and legal persons, amount of deposit, description of organizational structure of company, changes and additions made in the previous accounting period
- average number of employees
- amount of loans and credits
- information about accounting principles, methods and ways
- provisioning
- additional information about balance sheet and profit and loss statement
- additional information about the company

6.4 Indicators of Financial Analysis

6.4.1 Horizontal and Vertical Analysis

Horizontal Analysis known also as a trend analysis deals with changes of absolute indicators over time. This analysis determines how much each item changed compared to the previous period. (Synek, 2009; Vochozka, 2011; Hrdý and Krechovská, 2013)

According to Knápková and Pavelková (2012) the calculations is as follow:

$$Absolute\ change = Indicator_1 - Indicator_{1-1}$$

$$Relative\ change = \frac{(Absolute\ change * 100)}{Indicator_{1-1}} [\%]$$

Vertical Analysis is also called as a percentage analysis or structural analysis. The analysis shows the individual items of the financial statements as a percentage of the total value to which individual items are related. For example, for the analysis of the balance sheet is the base the amount of assets or liabilities, and for the analysis of profit and loss statement are considered as the base the amount of incomes or expenses. (Synek, 2009; Vochozka, 2011; Hrdý and Krechovská, 2013)

Růčková (2011) presents the calculation as follows:

$$Percentage\ of\ Basement = \frac{Amount\ of\ individual\ item}{Amount\ of\ base} * 100 [\%]$$

Therefore, horizontal and vertical analysis are used from the reason of the company's overview over the property and financial structure of the company (data used from the balance sheet), over the income and expenditures of the company (data used in the profit

and loss statement), and also over the cash flow statement. Another analysis which can provide for the company more detailed information is the analysis of economic result development. There monitors the evolution of partial economic results, namely: operational, financial or extraordinary - or development of EBIT, EBT and the like. (Knápková and Pavelková, 2012)

6.4.2 Net Working Capital Analysis

Net Working Capital is also called as the operational capital. Net working capital is created from current assets which are remove from liabilities that the company must pay within one year. It is therefore a portion of current assets, not financed by short-term, but financed by long-term financial resources. So net working capital ensuring economic activity of the company. Its value can be positive or negative. Positive value contributes to the financial stability of company. In the case of negative value the situation is called as the uncovered debt which means that the firm has not the ability to pay its financial obligations. But this state of net working capital has also contribution in the company's profitability. (Synek, 2009; Krechovská, 2013)

According to Knápková and Pavelková (2012) the calculation is as follows:

$$NWC = \text{Current Assets} - \text{Short-term Liabilities}$$

6.4.3 Ratios Indicators

Ratios are considered as the basic tool of financial analysis. These indicators grouped the individual items and groups of items as well into the mutual proportions which are shown in the statements that are linked together. (Knápková and Pavelková, 2010; Sedláček, 2011)

Analysis of ratios indicators contents following groups of indicators:

- Indicators of Profitability
- Indicators of Activity
- Indicators of Liquidity
- Indicators of Indebtedness

6.4.3.1 Indicators of Profitability

Indicators of profitability are considered for the important ratios indicators, because they measure the overall efficiency of the company's management. Profitability ratios are

based on profit which may take a various forms. These indicators are the scale of the company's ability to create new resources and achieve a profit using the invested capital. (Živělová, 2013)

Indicators of profitability include:

Return on Assets (ROA) is the profitability of assets. According to Brealey et al. (2007) the return on assets measures the profit of shareholders and debt per unit of total assets.

Hrdý and Krechovská (2013) presents the calculation as follows:

$$ROA = \frac{EBIT}{Total\ Assets} * 100[\%] \quad (before\ tax)$$

It is also possible to calculate the ROA after tax. In this case the formula changes its form in the numerator. Change is as follows: $EAT + Interest * (1 - tax\ rate)$.

Return on Equity (ROE) expresses the return on capital invested by shareholders or owners of the company. (Grünwald and Holečková, 2007; Knápková and Pavelková, 2010)

According to Růčková (2011) the calculation is as follows:

$$ROE = \frac{EAT}{Equity} * 100[\%]$$

Return on Sales (ROS) is also known as a profit margin. It indicates how much crowns of net profit can the company produce on 1 unit crown of sales. (Hrdý and Krechovská, 2013)

According to Knápková and Pavelková (2010) the calculation is as follows:

$$ROS = \frac{EBIT}{Sales} * 100[\%]$$

Return on Costs (ROC) imagines an additional indicator of the return on sales indicator. It use to express how much crowns of cost the company spend to achieve 1 crown of profit. (Růčková, 2011; Sedláček, 2011)

Hrdý and Krechovská (2013) presents the calculation as follows:

$$ROC = \frac{EBIT}{Costs} * 100[\%]$$

6.4.3.2 Indicators of Activity

According to Živělová (2013) the activity indicators are used to measure the effectiveness of the company, exactly, how effectively the company manages its assets. According to Hrdý and Krechovská (2013) these indicators evaluate tying of individual components of capital in certain forms of assets. If a company has more assets than is necessary, there are the existence of the unnecessary costs and the consequence of this situation is the low profit. On the contrary, if the company has few assets, there is the existence of possible sales.

Indicators of activity include **Total Assets Turnover** and **Fixed Assets Turnover**. These indicators measure how many times the given assets turns in the given period.

According to Růčková (2011) the general formula for these indicators is as follows:

$$\text{Turnover Rate for the period} = \frac{\text{Sales}}{\text{Type of Assets}}$$

Total Assets Turnover measure the effectiveness of the total assets utilization. The formula include the total assets of the company in denominator. The indicator of Fixed Assets Turnover is calculated on the same basis as the total assets turnover, however, is limited only to the measurement of the use of fixed assets. In the formula, the denominator of equation contain the fixed assets. Both of these indicators are influenced by the amount of assets depreciation. So, if is the depreciation of assets bigger, the company achieves better results of sales. (Kislingerová and Hnilica, 2008; Knápková and Pavelková, 2010; Hrdý and Krechovská, 2013)

The next activity indicators include **Inventory Turnover Period**, **Receivables Turnover Period**, and **Liabilities Turnover Period**. These indicators measure how long the assets are tied in given form in the company.

Hrdý and Krechovská (2013) presents the general formula for these indicators is as follow:

$$\text{Turnover Period} = \frac{\text{Type of Assets or Capital}}{\text{Sales}} * 360[\text{days}]$$

Inventory Turnover Period define how long it takes one “turn” which means for how long the financial funds, that have producing and good appearance, regains the form of cash.

The formula for this indicator contains the state of inventories in the numerator of equation. Receivables Turnover Period is the period of capital existence in the form of receivables. It presents for how long in average are receivables repay. The numerator of equation includes the state of receivables. And Liabilities Turnover Period expresses the time from the origin of liability until its repayment. Equation in its numerator contains the short-term liabilities. (Grünwald and Holečková, 2007; Kislingerová and Hnilica, 2008; Knápková and Pavelková, 2010)

6.4.3.3 Indicators of Liquidity

According to Hrdý and Krechovská (2013) the one of the basic conditions for the successful running of the company is its payment ability. If the company has in the day of maturity more available financial resources, it is the company which is referred as a solvent company. Liquidity indicators measure this payment ability by the ratio of current assets and short-term liabilities.

Růčková (2011) presents the three basic levels of liquidity: **Indicator of Current Liquidity** (liquidity of III. stage), **Indicator of Quick Liquidity** (liquidity of II. stage), and **Indicator of Immediate Liquidity** (Cash Liquidity, liquidity of I. stage).

Hrdý and Krechovská (2013) describes the general formula for these indicators:

$$\text{Liquidity} = \frac{\text{Type of Current Assets}}{\text{Short-term Liabilities}}$$

Indicator of Current Liquidity expresses how many times the current assets cover the short-term foreign resources of business. The recommended value of the indicator is in the range of 1, 5 to 2, 5. Formula of this indicator contain in equation numerator the total amount of current assets. Indicator of Quick Liquidity should reach values in the range of 1 – 1, 5. If the result has a value less than 1 is the responsibility of the company to rely on the eventual sale of inventories.

Numerator of this equation includes the short-term receivables and short-term financial assets. And the Indicator of Immediate Liquidity should reach values in the range 0, 2 – 0, 5. If the company achieves higher levels of this indicator it means that the company inefficiently uses its financial resources. And the equation in its numerator contains short-term financial assets. (Kislingerová and Hnilica, 2008; Knápková and Pavelková, 2010; Růčková, 2011)

6.4.3.4 Indicators of Indebtedness

Indicators of indebtedness measure the level of company's financing from foreign resources. These indicators also evaluate the capital structure of the company, and through the indicators compare financing from its own or external resources. The main condition is the balance between financial and asset structure. (Sedláček, 2011; Živělová, 2013)

Indicators of indebtedness include:

Total Debt Ratio take into consideration a rule which says that, when the value of this indicator is higher, the indebtedness of the company is higher and this situation also leads to a higher risk of creditors. The rate of indicator should be below 0, 5 respectively 50 % with respect to branch standards. (Krechovská, 2013)

According to Růčková (2011) the calculation is as follows:

$$\text{Total Debt Ratio} = \frac{\text{Liabilities}}{\text{Total Assets}} * 100 [\%]$$

Debt to Equity Ratio measures the foreign and own capital. This indicator shows the extent to which could be threatened the future creditor - important indicator especially for banks. (Knápková and Pavelková, 2010)

Živělová (2013) presents the calculation as follow:

$$\text{Rate of Indebtedness} = \frac{\text{Liabilities}}{\text{Equity}}$$

Times Interest Earned expresses how many times the profit is higher than interest. Company uses this indicator to determine whether the burden with debt is still tolerable. So the indicator recorded the company's ability to pay interest which is important information for shareholders, but also inform creditors whether their claims are secured in the case of company liquidation. (Synek, 2009; Knápková and Pavelková, 2010)

If the value of the indicator is equal to 1, it means that the whole profit will be used to cover interest expenses. From this reason is determined the recommended value of the interest coverage indicator which should be higher than 3 respectively 5. (Grünwald and Holečková, 2007; Kislíngerová and Hnilica, 2008)

According to Knápková and Pavelková (2010) the calculation is as follows:

$$\text{Times Interest Earned} = \frac{EBIT}{\text{Interest Expenses}}$$

The next types of the indebtedness indicators are **Coverage of Fixed Assets by Own Capital** and **Coverage of Fixed Assets by Long-term Resources**. These indicators determine which kind of capital cover the company's assets.

Hrdý and Krechovská (2013) describes the general formula of these indicators as follow:

$$\text{Coverage of Fixed Assets} = \frac{\text{Type of Capital}}{\text{Fixed Assets}}$$

Coverage of Fixed Assets by Own Capital expresses the relationship between property and financial structure of the company. If the proportion of this indicator is higher than 1, it means that the current (short-term) assets are covered by their own (long-term) capital of the company.

So it reflects the fact that for the company is more important the financial stability before the profit. For avoidance to repay the debts and possible threatening of the financial situation, there is the recommendation for companies to finance fixed assets which is used for main business activity from the most part by the own capital. The formula of this indicator contain in equation numerator the equity item. (Knápková and Pavelková, 2010; Růčková, 2011)

Coverage of Fixed Assets by Long-term Resources expresses again the relationship between property and financial structure of the company. There is the importance of so-called "golden rule", which means that the fixed assets should be covered by long-term resources. The formula for this calculation include in equation numerator the sum of the equity and long-term liabilities. In terms of the indicator result arise three financing strategies: aggressive, conservative, and neutral financial strategy. (Synek, 2009; Hrdý and Krechovská, 2013)

Aggressive financing strategy arises during the result which is less than 1. This result inform that the part of the fixed assets is covered by short-term resources which can lead to the problems with payment of liabilities. So the company is so-called "undercapitalized" which means that the net working capital has the negative value. It is a cheaper way of financing, but very risky. (Knápková and Pavelková, 2010)

Conservative financing strategy occurs when the rate of this indicator is too high. From this reason the company is financial stable, but it is also “overcapitalized” which means that the large proportion of short-term assets is financed by long-term costly resources. So there is the large proportion of net working capital on current assets. Thus this strategy is safer, but more expensive. (Kislingerová and Hnilica, 2008; Knápková and Pavelková, 2010)

Neutral financing strategy occurs when the fixed assets are adequately cover by long-term capital. Net working capital creates the sufficient "pillow" for operational management of current assets and short-term liabilities. (Knápková and Pavelková, 2010; Sedláček, 2011)

6.5 Prediction of Financial Distress

For the prediction of the company’s financial distress are used the so-called predictive models. These predictive models evaluate the financial health of the company and predicting its future development through the single number. (Brealey et al., 2007; Hrdý and Krechovská, 2013)

In dependency on the purpose are recognized two basic groups of prediction models:

- **Bankruptcy Model**
- **Solvency Model**

6.5.1 Bankruptcy Model

Bankruptcy model inform the company about the bankruptcy threat in foreseeable time. The model is based on the fact that the company threatened by the bankruptcy exhibits the symptoms that are typical for bankruptcy for long time before the usage of bankruptcy model in practice. Among the symptoms that are typical for bankruptcy are included, for example, problems with current liquidity, amount of net working capital, and also profitability of invested capital. (Kislingerová and Hnilica, 2008; Růčková, 2011)

The most frequently bankruptcy models include:

Altman model (Z-score) is one of the indexes which evaluates the financial health of the company. The simplicity of calculation consists in adding of the values of the five common ratios indicators to which is assigned the given weight, where the high weight imagines the profitability of total capital. (Altman, 1968; Růčková, 2011)

The aim of the Altman model is to be able to differentiate the bankrupted companies from the companies which recorded the bankruptcy aspect in minimal extent. To this determination is used so-called statistical discrimination method that classifies the observed objects into two or more defined groups according to specific characteristics. In connection with this method is further determined the weight of individual indicators. However, during the time development the Altman model was adapted and changed. (Altman, 1968; Synek, 2009; Růčková, 2011)

Altman model contains two main equations:

For companies whose shares are publicly traded on a stock exchange

$$Z = 1,2 X_1 + 1,4 X_2 + 3,3 X_3 + 0,6 X_4 + 1 X_5$$

Where mean: X_1 = Net Working Capital / Total Assets,
 X_2 = Retained Earnings / Total Assets,
 X_3 = EBIT / Total Assets,
 X_4 = Market value of Equity / Liabilities
 X_5 = Revenues / Total Assets.

Results are shown into the certain range. In the Table n. 5 are represented the individual range of result interpretation.

Table n. 5: Result interpretation for traded companies

Index Value	Status of the company
$Z < 1,81$	bankruptcy band
$1,81 < Z < 2,99$	band of grey zone
$Z > 2,99$	prosperity band

Source: Altman, 1983; edited and translated by author

For companies whose shares are not publicly traded on stock exchange

$$Z = 0,717 X_1 + 0,847 X_2 + 3,107 X_3 + 0,42 X_4 + 0,998 X_5$$

Where mean: X_1 = Net Working Capital / Total Assets,
 X_2 = Retained Earnings / Total Assets,
 X_3 = EBIT / Total Assets,
 X_4 = Market value of Equity / Liabilities,
 X_5 = Revenues / Total Assets.

Results are also shown into the certain range, but the range is different from the range of traded companies. In the Table n. 6 are represented the individual range of result interpretation.

Table n. 6: Result interpretation for non-traded companies

Index Value	Status of the company
$Z < 1, 2$	bankruptcy band
$1, 2 < Z < 2, 9$	band of grey zone
$Z > 2, 9$	prosperity band

Source: Altman, 1983; edited and translated by author

Model IN05 (Index of credibility) was created in 1995 by married couple of Neumaier. The index is expressed by the equation which includes the ratios indicators of indebtedness, profitability, liquidity, and activity. An important element of the equation is once again the given weight of each indicator. This weight means the average weight of values of each indicator in the industry. (Růčková, 2011; Hrdý and Krechovská, 2013)

This index creates the individual forms in respect to the different index modification.

Specifically the Model IN05 is expressed by the following equation:

$$IN05 = 0,13 X_1 + 0,04 X_2 + 3,97 X_3 + 0,21 X_4 + 0,09 X_5$$

Where mean:

- X_1 = Total Assets / Foreign Resources,
- X_2 = EBIT / Interest Expense,
- X_3 = EBIT / Total Assets,
- X_4 = Revenues / Total Assets,
- X_5 = Current Assets / Short-term Liabilities + Short-term Bank loans and overdrafts.

The results of the Model IN05 are also divided into three ranges. In the Table n. 7 are interpreted the results of this model.

Table n. 7: Result interpretation of Model IN05

Index Value	Status of the company
$IN05 < 0, 9$	company coming to the bankruptcy
$0, 9 < IN05 < 1, 6$	band of grey zone
$IN05 > 1, 6$	company creates the value

Source: Neumaier and Neumaierová, 2005; edited and translated by author

6.5.2 Solvency Model

Solvency models evaluate the financial health of the company in the form of point evaluation of resulting indicators. Based on these resulting indicators is then determined the solvency of the company. For the solvency models is in force, that to the individual values of the ratios indicators are assigned the points which show so-called the scoring mark. According to this scoring mark can be assessed the financial health of the company. (Hrdý and Krechovská, 2013)

The main solvency models include:

Kralick's Quick Test was created in 1990 under the auspices of P. Kralick. This model includes four equations where the first two equations evaluate the financial stability of the company, and the other two equations evaluate the revenue situation of the company. (Kislingerová and Hnilica, 2008; Sedláček, 2011; Hrdý and Krechovská, 2013)

$$\text{Evaluation of company's financial situation} = (R_1 + R_2 + R_3 + R_4) / 4$$

Where means:

- R₁ = Own Capital / Total Assets,
- R₂ = (Foreign Resources – Short-term Financial Assets) / pre-tax Cash Flow,
- R₃ = EBIT / Total Assets,
- R₄ = pre-tax Cash Flow / Operating Revenues.

After the results determination of individual indicators are assigned to each indicator the given number of points. The Table n. 8 displays these ranges of points.

Table n. 8: Scoring of values of individual indicators

Indicator	Number of points				
	0 points	1 point	2 points	3 points	4 points
R ₁	0, 0 and less	0, 0 – 0, 1	0, 1 – 0, 2	0, 2 – 0, 3	0, 3 and more
R ₂	30 and more	12 – 30	5 – 12	3 – 5	3 and less
R ₃	0, 0 and less	0, 0 – 0, 08	0, 08 – 0, 12	0, 12 – 0, 15	0, 15 and more
R ₄	0, 0 and less	0, 0 – 0, 05	0, 05 – 0, 08	0, 08 – 0, 1	0, 1 and more

Source: Kralick, 1993; edited and translated by author

Points of individual ratios indicators are then averaged and according to the Table n. 9 are interpreted into given results.

Table n. 9: Interpretation of Kralick's Quick Test results

Test Value	Status of the company
$R/4 < 1$	bad company
$1 < R/4 < 3$	grey zone
$R/4 > 3$	very good company

Source: Kralick, 1993; edited and translated by author

6.6 Methods of Intercompany Comparison

In order to determine the economic and financial situation of the company based on the developed financial analysis, it is necessary to use a methods of so-called intercompany comparison which compare the financial analysis results of similarly sized companies operating the entrepreneurial activity in the same industry. The methods of intercompany comparison may be two kinds of character that is univariate methods and multivariate methods. Before utilization of these methods it is important to set the selected criteria by which businesses will be differentiated. (Kislingerová and Hnilica, 2008; Vochozka, 2011)

6.6.1 Univariate Methods

Univariate methods belong to between the most trivial methods of intercompany comparison. Companies are compared on the basis of one indicator where the criterion may be for example: balance sheet sum, EBIT, EAT, ratios indicators, and others. (Kislingerová and Hnilica, 2008)

6.6.2 Multivariate Methods

Multivariate methods are considered for the more computationally complicated methods of intercompany comparison. Companies are compared on the basis of more than one indicator which provides the more complex information about the company. (Kislingerová and Hnilica, 2008)

Method of standardized variable

Method of standardized variable belong to between the multivariate methods of corporate comparisons which states more extensive and accurate information about the compared

companies. This method is widely used in practice and includes a number of statistical procedures. Examined quantities are transferred into the dimensionless numbers through the technique so-called normalization which eliminates the lack of large variability of data within the file. According to Kislingerová and Hnilica (2008) the process of normalization has this form:

-for criteria for which are positive higher values

-for criteria for which are positive lower values

$$u_{ij} = \frac{x_{ij} - x_{pj}}{s_{xj}}$$

$$u_{ij} = \frac{x_{pj} - x_{ij}}{s_{xj}}$$

Where x_{ij} is the value of j. indicator in i. company,
 x_{pj} is the arithmetic average calculated from the values of j. indicator,
 s_{xj} is the determinative deviation calculated from the values of j. indicator

7 Methodology of Bachelor Thesis

Methodology of the bachelor thesis is chosen on the basis of the thesis's goals. These goals are achieved through the following partial goals.

The first partial goal 1) Determination of the company's economic situation and financial health is achieved through to the financial analysis which includes a number of tools. The tools that are used in the bachelor thesis include the absolute indicators (horizontal and vertical analysis), differential indicators (net working capital), and ratios indicators (profitability, activity, liquidity and indebtedness indicators). Financial analysis also contains the tools which are connected with the determination of the company financial health. In thesis are used the bankruptcy models (Altman Z-score and IN05 model) and solvent models (Kralick's Quick Test).

The second partial goal 2) Evaluation of the financial analysis results and recommendations follows on the first partial goal - financial analysis of the company. The results are processed, and based on their evaluation are proposed the recommendations for the improvement of the economic and financial situation of the company.

The third partial goal 3) Intercompany comparison compares the financial analysis results of the analysed company with the results of four other companies operating in the same

industry which pose the biggest competition for this analysed company. Intercompany comparison is performed by univariate and multivariate methods on the basis of selected indicators. Univariate method uses for the comparison the economic profits of the companies, and multivariate method uses the technique so-called standardized variable.

Finally, the fourth partial goal 4) Analysis of the region and the company's impact on the region is focused on the characteristics and location of the region in which the analysed company operates and how the company affects this region.

8 Company Characteristic

The subject of analysis is the trade company called Tourbus, Inc. with the legal form of joint-stock company.

Formation of Tourbus Inc. is dated since to 1949 and its development was as follows: in 1949 the Czechoslovak state transport (seat in Prague), 1963 Czechoslovak state transport (national enterprise Brno), 1989 ČSAD (state enterprise Brno-city), and in 1992 the establishment of ČSAD Brno holding, Inc. ČSAD Brno holding, Inc. included other subsidiary companies, that are Tourbus, Inc., ČSAD Brno-city, Inc., ČSAD Servis Brno, Inc. and the Central Bus Station Brno, Inc. In this years, the company Tourbus, Inc. and ČSAD Brno-city, Inc. belonged to between the leaders in the field of transport in the South Moravian region and ranked among the major carriers in the Czech Republic. In 2004, the company Tourbus was merged with these stated companies: Central Bus Station Brno, Inc., ČSAD Brno-city Inc. and ČSAD Servis Brno, Inc. After the merger with the company Tourbus these three mentioned companies ceased to exist. After that, the property of these companies were transferred into the full ownership of the company Tourbus. (Muselíková, 2009; justice.cz, 2016)

The entrepreneurial activity of the company Tourbus Inc. is focused on four main departments: transport, technical, business, and economic-administrative. From this reason the company perform many objects of entrepreneurship which include: Road motor transport (domestic and international); Travel agency operation; Repair of motor vehicles; Purchase of goods for the purpose of resale; advertising activity; rental of property; Operating of economic, tax and accounting consultancy; technical material security; and Operation of gas stations with fuels.

The company Tourbus, Inc. is still rank among the leading carriers in terms of regional and nationwide character. In the Table n. 10 are shown the general information about the company Tourbus. (tourbus.cz, 2016; obchodnirejstrik.cz, 2016; rejstrik.finance.cz, 2016)

Table n. 10: General information about the company

Name of company	Tourbus, Inc.
Place	Brno, Opuštěná 4, PSČ 602 00
Date of incorporation	1. 5. 1993
CRN	48533076
Legal form	joint-stock company
Company size	medium enterprise (around 400 employees)
Registered capital	5 000 000 CZK
Shares	10 pc. of common shares on name in documentary form with a nominal value of 500 000, - CZK
Scope of business	Travel agency management; Accounting consultancy, bookkeeping; Road motor transport

Source: www.justice.cz; edited and translated by author

Picture n. 7: Logo of the company



Source: www.tourbus.cz

9 Practical Part

9.1 Financial Analysis of the Company

Financial analysis of the company Tourbus, Inc. is performed for the period of 2009-2013. Financial analysis draws from the individual items of the balance sheet and profit and loss statement which are included in Attachments 1 and 2.

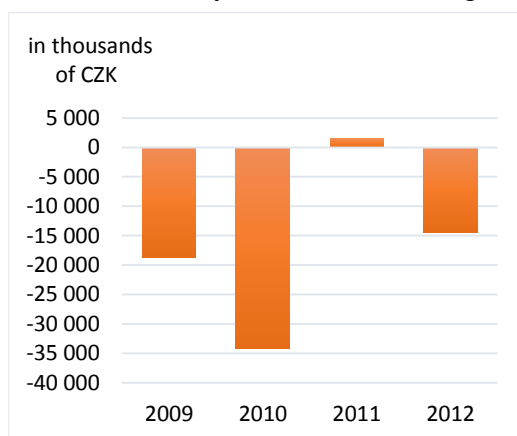
9.1.1 Horizontal Analysis

Horizontal analysis of the company Tourbus, Inc. includes an analysis of balance sheet, specifically, total assets and total capital and their partial items.

Horizontal Analysis – Assets

The Graph n. 1 shows that the total assets have generally declining form. However, from the year 2011 to 2012 there is a visible change when the total assets recorded a rapid growth.

Graph n. 1: Horizontal Analysis: Absolute change of Total Assets



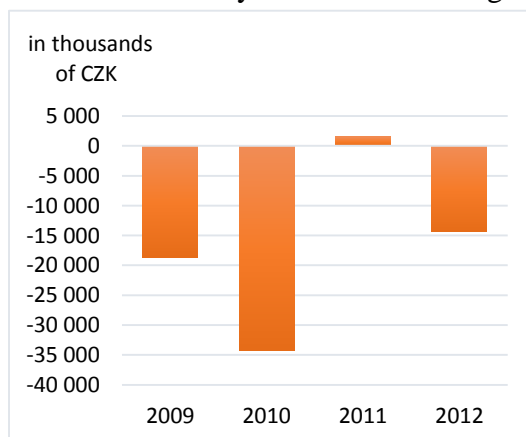
Source: Own work on base of the company financial statements

For the period 2010/2009 is a clear decline trend which is mainly affected by decrease of fixed tangible assets, which is attributed to the depreciation policy of the company. Another visible decrease is in the current assets which could cause the selling of inventories in stock and short-term securities. In the following period 2011/2010 the decline trend deepened. In the period of 2012/2011 was record the turnover in increase of fixed tangible assets. The reason of this increase was in the purchase of property into the company.

Horizontal Analysis – Capital

Horizontal analysis of total capital has the same development like horizontal analysis of total assets which means that in this case prevails the decline trend with the exception of the period 2012/2011, which is recorded the slow growth in total capital structure. This development is shown in Graph n. 2.

Graph n. 2: Horizontal Analysis: Absolute change of Total Capital



Source: Own work on base of the company financial statements

For the period 2010/2009 and 2011/2010 applies the decline trend when is recorded the decrease in liabilities, which means that the company repaid its obligations. In the period 2012/2011 was visible difference. Liabilities, by contrast, grew and equity decreased which means that the company employs in its capital structure more debts and therefore draws the financial resources primarily from foreign resources.

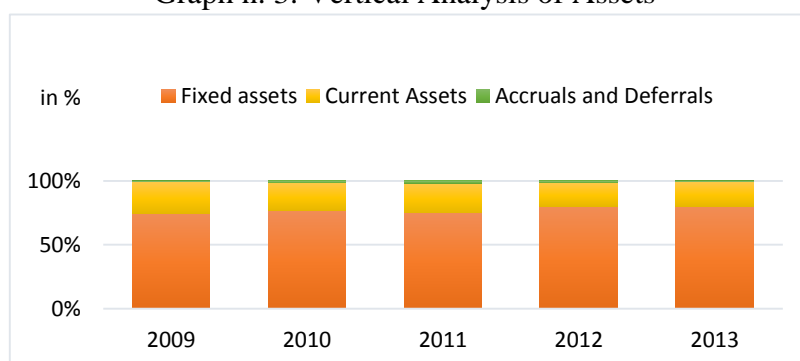
9.1.2 Vertical Analysis

Vertical Analysis of the company Tourbus, Inc. includes an analysis of balance sheet, specifically, total assets, and total capital and their partial items.

Vertical Analysis – Assets

The Graph n. 3 shows the ratio of individual items in total assets. From the graph is evident that the total assets are primarily comprised by fixed assets which was in range between 70-80 %. A significant portion also created the current assets in range between 20-25 % which means that the company does not hold their financial resources in current assets, but rather in fixed assets which is positive founding.

Graph n. 3: Vertical Analysis of Assets

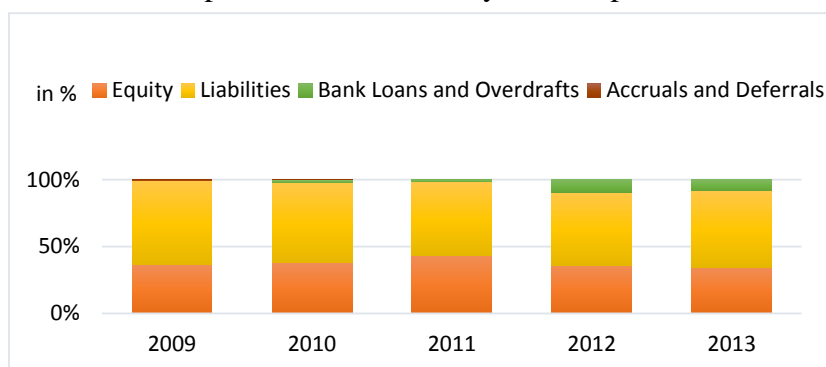


Source: Own work on base of the company financial statements

Vertical Analysis – Total Capital

The overview of capital structure records the Graph n. 4 from which is visible that the largest share on the total capital were the liabilities in the range of 55-65 %. The greater part from these liabilities created short-term liabilities which were around 45 %. The results says that the company uses mainly the foreign financial resources instead of their own financial resources. In the future, this situation could lead to the increase in the company's indebtedness.

Graph n. 4: Vertical Analysis of Capital

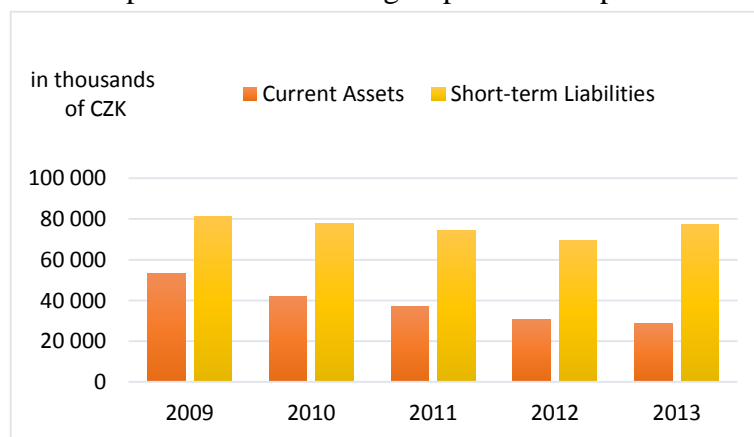


Source: Own work on base of the company financial statements

9.1.3 Net Working Capital

Results of net working capital should usually reached positive values which means that the company should be pay its financial obligations in time. However, the Graph n. 5 shows that the company does not achieve the positive results, but all years evinced the negative value of net working capital. The negative value of net working capital means that the long-term assets are financed by short-term liabilities which in the future could lead to financial problems when the company would not be able to pay its current liabilities. Therefore, the company should be reduce these short-term liabilities and consider the possibility of fixed assets financed by long-term liabilities.

Graph n. 5: Net Working Capital Development



Source: Own work on base of the company financial statements

9.1.4 Ratios Indicators

Profitability Indicators

Profitability indicators inform the Tourbus, Inc. about the business efficiency, thus measure the profit with sources.

Return on Total Assets indicates how efficiently the company creates profit from the total assets regardless from which financial resources draws. Graph n. 6 shows that the company in 2009 reached a positive ROA in the amount of 4 %. However, in the next years ROA acquired negative values around 5 %. The main reason for the negative values of ROA is negative economic result of the company in given years.

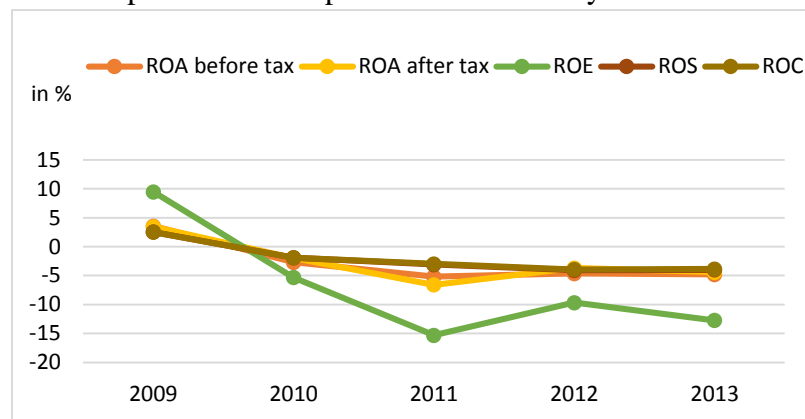
Return on Equity measures how efficiently the company evaluates own capital which put into the business. Graph n. 6 shows that in 2009 the ROE reached 9 % which means an efficient evaluation of own capital. However, in following years ROE displayed negative values in the range of -5 to -15 %. The reason of these results is again the negative values of the company's economic result.

From the profit and loss statement is evident, that the company faces with the problem of productivity efficiency, concretely in terms of labour and material. However, the company trying to deal with this problem which is proved by the positive value of ratios between the added value and the given productivity inputs.

Return on Sales expresses how much CZK of net profit falls on the 1 CZK of sales. Graph n. 6 recorded in 2009 positive value of ROS in amount of 3 %. In next years the values are negative and reached around -3 %.

Return on Capital shows how much CZK of cost the company spend to achieve 1 CZK of profit. From Graph n. 6 is visible that in 2009 the ROC achieved positive value 3 % which means that on 1 CZK of profit the company must spend 0,03 CZK. In following years, the ROC reached negative values around -3 %.

Graph n. 6: Development of Profitability Indicators



Source: Own work on base of the company financial statements

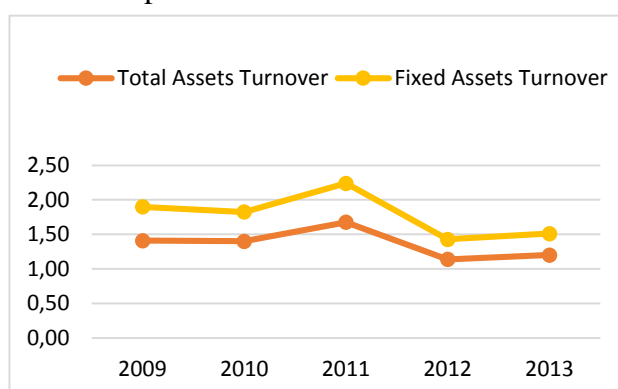
Activity Indicators

Activity indicators inform the Tourbus, Inc. and other subject how efficiently dispose with total assets, more precisely, how long the company keep their financial resources in these total assets.

Total Assets Turnover shows how efficiently the company use the total assets and how many times the total assets turn in revenues for one year. According to Růčková (2011) the optimum value should be equal to 1 turnover, but this optimum is not possible to take into consideration for each kind of entrepreneurial activity which means that the each sector has the different optimum value. Graph n. 7 shows that the company reached this optimum in all years which means that the long-term assets and current assets were evaluated.

Fixed Assets Turnover shows how efficiently the company use the fixed assets and how many times the fixed assets turn in revenues for one year. Knápková and Pavelková (2010) present that the optimum value should be equal to 1 turnover. This optimum is not possible to use for each entrepreneurial activity too. So the optimum value changes due to the given entrepreneurial sector. From the Graph n. 7 is visible that the fixed assets turnover in all periods evinced the value over the one turnover. Even in 2011 the value is in the amount of 2.24.

Graph n. 7: Development of Total Assets and Fixed Assets Turnover



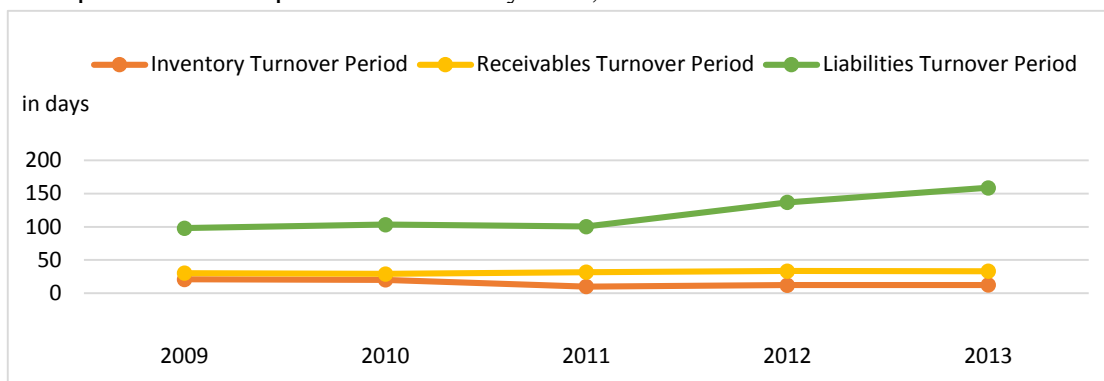
Source: Own work on base of the company financial statements

Inventory Turnover Period expresses the average number of days that the inventories are tied in the company to the time of their consumption or sales. From the Graph n. 8 is sure that the value of the inventory turnover period each year decreases. The situation in the company is therefore good, because there is valid the rule that the indicator of inventory turnover period during the period 2009-2013 decreases its value and indicator of inventory turnover ratio increases its value.

Receivables Turnover Period expresses the average number of days when the company has its finances ties in receivables. It means, how long takes a customer or client pay to the company. For the company is important that this period would be as short as possible. Graph n. 8 shows that the receivables turnover period evinced every year very similar results, approximately about 30 days.

Liabilities Turnover Period expresses how quickly the company is able to pay in average its short-term liabilities to suppliers. It is thus the number of days between issue of invoice and its payment. After the comparison with indicator of receivables turnover period, the company generally would had achieve a higher results. From the Graph n. 8 is visible that the company complies with this rule. However, the value of the liabilities turnover period indicator increased year by year which is for the company and the company's creditors negative finding that in the future could lead to difficulties in repaying of company's liabilities.

Graph n. 8: Development of Inventory T. P., Receivables T. P. and Liabilities T. P.



Source: Own work on base of the company financial statements;
note: T. P. ... turnover period

Liquidity Indicators

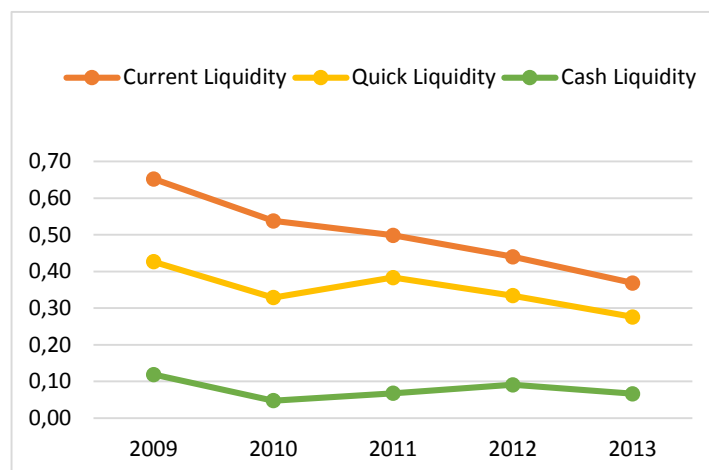
Liquidity indicators inform the Tourbus, Inc. about the company's liquidity, specifically, about the rate of the company ability to pay its obligations.

Current Liquidity expresses how many times the company is able to pay its short-term liabilities in case when the current assets are changed on financial resources. It is important that the company paid for its short-term liabilities with appropriate assets. According to Růčková (2011) the optimum of this indicator should reach the value between 1, 8 and 2, 5. From the Graph n. 9 is visible that the company in the period of 2009-2013 didn't reach this optimum which means that the company is unable to pay its obligations. For the liquidity improve the company could contribute, for example, by increase in current assets and a following reduction of company's short-term liabilities.

Quick Liquidity expresses the ability of current assets liquidity excluding inventories which belong among the less marketable current assets. Hrdý and Krechovská (2013) presents that the optimum of this indicator should reach the value in the range of 1 to 1, 5. Because the company provides the business mainly in the area of services, the indicator of quick liquidity should be reach the similar values as the indicator of current liquidity. However, the company didn't reach these values which is evident from the Graph n. 9.

Immediate Liquidity (Cash Liquidity) expresses the company's ability to pay its obligations by the financial resources which are the most liquid resources for every company. According to Kislingerová and Hnilica (2008) the optimum of this indicator should reach the value between 0, 2 and 0, 5. From the Graph n. 9 is evident that the company didn't achieve this optimum in any year.

Graph n. 9: Development of Current, Quick and Cash Liquidity



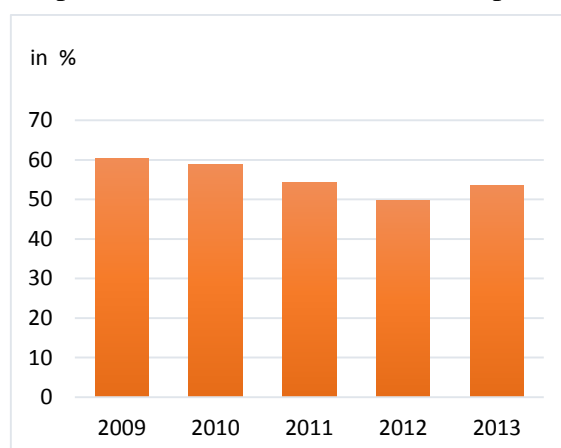
Source: Own work on base of the company financial statements

Indebtedness Indicators

Indebtedness indicators inform the Tourbus, Inc. about the rate of foreign resources utilization to finance and company's ability to pay for those liabilities.

Total Debt Ratio expresses how many percent of the company's total assets are financed through the debt. According to Knápková and Pavelková (2010) the optimal value of this indicator is below 0,5 respectively 50%. From the Graph n. 10 is visible that the highest value of the total debt ratio indicator reached 60% in 2009. In following years, the values of this indicator decreased which is caused by the reduction in company's long-term liabilities. This finding is positive for the company because the company's creditors are not in danger.

Graph n. 10: Total Debt Ratio Development



Source: Own work on base of the company financial statements

Debt to Equity Ratio expresses the ratio between foreign and own financial resources in the process of company's total assets financing. It therefore shows if the share of foreign resources increases or decreases which is an important factor for creditors. From the Table n. 10 is evident that the proportion of foreign resources during the period 2009-2013 decreased. It is the positive finding for the company and its creditors.

Times Interest Earned expresses how many times the interest payments are covered by profit. Generally the indicator should not reach the values below 3. From the Table n. 10 is visible that in 2009 the indicator reached an enormous value in amount of 625. However, the following years the indicator showed the negative value which means that the company's ability to repay interest payments is not very good.

Coverage of Fixed Assets by Own Capital expresses the ratio of the fixed assets which are covered by the company's own capital. Generally the fixed assets which are used for the main business activity should be covered by the company's own capital, because in the case of company's insolvency wouldn't be threatened the business activity. If the indicator reaches values higher than 1 it means that the company covers the current assets by own capital as well. This situation keeps the stability of the company but has a negative impact on revenues. From the Table n. 10 it is obvious that the company achieved during the period 2009-2013 the values around 0, 50.

Coverage of Fixed Assets by Long-term Resources expresses the ratio of company's fixed assets which are covered by long-term resources. There is valid the so-called "golden rule of financing" which assume that the fixed assets should be covered by long-term resources. From the Table n. 11 is visible that the company achieved in the period 2009-2013 values lower than 1. These results means that the company pays part of its fixed assets by short-term resources which in the future could lead to the inability to repay the liabilities. The company is therefore "undercapitalized" which mean that the value of the net working capital indicator is negative and the company uses short-term and as well cheaper sources for their financing.

Table n. 11: Development of Indebtedness Indicators in years 2009-2013
- second part

Indicators of Indebtedness	2009	2010	2011	2012	2013
Debt to Equity Ratio	1,67	1,52	1,24	1,25	1,43
Times Interest Earned	625,00	-20,92	-33,49	-22,79	-11,00
Coverage of Fixed Assets by Own Capital	0,49	0,50	0,59	0,50	0,47
Coverage of Fixed Assets by Long-term Resources	0,79	0,75	0,69	0,58	0,48

Source: Own work on base of the company financial statements

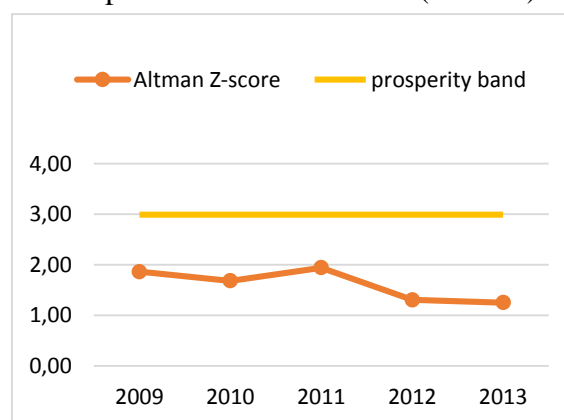
9.1.5 Bankruptcy and Solvency Models

Bankruptcy Models

Bankruptcy models express for every company so-called early warning system before possible bankruptcy. On the basis of various indicators, these models evaluate the company's financial health. If the company faces bankruptcy it is evident that the company evinces the symptoms connected with the bankruptcy for few years. These symptoms are then the cause of the bankruptcy.

Altman model (Z-score) predicts the company's bankruptcy based on the coefficient and the calculation of five indicators (Attachment n. 9). According to Kislingerová and Hnilica (2008) the prosperity band for this indicator is from 2,99. From the Graph n. 11 is visible that the company achieved the results that are below the company's financial health line. This finding means that the company is in a bad financial position which proved the company's negative economic results as well.

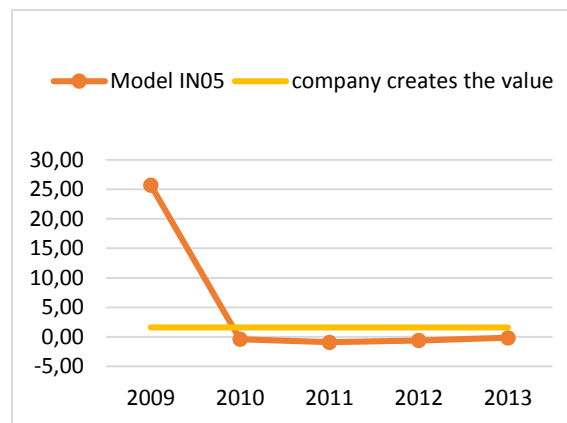
Graph n. 11: Altman model (Z-score)



Source: Own work on base of the company financial statements

Model IN05 (Index of credibility) evaluates the company's financial health, thus predicts whether the company is on the edge of bankruptcy or not. This index also assesses whether the company creates some value for its owners. Hrdý and Krechovská (2013) presents that the company creates the value in the point of 1, 6 and more. From the Graph n. 12 is clear that the company in 2009 created the high-value above the line in amount of 25, 71. However, in the following years, the value of the index has fallen below the line where the company creates the value. The reason for this decline is again a negative values of the economic result for the period 2010-2013.

Graph n. 12: Model IN05 (Index of credibility)



Source: Own work on base of the company financial statements

It was already mentioned that the both models (Altman and IN05) in the years 2010-2013 evinced the negative results. The reason for these negative values is mainly determined by the third expressed x in the formula of the two given models. In both formulas, these x have the greatest weight which also helps to the negative results in these models.

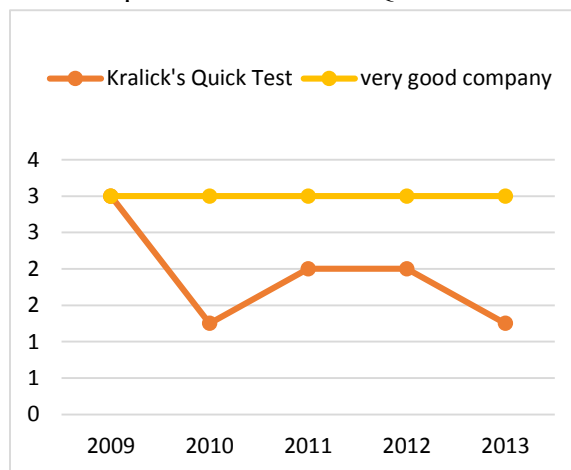
Another reason is in the very calculation of the models, when the third x in the formula is for both models expressed as $EBIT / Total Assets$, where EBIT recorded in 2010-2013 the negative values.

Solvency Models

Solvency models differs from bankruptcy models that are based mainly on theoretical knowledges. Solvency models are oriented retrospectively which mean that they inform about the understanding of the causes which made dependent the present business situation. Thus, the solvency models only describe the actual results achieved which cannot changed.

Kralick's Quick Test by its formula gives the information from the area of balance sheet and profit and loss statement. More specifically, at this formula are recorded the information from the field of stability, liquidity, profitability and economic result. From these fields is subsequently elected the one indicator to calculation. This method guarantees the analysis balance on the basis of the financial stability and the company's revenues policy. According to Růčková (2011) that the company reached a good status, the value of the Kralick's Quick test indicator must be in amount of 3 and more. From the Graph n. 13 is evident that the company in 2009 showed the value of the indicator equal to 3. However, in the following period 2010-2013 the value decreased and the company is located in the so-called "grey zone".

Graph n. 13: Kralick's Quick Test



Source: Own work on base of the company financial statements

9.2 Summary and Recommendations

Tourbus, Inc. is the company that in the followed period of 2009-2013 faces with the number of problems which could in the future acquire on its seriousness. Specifically, in 2009 the company does not show the problems, but on the contrary the results are more than satisfactory. However, in the following period 2010-2013 the company's economic result amounts the negative values. The reason of these negative values lies in the profit and loss statement. From the statement is visible, that the company is struggling with bad productivity efficiency which mainly relates with items such as labour and materials.

In terms of total assets, the company holds its financial sources in fixed assets which is a positive finding, because the company's funds are in the property that remains permanently in the company.

However, in terms of total capital, the company uses to finance rather more foreign resources which could in the future the company threaten in the form of increase of indebtedness. From the foreign resources are in the company primarily used the short-term financial sources.

To this finding also contributes the negative value of net working capital throughout the period which means for the company, that the long-term assets are financed by short-term liabilities which in the future could lead to increase in the financial problems. Already, the company shows the negative value in the liquidity indicators which means that the company has problems with the repayment of its obligations. It is therefore recommended that the company reduces the proportion of the short-term liabilities and considering also the possibility to finance fixed assets by long-term liabilities which are more expensive than short-term liabilities, but definitely safer.

Although the company is struggling with the financial problems, the indebtedness indicators does not show the negative results. Conversely, the company shows that the proportion of foreign resources during the period 2009-2013 decreased which is the positive finding for the company and its creditors.

From the point of profitability indicators view, in the first year are recorded the positive values, but in the following years the values are negative which causing the negative economic result of the company. However, in terms of the total assets turnover, the company achieves the positive results which is the reason for the evaluation of the company's long-term and current assets. As for the maturity of receivables, it would be achieve the lowest results which the company complies. For the whole period the company records the similar results around 30 days. Indicator of receivables turnover period is further compared with the indicator of liabilities turnover period during which the company should achieve the higher values. Company meets this rule, however, the value of the liabilities turnover period increased year by year which means the negative founding for the future repayment of the company's liabilities.

Indicators of financial distress prediction recorded in all years the negative results which means that the health of the company could be really more threaten in the near future.

However, it is necessary to mention that the company is trying to solve the problems related to the financial situation, which also evidence the positive values in the ratio between the added value and given productivity inputs.

9.3 Intercompany Comparison

Because the transport industry includes many other under-related industries such as information and communication activities, it is very difficult to compare the overall industry with the results of the financial analysis of the Tourbus, Inc. company. Then, in order to determine how the Tourbus, Inc. company does between the competitions in the South Moravian region, it is advisable to use the methods of so-called intercompany comparison and choose those companies that run the business in the same industry, specifically focusing its entrepreneurial activity mainly on bus transportation. The main competitors in the South Moravian region are ADOSA, Inc., BORS Břeclav, Inc., ZNOJBUS, Ltd. and TRYBOX, Ltd. (justice.cz, 2016)

9.3.1 Univariate Methods – Comparison of Economic Results

Univariate methods of intercompany comparison indicate the basic comparison between the selected companies on the basis of given indicators which is in this case the economic result. Economic results of Tourbus, Inc. are compared with the results of four companies that are ADOSA, Inc., BORS Břeclav, Inc., ZNOJBUS, Ltd., and TRYBOX, Ltd. which have a considerable share in the transport industry of the South Moravian region. Companies are compared for the period of 2009-2013. (justice.cz, 2016)

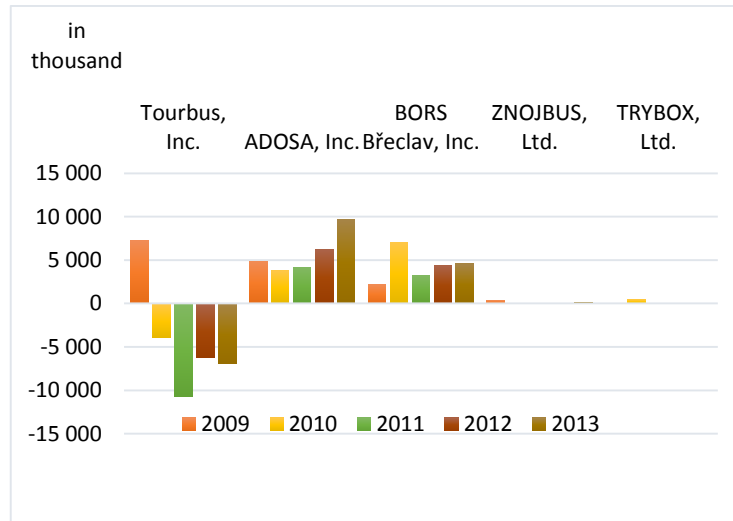
Graph n. 14 shows that for the period 2009-2013 the best results achieved the company ADOSA, Inc. whose economic results recorded the growing trend. Second in order was the BORS Břeclav, Inc. company which economic result from the year 2010 on 2011 mildly decreased, but in subsequent years again recorded the growth. Although the economic results of companies ZNOJBUS, Ltd. and TRYBOX, Ltd. were visibly lower, they placed in the evaluation before the company Tourbus, Inc. In 2009 the Tourbus, Inc. company recorded the highest economic result, but in the following years the profit had negative values and the company took the last place in the evaluation. The reasons of these negative values could be in non-cash or extraordinary expenses of the company. This statement is very likely, because the operating cash flow showed the positive value which means that the company achieves the positive result from its operating activities.

Table n. 12: Company comparison on the basis of economic result

Economic Result (in thousands of CZK)	2009	Order	2010	Order	2011	Order	2012	Order	2013	Order
Tourbus, Inc.	7 266	1	-3 970	5	-10 690	5	-6 177	5	-6 962	5
ADOSA, Inc.	4 888	2	3 787	2	4 156	1	6 217	1	9 667	1
BORS Břeclav, Inc.	2 213	3	7 060	1	3 212	2	4 379	2	4 561	2
ZNOJBUS, Ltd.	368	4	1	4	24	3	6	4	104	3
TRYBOX, Ltd.	8	5	511	3	9	4	7	3	61	4

Source: Own work on base of the companies financial statements

Graph n. 14: Company comparison on the basis of economic result



Source: Own work on base of the companies financial statements

9.3.2 Multivariate Methods - Method of Standardized Variable

Based on the multivariate methods of intercompany comparison the results of selected companies are compared more complexly. The complexity of this method lies in the selection of multiple indicators.

Specifically, Tourbus, Inc. and the other four selected companies which operating in the same industry are compared on the basis of the so-called standardized variable method. This method normalizes the results of these indicators which are subsequently counted and evaluated. In this case, for the method of standardized variable were selected the following indicators: ROE, ROS, total assets turnover, current liquidity, and total debt ratio. These indicators play a significant role in the financial analysis. Companies are compared for the period of 2009-2013.

In the Tables n. 13 – 17 are shown individual years in which the companies are compared on the basis of standardized variable method. In 2009, the company Tourbus, Inc. occupied the second place in the table. The reason of this positive result is that the company effectively evaluates its own capital and does not employ in its capital structure a high percentage of foreign resources - debts. However, in the following periods the company Tourbus, Inc. held the last place in the table. The cause of this placings is mainly the negative economic result in the period of 2010-2013 and the subsequent negative values of the ROE and ROS indicators. Conversely, the most favourable results achieved the company ZNOJBUS, Ltd. which except the 2010 occupied in all years the first place. The favourable results also achieved the ADOSA, Inc. company.

Table n. 13: Company comparison on the basis of standardized variable method - 2009

Method of standardized variable for 2009	ROE	ROS	Total Assets Turnover	Current Liquidity	Total Debt Ratio	the sum of points	Order
ZNOJBUS, Ltd.	1,01	1,46	0,93	0,15	0,76	4,31	1
Tourbus, Inc.	0,78	0,41	0,48	0,87	-1,02	1,52	2
ADOSA, Inc.	0,31	-0,12	-1,69	0,00	0,21	-1,28	3
BORS Břeclav, Inc.	-0,84	-0,64	0,23	0,65	-1,06	-1,66	4
TRYBOX, Ltd.	-1,26	-1,12	0,05	-1,67	1,10	-2,89	5

Source: Own work on base of the companies financial statements

Table n. 14: Company comparison on the basis of standardized variable method - 2010

Method of standardized variable for 2010	ROE	ROS	Total Assets Turnover	Current Liquidity	Total Debt Ratio	the sum of points	Order
TRYBOX, Ltd.	1,17	1,29	-0,07	-1,14	0,82	2,06	1
BORS Břeclav, Inc.	0,31	0,08	0,48	0,77	-0,98	0,66	2
ZNOJBUS, Ltd.	-0,55	0,08	0,50	-0,94	1,15	0,25	3
ADOSA, Inc.	0,48	0,08	-1,69	0,23	0,03	-0,87	4
Tourbus, Inc.	-1,41	-1,53	0,79	1,07	-1,02	-2,10	5

Source: Own work on base of the companies financial statements

Table n. 15: Company comparison on the basis of standardized variable method - 2011

Method of standardized variable for 2011	ROE	ROS	Total Assets Turnover	Current Liquidity	Total Debt Ratio	the sum of points	Order
ADOSA, Inc.	0,89	0,74	1,13	0,65	-1,00	2,41	1
ZNOJBUS, Ltd.	0,27	0,74	0,40	-0,61	1,14	1,94	2
BORS Břeclav, Inc.	0,39	0,25	-0,07	0,55	-0,58	0,55	3
TRYBOX, Ltd.	0,17	-0,05	-1,67	-1,47	1,02	-2,00	4
Tourbus, Inc.	-1,72	-1,69	0,20	0,88	-0,58	-2,90	5

Source: Own work on base of the companies financial statements

Table n. 16: Company comparison on the basis of standardized variable method - 2012

Method of standardized variable for 2012	ROE	ROS	Total Assets Turnover	Current Liquidity	Total Debt Ratio	the sum of points	Order
ZNOJBUS, Ltd.	-0,04	0,23	-0,07	-0,03	0,97	1,07	1
ADOSA, Inc.	1,24	1,00	-1,39	0,01	-0,24	0,62	2
BORS Břeclav, Inc.	0,37	0,23	-0,11	0,65	-0,95	0,18	3
TRYBOX, Ltd.	-0,05	0,23	0,16	-1,62	1,13	-0,15	4
Tourbus, Inc.	-1,52	-1,69	1,41	0,99	-0,90	-1,71	5

Source: Own work on base of the companies financial statements

Table n. 17: Company comparison on the basis of standardized variable method - 2013

Method of standardized variable for 2013	ROE	ROS	Total Assets Turnover	Current Liquidity	Total Debt Ratio	the sum of points	Order
ZNOJBUS, Ltd.	0,20	0,33	-0,39	-0,12	0,89	0,91	1
ADOSA, Inc.	1,20	1,00	-1,22	-0,35	-0,25	0,38	2
TRYBOX, Ltd.	-0,02	0,33	0,30	-1,41	1,17	0,38	2
BORS Břeclav, Inc.	0,20	0,00	-0,22	0,72	-0,65	0,06	4
Tourbus, Inc.	-1,58	-1,67	1,52	1,16	-1,16	-1,73	5

Source: Own work on base of the companies financial statements

9.4 Environment Analysis

9.4.1 Characteristic of the Region

South Moravian Region was established in 2000 as a higher territorial self-governing unit of the Czech Republic. It is situated in the southeast of the Czech Republic and it is considered for the border region. The region has the outer borderlines with the Austrian federal country of Niederösterreich and in the southeast with the Slovak regions of Trnava and Trenčín. The inner borderlines of the South Moravian Region include from the west to east the South Bohemian Region, Vysočina Region, Pardubice, Olomouc, and Zlín Region. (risy.cz ; czso.cz, 2016)

South Moravian Region has around 673 municipalities, includes the territories of 7 districts (Blansko, Brno - city, Brno - country Břeclav, Hodonín, Vyškov, and Znojmo) and contains 21 municipalities with extended powers. The administrative city of the South Moravian Region is the city of Brno which is also the second largest city in the Czech Republic, given by the area of 230 square kilometres and population size around 377 440 to the year 2015. (czso.cz, 2015)

The general information about the South Moravian region are shown in the Table n. 18:

Table n. 18: General information about the South Moravian Region

Area	7 188 km ² (area after border adjustment of Březina military area in the district of Vyškov 1. 1. 2016)
Population	1 175 025 (31. 12. 2015)
Density of Population	163 inhabitants/km ²
Neighbouring states	Austria and Slovakia
Neighbouring regions	South Bohemian, Vysočina, Pardubice, Olomouc and Zlín
CZ-NUTS	NUTS 3 - CZ064
Governor	JUDr. Michal Hašek
Administrative city	Brno (area 230 km ² , population 377 440 to 31. 12. 2014)
Administrative structure	7 districts, 21 municipalities with extended powers
Number of Municipalities	673
Rate of unemployment	7, 14 % (inhabitants in the age of 15-64, 11. 11. 2015)
Amount of gross wage	25 718 CZK (11. 11. 2015)

Source: www.czso.cz; own work on base of the publicly available sources

Picture n. 8: Logo of the South Moravian Region



Source: www.kr-jihomoravsky.cz

South Moravian Region is considered for the region with high economic potential which is mainly given by the tradition of Brno city in the industry. A significant proportion on the region's economy have mainly manufacturing industry, trade and commercial services. In the southern part of the region dominates the agricultural activity which occupies much as 60 % of the total region area. The economic situation of the South Moravian Region is developing positively which is evidenced by the 10 % of Czech Republic GDP share. However, in terms of unemployment, the South Moravian Region behaves rather negatively. Unemployment rate in 2015 was 7, 14 % which is relatively high number in comparison with the unemployment rate for the whole Czech Republic which was 6, 2 %. The average wage in the South Moravian Region was around 25 718 CZK for 2015 which is the positive founding, because for the whole Czech Republic the average wage was in the amount of 28 152 CZK. (czso.cz, 2013)

South Moravian Region plays also an important role in the transport sector. The city of Brno represents a significant transport function in road, highway, railway, and even in air transport.

For the whole region of South Moravia was constructed the integrated transport system and as well the number of private carriers which ensures the public transport. Through the region also passes two major rail corridors linking the countries of the EU. (czso.cz, 2014)

9.4.2 Role of Selected Factors and the Impact on the Regional Development

Tourbus, Inc. company is situated in the South Moravian Region, precisely in the Brno-city district where is also located the authority with extended powers. Brno-city covers an area around 230 square kilometres and the population for the year 2015 is in amount of 377 440. Brno is ranked among the largest cities of the Czech Republic. From the point of the transport sector view is the city of Brno considered for a major transportation junction in the South Moravian Region. (kr-jihomoravsky.cz)

For the evaluation of the company influence on the region and on the contrary the region influence on the business activity was used the following selected factors (see the following chapters). It is necessary to underline that the economy and employment policy of the region is not possible to influence only by the one individual company. However, in terms of services, the company Tourbus, Inc. has definitely higher importance for the region and its inhabitants.

Localization

Sector Structure

From the point of sectoral structure view, the transport sector is generally numbered among the important sectors of the South Moravian Region which mean for the region a variety economic and also social benefits. Concretely, the Table n. 19 records the contribution of each sectors in terms of employment policy.

Table n. 19: The employed in the national economy by CZ-NACE (according to the LFSS) in South Moravian Region - (part 1 / part 2)

in thousands persons	2009	2 010	2011	2012	2013
The employed, total	529,7	531,8	533,7	537,7	556,4
<i>Agriculture, forestry and fishing</i>	13,8	15,7	15,3	15,7	16,1
<i>Mining and quarrying</i>	2,1	1,7	2,3	1,7	2,5
<i>Manufacturing</i>	126,0	124,4	132,8	139,6	134,1
<i>Electricity, gas, steam and air conditioning supply</i>	6,4	6,9	5,8	5,6	5,5
<i>Water supply, sewerage, waste management and remedial activities</i>	4,2	4,7	4,2	5,2	7,4
<i>Construction</i>	58,6	52,0	46,6	46,4	47,1

Source: www.czso.cz; own work on base of the publicly available sources

Table n. 19: The employed in the national economy by CZ-NACE (according to the LFSS) in South Moravian Region – (part 2 / part 2)

<i>Wholesale and retail trade; repair of motor vehicles</i>	64,0	63,5	64,0	64,2	64,5
<i>Transportation and storage</i>	32,4	36,0	37,3	32,4	29,0
<i>Accommodation and food service activities</i>	17,0	20,1	17,2	17,9	19,9
<i>Information and communication</i>	17,0	14,7	15,3	16,2	21,7
<i>Financial and insurance activities</i>	11,6	12,4	14,1	14,0	16,7
<i>Real estate activities</i>	3,7	3,5	4,3	4,1	2,9
<i>Professional, scientific and technical activities</i>	26,3	32,3	30,5	25,3	26,2
<i>Administrative and support service activities</i>	13,6	10,0	12,9	14,0	15,7
<i>Public administration and defense; compulsory social security</i>	36,4	38,7	36,2	34,2	38,2
<i>Education</i>	36,7	32,6	34,9	40,0	43,4
<i>Human health and social work activities</i>	39,0	38,4	39,6	39,2	38,3
<i>Arts, entertainment and recreation</i>	8,4	9,0	8,4	9,3	10,4
<i>Other service activities</i>	11,4	14,2	10,0	10,4	14,0

Source: www.czso.cz; own work on base of the publicly available sources

However, from the Table n. 18 is also evident that in 2013 the contribution of transport sector on the employment policy decreased. This decrease could be caused by the change in the costs economy of enterprises in the transport sector which had for the consequence the reduction of wages. In this case, the wages are not attractive for employees and nowadays the transport sector faces with a shortage of stuff.

Size Structure

Table n. 20: Businesses by number of employees category in the South Moravian Region

Size category (number of employees)	2009	2010	2011	2012	2013
Total	275 189	283 202	291 162	294 308	295 523
<i>Not identified</i>	151 241	156 946	162 031	166 448	169 589
<i>0 employees</i>	90 294	93 209	96 054	94 726	93 514
<i>1–5</i>	22 598	22 189	22 414	22 918	22 402
<i>6–9</i>	3 752	3 682	3 594	3 530	3 445
<i>10–19</i>	3 496	3 451	3 348	3 173	3 084
<i>20–24</i>	798	735	740	705	697
<i>25–49</i>	1 554	1 507	1 523	1 434	1 412
<i>50–99</i>	776	795	786	740	744
<i>100–199</i>	379	376	360	340	335
<i>200–249</i>	73	74	81	84	83
<i>250–499</i>	139	137	133	119	127
<i>500–999</i>	61	76	68	64	65
<i>1 000+</i>	28	25	30	27	26

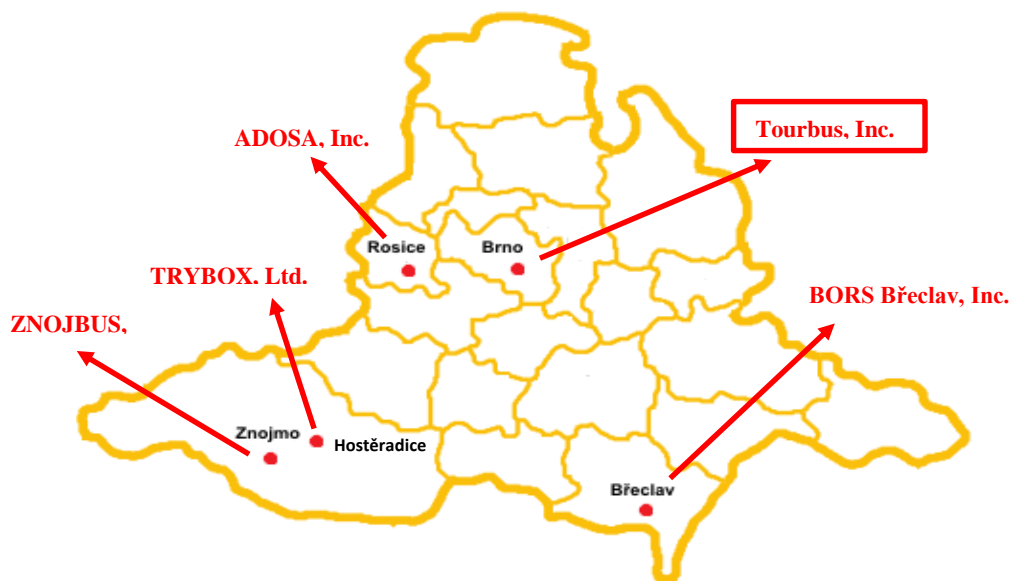
Source: www.czso.cz; own work on base of the publicly available sources

In terms of size structure, the company Tourbus, a. s. ranks among the medium enterprises. The Table n. 20 recorded the size structure of enterprises according to the number of employees.

Location

In the Picture n. 9 is recorded the competition of the company Tourbus, Inc. There were selected the four companies on the basis of the same business activity that is in the transport sector. It was very important that was selected such competition, which would be for the company Tourbus, Inc. at least appropriately equivalent. From this reason the competition does not include all carriers in South Moravia Region. With respect to the location of companies, it is evident that the selected carriers is situated in larger cities of South Moravian Region, specifically, in cities of Znojmo and Břeclav (BORS Břeclav Inc. and ZNOJBUS, Ltd.). Companies TRYBOX, Ltd. and ADOSA, Inc. is located in the proximity of the larger cities Znojmo and Brno.

Picture n. 9: Location of competition in South Moravian Region



Source: www.jiznimorava.rodinnepasy.cz; own work on base of the publicly available sources

The advantage of this location lies in the fact that the most of the companies is located in the larger cities (Brno, Znojmo and Břeclav), or in their proximity in which is concentrated a high percentage of the population. Location of the company Tourbus, Inc. seems for the most advantageous, because the company is situated in the city of Brno that is considered for the

transportation junction of the whole South Moravian Region. Thus the companies can create for the residents of the cities a number of new jobs which the company Tourbus, Inc. creates not only for its branch in Brno, but also throughout the South Moravian Region and other places in the Czech Republic. Support of companies in employment can be subsequently reflected in unemployment rate in South Moravian Region. For the important advantage can be also considered the higher degree of customer satisfaction who using the services of the companies on the basis of the choice of the company which will meet their requirements.

Localization factors has also the significant impacts on the financial situation of company, concretely, on the company's revenues and costs. It is obvious, that companies which are located near to the big cities have got the advantages - higher concentration of people, higher demand, and lower costs.

Demographic Situation

The demographic situation in the South Moravian Region has still the increase trend in terms of population. From 1. 1. to 30. 9. 2015, the population of the South Moravian region increased by 1 095 of persons. So the resulting number of inhabitants in South Moravian Region to 30. 9. 2015 was amounted to 1 173 948. The reason for this increase was mainly in the natural population growth and also in the population growth due to the migration. However, in the district of Brno-city which is the seat of the company Tourbus, Inc. was recorded the population decline that was caused by the population migration. (czso.cz, 2015)

An important indicator of the demographic situation is also the age structure of the population. In the South Moravian Region to 31. 12. 2014 is the highest rate of population recorded in the age group from 15 to 64 years where reached the amount of 783 751 inhabitants. The same age group was also achieved in the districts of Brno-city, Znojmo, and Břeclav. In terms of prosperity of company Tourbus, Inc. and its competitors, the age group between 15 and 64 years is favourable. The reason is mainly in the utilization of transportation services by people in age from 15 to 64 for the purpose of study, work or other reasons. Regarding the development of the South Moravian Region, the age structure has relatively large impact on the economic development of the region to which for example the company of Tourbus, Inc. contributing by its employment policy when

still creates new job opportunities and thereby strengthens the economic development of the region. (czso.cz, 2015)

Company Efficiency

Economic efficiency of the company Tourbus, Inc. and its competition is evaluated for the period of 2009-2013 and is analysed on the basis of the financial analysis indicators. The economic performance derives mainly from the economic result of the given company. For the economic prosperity of the region is then important the long-term economic stability of the company. If in the region is situated more economically stable companies, the region is economically richer.

Interventions of State Economic Policy

The efficiency of the company influence the interventions of state economic policy. These interventions can have the state and regional character as well.

The role of state affects the business activity in many ways. The most common instrument which falls within the state fiscal policy is tax rate. It is derived on the basis of using the uniform tax rate. It means that the high-income regions drain a higher amount than the low-income regions. The South Moravia Region is ranked among the economic efficient regions. (ibesip.cz; mmr.cz, 2013; Thomas, 2015)

Specifically, the transport sector is influenced by so-called the sectoral policy for transport which aim is: to create the conditions for the development of high-quality transport system; the utilization of advanced technology, research and innovation; solving the competition principles with regard to its economic and social impact, and effect on the environment and public health. So in this way the business activity of the company is mainly influenced by a variety of regulations and laws related, for example, on the protection of the environment which include emission control, installation of firm particles filter for diesel vehicles, and other regulations.

10 Conclusion

The main aim of the bachelor thesis was to assess the influence of the company Tourbus, Inc. on the South Moravian Region and evaluation of the company's economic situation and financial health. The main goal was divided into four partial goals for the better processing of the bachelor thesis.

For the determination of the company's economic situation and financial health, as well as the the first partial goal, was used the financial analysis tools. From this analysis, it was subsequently found that the company Tourbus, Inc. in the year of 2009 recorded very satisfactory results, but on the contrary, in the period of 2010-2013 the company faced with finance problems which might increase the threaten for the whole company and its creditors in the near future.

In the following partial goal (2) was summarized the overall financial and economic situation of the company for the period of 2009-2013, and outlined the recommendations that the company should perform to avoid the future indebtedness or bankruptcy.

The third partial goal was intercompany comparison of the financial analysis results. It was found that the company Tourbus, Inc. in the first year of the followed period ranked among the top firms, but in the following years when the company reported a negative economic result, occupied the last position among competitors. So the company in the period of 2010-2013 failed among the competition.

As the last partial goal (4) was provided the environment analysis, concretely the analysis of the South Moravian Region when the region was described from the geographic, demographic, and economic terms. Based on this analysis it was determined that the company has no direct influence on the economic situation and employment policy in this region. Then were selected the factors through which the company influences the region or on the contrary the region influences the business activity of given company.

The research question: 1) „What are the weaknesses of the Tourbus, Inc. in the area of financing?“ it was found that the company faces with the problems in productivity efficiency which confirmed the profit and loss statement where was founded the discrepancies in the items of labour and material. However, it is necessary to remark that the company is trying to solve

this financial problems which also prove the positive values in the ratio between the added value and the given productivity inputs (labour and material).

The research question: 2) „Is the Tourbus, Inc. an important subject in the field of the transport and how affects the transport services in the South Moravian Region?“ is debatable, because in the year 2009 the company had great results, but in the next four years, the company registered financial problems. So it is not possible to determine with certainty whether these four years will affect the company in the future years or how the company will act on the market in given field. Finally, it was found that the Tourbus Company, Inc. has no direct impact on the South Moravian Region in terms of economy and employment policy, but in terms of services, the company Tourbus, Inc. has the significant contribution for the South Moravian Region.

So the analysis of the economic situation and financial health of the company Tourbus, Inc. It proved that the company in 2009 amounted to an above-average of the financial health, but in the following years 2010-2013 were to the financial problems which could affect the company in its future development. It was also found that is impossible to determine if the company Tourbus, Inc. is the important subject in the field of the transport, because of its debatable economic and financial situation. So it is not possible to determine with the certainly the subsequent development of the company in the future. It is also clear that the company does not directly affect the economy and employment policy in the South Moravian Region, but in terms of services represents the Tourbus, Inc. a significant contribution for this region.

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Attachment n. 20: Solvency Model, Kralick's Quick Test - first part

Attachment n. 21: Solvency Model, Kralick's Quick Test - second part

Attachments

Attachment n. 1: Balance Sheet of the company for the years of 2009-2013 – (part 1 / part 3)

Marking	Balance Sheet (in thousands of CZK)	Year				
		2009	2010	2011	2012	2013
	TOTAL ASSETS	211 752	193 019	158 836	160 380	145 999
A. 1.	Receivables for subscribed registered capital	0	0	0	0	0
A. 2.						
B	FIXED ASSETS	157 144	148 051	118 937	127 829	116 090
B. I.	Fixed Intangible Assets	0	0	0	0	0
B. I. 1.	Incorporation expenses	0	0	0	0	0
B. I. 2.	Intangible results of research and development	0	0	0	0	0
B. I. 3.	Software	0	0	0	0	0
B. I. 4.	Valuable rights (Copyrights, patents, etc.)	0	0	0	0	0
B. I. 5.	Goodwill (+/-)	0	0	0	0	0
B. I. 6.	Other fixed intangible assets	0	0	0	0	0
B. I. 7.	Fixed intangible assets under construction	0	0	0	0	0
B. I. 8.	Provided advance payments for fixed intangible assets	0	0	0	0	0
B. I. 9.						
B. II.	Fixed Tangible Assets	78 954	68 016	32 976	41 623	32 041
B. II. 1.	Lands	6 516	6 516	6 516	6 516	6 516
B. II. 2.	Buildings, halls and structures	4 801	4 624	4 449	4 272	4 096
B. II. 3.	Single tangible assets and the sets of tangible assets	67 637	56 876	22 011	30 415	21 324
B. II. 4.	Floricultural units of the stable overgrowths	0	0	0	0	0
B. II. 5.	Basic grove and draught animals	0	0	0	0	0
B. II. 6.	Other fixed tangible assets	0	0	0	0	0
B. II. 7.	Fixed tangible assets under construction	0	0	0	420	105
B. II. 8.	Provided advance payments for fixed tan. fixed assets	0	0	0	0	0
B. II. 9.	Revaluation differences on acquired assets (+/-)	0	0	0	0	0
B. II. 10.						
B. III.	Long-term Financial Assets	78 190	80 035	85 961	86 206	84 049

Attachment n. 1: Balance Sheet of the company for the years of 2009-2013 – (part 2 / part 3)

B. III. 1.	Investments in group undertakings	78 190	80 035	85 960	86 205	84 048
B. III. 2.	Investments in associated companies	0	0	0	0	0
B. III. 3.	Other long-term securities and ownership	0	0	1	1	1
B. III. 4.	Loans provided to companies with major and important share	0	0	0	0	0
B. III. 5.	Other long-term financial assets	0	0	0	0	0
B. III. 6.	Acquisition of long-term financial assets	0	0	0	0	0
B. III. 7.	Provided advance payments for long-term financial assets	0	0	0	0	0
B. III. 8.						
C.	CURRENT ASSETS	53 051	41 803	37 077	30 580	28 548
C. I.	Inventories	17 294	15 175	7 473	6 212	6 069
C. I. 1.	Material	5 107	4 285	2 495	2 212	2 340
C. I. 2.	Work in progress and semi-finished	5 694	4 837	312	164	50
C. I. 3.	Finished goods	0	0	0	0	0
C. I. 4.	Livestock	0	0	0	0	0
C. I. 5.	Goods for resale	6 493	6 053	4 666	3 836	3 679
C. I. 6.	Provided advance payments for inventory	0	0	0	0	0
C. I. 7.						
C. II.	Advance Payments for Inventory	1066	1 054	1 078	1 153	1 094
C. II. 1.	Trade receivables	0	0	0	0	0
C. II. 2.	Receivables from group undertakings	0	0	0	0	0
C. II. 3.	Receivables from associated companies	0	0	0	0	0
C. II. 4.	Receivables from shareholders and alliance partners	0	0	0	0	0
C. II. 5.	Provided advance payments for long-term receivables	1 066	1 054	1 078	1 153	1 094
C. II. 6.	Estimated assets	0	0	0	0	0
C. II. 7.	Other receivables	0	0	0	0	0
C. II. 8.	Deferred tax assets	0	0	0	0	0
C. II. 9.						
C. III.	Short-term Receivables	25 043	21 873	23 489	16 912	16 224
C. III. 1.	Trade receivables	18 127	13 233	20 311	14 726	14 275

Attachment n. 1: Balance Sheet of the company for the years of 2009-2013 – (part 3 / part 3)

C. III. 2.	Receivables from group undertakings	0	0	0	0	0
C. III. 3.	Receivables from group undertaking	0	0	0	0	0
C. III. 4.	Receivables from shareholders and alliance partners	0	0	0	0	0
C. III. 5.	Social security and health insurance	0	0	0	0	0
C. III. 6.	Social security and health insurance	2 997	3 794	0	547	413
C. III. 7.	Provided advance payments for short-term receivables	539	418	471	477	256
C. III. 8.	Estimated assets	1 380	2 318	452	442	741
C. III. 9.	Oher receivables	2 000	2 110	2 255	720	539
C. III. 10.						
C. IV.	Short-term Financial Assets	9 648	3 701	5 037	6 303	5 161
C. IV. 1.	Cash	1 341	277	728	1 147	836
C. IV. 2.	Bank accounts	8 307	3 424	4 309	5 156	4 325
C. IV. 3.	Short-term securities and ownership investments	0	0	0	0	0
C. IV. 4.	Acquisition of short-term financial assets	0	0	0	0	0
C. IV. 5.						
D. I.	Accruals and Deferrals	1 557	3 165	2 822	1 971	1 361
D. I. 1.	Prepaid expenses	1 557	3 165	2 295	1 494	796
D. I. 2.	Complex prepaid expenses	0	0	0	0	0
D. I. 3.	Accrued revenues	0	0	527	477	565
D. I. 4.						

Attachment n. 2: Profit and Loss Statement of the company for the years of 2009-2013 – (part 1 / part 3)

Marking	Balance Sheet (in thousands of CZK)	Year				
		2009	2010	2011	2012	2013
	TOTAL CAPITAL	211 752	193 019	158 836	160 380	145 999
A.	EQUITY	76 857	74 622	69 821	63 874	54 660
A. I.	Registered Capital	5 000	5 000	5 000	5 000	5 000
A. I. 1.	Registered capital	5 000	5 000	5 000	5 000	5 000
A. I. 2.	Own share hold (-)	0	0	0	0	0
A. I. 3.	Changes in registered capital (+/-)	0	0	0	0	0
A. I. 4.						

Attachment n. 2: Profit and Loss Statement of the company for the years of 2009-2013 – (part 2 / part 3)

A. II.	Capital Contributions	15 500	17 345	23 251	23 518	21 284
A. II. 1.	Share premium	0	0	0	0	0
A. II. 2.	Other capital contributions	1 247	1 248	1 248	1 248	1 248
A. II. 3.	Valuation differences revaluation of assets and liabilities (+/-)	43 302	45 146	51 052	51 319	49 085
A. II. 4.	Valuation differences from revaluation in corporate transformations	-29 049	-29 049	-29 049	-29 049	-29 049
A. III.	Reserve funds, Indivisible fund, Other funds	1 612	2 266	2 249	2 212	2 194
A. III. 1.	Statutory reserve fund/ Indivisible fund	1 600	1 963	1 963	1 963	1 963
A. III. 2.	Statutory and other funds	12	303	286	249	231
A. III. 3.						
A. IV.	Economic Result prior years	47 479	53 981	50 011	39 321	33 144
A. IV. 1.	Retained earnings prior years	47 479	53 981	50 011	39 321	33 144
A. IV. 2.	Retained losses prior years (-)	0	0	0	0	0
A. IV. 3.						
A. V. 1.	Economic result common accounting period (+/-)	7 266	-3 970	-10 690	-6 177	-6 962
A. V. 2.						
B.	LIABILITIES	134 293	118 333	89 015	96 506	91 339
B. I.	Provisions	6 231	0	0	0	0
B. I. 1.	Provisions as per special legislation	0	0	0	0	0
B. I. 2.	Provisions for pensions and other similar payables	0	0	0	0	0
B. I. 3.	Provision for income tax	0	0	0	0	0
B. I. 4.	Other provisions	6 231	0	0	0	0
B. I. 5.						
B. II.	Long-term Liabilities	46 748	35 947	11 995	10 408	802
B. II. 1.	Trade liabilities	42 915	33 579	8 911	8 911	0
B. II. 2.	Liabilities to group undertakings	0	0	0	0	0
B. II. 3.	Liabilities to associated companies	0	0	0	0	0
B. II. 4.	Liabilities to shareholders and alliance partners	0	0	0	0	0

B. II. 5.	Long-term advances received	0	0	0	0	0
B. II. 6.	Debentures and bond issued	0	0	0	0	0
B. II. 7.	Long-term bills to payment	0	0	0	0	0

Attachment n. 2: Profit and Loss Statement of the company for the years of 2009-2013 – (part 3 / part 3)

B. II. 8.	Estimated liabilities	0	0	0	0	0
B. II. 9.	Other liabilities	0	0	0	0	0
B. II. 10.	Deferred tax liability	3 833	2 368	3 084	1 497	802
B. II. 11.						
B. III.	Short-term Liabilities	81 314	77 719	74 353	69 440	77 412
B. III. 1.	Trade liabilities	57 842	64 337	56 822	54 347	64 059
B. III. 2.	Liabilities to group undertakings	0	0	0	0	0
B. III. 3.	Liabilities to associated companies	0	0	0	0	0
B. III. 4.	Liabilities to shareholders and alliance partners	3 400	2 400	2 400	2 400	1 760
B. III. 5.	Liabilities to employees	5 475	5 006	3 758	3 119	2 807
B. III. 6.	Liabilities to social security and health insurance	8 529	2 647	3 692	3 966	4 516
B. III. 7.	Tax liabilities	3 436	1 572	6 057	3 321	2 162
B. III. 8.	Short-term advances received	2 441	1 125	1 084	1 017	1 074
B. III. 9.	Debentures and bond issued	0	0	0	0	0
B. III. 10.	Estimated liabilities	0	569	436	1 189	993
B. III. 11.	Other liabilities	191	63	104	81	41
B. III. 12.						
B. IV.	Bank Loans and Overdrafts	0	4 667	2 667	16 658	13 125
B. IV. 1.	Long-term bank loans	0	4 667	2 667	16 658	13 125
B. IV. 2.	Short-term bank loans	0	0	0	0	0
B. IV. 3.	Short-term financial liability	0	0	0	0	0
B. IV. 4.						
C. I.	Accruals and Deferrals	602	64	0	0	0
C. I. 1.	Accrued expenses	544	0	0	0	0
C. I. 2.	Deferred revenues	58	64	0	0	0

Attachment 3: Horizontal Analysis of Total Assets – Absolute Change

Absolute change (in thousands of CZK)	2010/2009	2011/2010	2012/2011	2013/2012
TOTAL ASSETS	-18 733	-34 183	1 544	-14 381
Fixed Assets	-9 093	-29 114	8 892	-11 739
Fixed Intangible Assets	0	0	0	0
Fixed Tangible Assets	-10 938	-35 040	8 647	-9 582
Long-term Financial Assets	1 845	5 926	245	-2 157
Current Assets	-11 248	-4 726	-6 497	-2 032
Inventories	-2 119	-7 702	-1 261	-143
Short-term Receivables	-3 170	1 616	-6 577	-688
Short-term Financial Assets	-5 947	1 336	1 266	-1 142
Accruals and Deferrals	1 608	-343	-851	-610

Attachment 4: Horizontal Analysis of Total Assets – Relative Change

Relative change (in %)	2010/2009	2011/2010	2012/2011	2013/2012
TOTAL ASSETS	-9	-18	1	-9
Fixed Assets	-6	-20	7	-9
Fixed Intangible Assets	0	0	0	0
Fixed Tangible Assets	-14	-52	26	-23
Long-term Financial Assets	2	7	0	-3
Current Assets	-21	-11	-18	-7
Inventories	-12	-51	-17	-2
Short-term Receivables	-13	7	-28	-4
Short-term Financial Assets	-62	36	25	-18
Accruals and Deferrals	103	-11	-30	-31

Attachment n. 5: Horizontal Analysis of Total Capital – Absolute Change

Absolute change (in thousands of CZK)	2010/2009	2011/2010	2012/2011	2013/2012
TOTAL CAPITAL	-18 733	-34 183	1 544	-14 381
Equity	-2 235	-4 801	-5 947	-9 214
Registered Capital	0	0	0	0
Capital Contributions	1 845	5 906	267	-2 234
Reserve funds, Indivisible fund, Other funds	654	-17	-37	-18
Economic Result prior years	6 502	-3 970	-10 690	-6 177
Liabilities	-15 960	-29 318	7 491	-5 167
Provisions	-6 231	0	0	0
Long-term Liabilities	-10 801	-23 952	-1 587	-9 606
Short-term Liabilities	-3 595	-3 366	-4 913	7 972
Bank Loans and Overdrafts	4 667	-2 000	13 991	-3 533
Accruals and Deferrals	-538	-64	0	0

Attachment n. 7: Vertical Analysis of Total Assets

Share (in %)	2009	2010	2011	2012	2013
TOTAL ASSETS	100	100	100	100	100
Fixed Assets	74	77	75	80	80
Fixed Intangible Assets	0	0	0	0	0
Fixed Tangible Assets	37	35	21	26	22
Long-term Financial Assets	37	41	54	54	58
Current Assets	25	22	23	19	20
Inventories	8	8	5	4	4
Short-term Receivables	12	11	15	11	11
Short-term Financial Assets	5	2	3	4	4
Accruals and Deferrals	1	2	2	1	1

Attachment n. 8: Vertical Analysis of Total Capital

Share (in %)	2009	2010	2011	2012	2013
TOTAL CAPITAL	100	100	100	100	100
Equity	36	39	44	40	37
Registered Capital	2	3	3	3	3
Capital Contributions	7	9	15	15	15
Reserve funds, Indivisible fund, Other funds	1	1	1	1	2
Economic Result prior years	22	28	31	25	23
Liabilities	63	61	56	60	63
Provisions	3	0	0	0	0
Long-term Liabilities	22	19	8	6	1
Short-term Liabilities	38	40	47	43	53
Bank Loans and Overdrafts	0	2	2	10	9
Accruals and Deferrals	0	0	0	0	0

Attachment n. 6: Horizontal Analysis of Total Capital – Relative Change

Relative change (in %)	2010/2009	2011/2010	2012/2011	2013/2012
TOTAL CAPITAL	-9	-18	1	-9
Equity	-3	-6	-9	-14
Registered Capital	0	0	0	0
Capital Contributions	12	34	1	-9
Reserve funds, Indivisible fund, Other funds	41	-1	-2	-1
Economic Result prior years	14	-7	-21	-16
Liabilities	-12	-25	8	-5
Provisions	-100	0	0	0
Long-term Liabilities	-23	-67	-13	-92
Short-term Liabilities	-4	-4	-7	11
Bank Loans and Overdrafts	0	-43	525	-21
Accruals and Deferrals	-89	-100	0	0

Attachment n. 10: Development of Profitability Indicators in years 2009-2013

Indicators of Profitability (in %)	2009	2010	2011	2012	2013
ROA - before tax	4	-3	-5	-5	-5
ROA - after tax	3	-2	-7	-4	-4
ROE	9	-5	-15	-10	-13
ROS	3	-2	-3	-4	-4
ROC	3	-2	-3	-4	-4

Attachment n. 11: Development of Activity Indicators in years 2009-2013 - first part

Indicators of Activity	2009	2010	2011	2012	2013
Total Assets Turnover	1,41	1,40	1,68	1,14	1,20
Fixed Assets Turnover	1,90	1,83	2,24	1,43	1,51

Attachment n. 12: Development of Activity Indicators in years 2009-2013 - second part

Indicators of Activity (in days)	2009	2010	2011	2012	2013
Inventory Turnover Period	21	20	10	12	12
Inventory Turnover Ratio = Revenues / Inventory	17	18	36	29	29
Receivables Turnover Period	30	29	32	33	33
Liabilities Turnover Period	98	104	100	137	159

Attachment n. 13: Development of Liquidity Indicators in years 2009-2013

Indicators of Liquidity	2009	2010	2011	2012	2013
Current Liquidity	0,65	0,54	0,50	0,44	0,37
Quick Liquidity	0,43	0,33	0,38	0,33	0,28
Cash Liquidity	0,12	0,05	0,07	0,09	0,07

Attachment n. 9: Development of Net Working Capital in years 2009-2013

Working Capital (in thousands of CZK)	2009	2010	2011	2012	2013
Current Assets	53 051	41 803	37 077	30 580	28 548
Short-term Liabilities	81 314	77 719	74 353	69 440	77 412
Net Working Capital	-28 263	-35 916	-37 276	-38 860	-48 864

Attachment n. 14: Development of Indebtedness Indicators in years 2009-2013 - first part

Indicators of Indebtedness (in %)	2009	2010	2011	2012	2013
Total Debt Ratio	60	59	54	50	54

Attachment n. 15: Development of Indebtedness Indicators in years 2009-2013 - second part

Indicators of Indebtedness	2009	2010	2011	2012	2013
Debt to Equity Ratio	1,67	1,52	1,24	1,25	1,43
Times Interest Earned	625,00	-20,92	-33,49	-22,79	-11,00
Coverage of Fixed Assets by Own Capital	0,49	0,50	0,59	0,50	0,47
Coverage of Fixed Assets by Long-term Resources	0,79	0,75	0,69	0,58	0,48

Attachment n. 16: Bankruptcy Model, Altman Model (Z-score) - first part

	2009	2010	2011	2012	2013
X1	-0,133	-0,186	-0,235	-0,242	-0,335
X2	0,224	0,280	0,315	0,245	0,227
X3	0,035	-0,027	-0,052	-0,046	-0,048
X4	0,600	0,631	0,784	0,662	0,598
X5	1,409	1,400	1,677	1,138	1,201

Attachment n. 17: Bankruptcy Model, Altman Model (Z-score) - second part

Bankruptcy Model	2009	2010	2011	2012	2013
Altman Model (Z-score)	1,86	1,68	1,94	1,30	1,25

Attachment n. 18: Bankruptcy Model, Model IN05 (Index of credibility) - first part

	2009	2010	2011	2012	2013
X1	1,654	1,631	1,784	1,662	1,598
X2	625,000	-20,915	-33,488	-22,788	-11,002
X3	0,035	-0,027	-0,052	-0,046	-0,048
X4	1,409	1,400	1,677	1,138	1,201
X5	0,652	0,538	0,499	0,440	0,369

Attachment n. 19: Bankruptcy Model, Model IN05 (Index of credibility) - second part

Bankruptcy Model	2009	2010	2011	2012	2013
Model IN05 (Index of credibility)	25,71	-0,39	-0,92	-0,60	-0,14

Attachment n. 20: Solvency Model, Kralick's Quick Test - first part

	2009	2010	2011	2012	2013
R1	0,363	0,387	0,440	0,398	0,374
R2	4,733	144,010	-64,598	-73,816	316,831
R3	0,035	-0,027	-0,052	-0,046	-0,048
R4	0,105	0,004	-0,006	-0,008	0,002
	2009	2010	2011	2012	2013
R1	4	4	4	4	4
R2	3	0	4	4	0
R3	1	0	0	0	0
R4	4	1	0	0	1

Attachment n. 21: Solvency Model, Kralick's Quick Test - second part

Solvency Model	2009	2010	2011	2012	2013
Kralick's Quick Test	3	1	2	2	1