

Czech University of Life Sciences Prague

Faculty of Economics and Management

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BACHELOR THESIS

Financial Analysis of Selected Wholesale Company in Russia

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Ksenia Timasheva

Economics and Management

Thesis title

Financial Analysis of Selected Whole-sale Company in Russia

Objectives of thesis

The main objective of this thesis is the evaluation of current financial situation and standing of selected company.

- to identify situation of wholesale trade in the world
- to compare with the situation in Russia
- to develop possible recommendations for improvement of financial situation of selected company

Methodology

The whole work consists of two parts: theoretical and practical.

The theoretical part will use methods of literature review and compilation of materials. Methods in this part will be extraction, deduction, induction and synthesis among others.

In the second part financial situation of this company is analyzed using appropriate methods of financial analysis. Via methods of deduction and induction recommendations for this firm are created.

The proposed extent of the thesis

35+

Keywords

finances, analysis, wholesale trade, Russia, economics

Recommended information sources

Alice C. Lee, John C. Lee, Cheng F. Lee; "Financial Analysis, Planning & Forecasting: Theory and Application"; World Scientific, 2009; ISBN 9812706089, 9789812706089
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Pamela Peterson Drake, Frank J. Fabozzi; "Analysis of Financial Statements"; John Wiley & Sons, 2012; ISBN 1118331915, 9781118331910

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Financial Analysis of Selected Wholesale Company in Russia

Finanční analýza vybrané ruské velkoobchodní společnosti

Summary

The aim of the thesis is to observe theoretical fundamentals of the financial analysis, to detect the most important types and methods of the financial analysis, to determine the main financial ratios necessary for successful financial condition of the company. In the thesis a Russian Wholesale Company has been observed.

This work consists of two main parts. The first part deals with the theoretical aspects which are considered to be the main types of the financial analysis, such as horizontal analysis and vertical analysis. Besides, the basics of technical analysis of the market and the main financial ratios have been identified. Besides, in this part the definition of wholesale trade and shown the level of the Russian wholesale trade against the background of the world have been provided. The theoretical part is written by the method of the analysis of literature, articles and online sources.

The practical part is devoted to the financial analysis of selected wholesale company in Russia. In the analytical part of the thesis the financial analyzes mentioned in the theoretical part were made. They were based on such documents as Balance Sheet and Income Statement. Also values of main ratios such as liquidity ratio, profitability ratio, and efficiency ratio have been calculated. Finally, strengths and weaknesses of the financial conditions of the company have been identified, based on the results. Besides, the recommendations for the improvement of its conditions have been given.

Key words: finances, analysis, wholesale trade, Russia, economics.

Souhrn

Cílem této práce je prozkoumat teoretické základy finanční analýzy, identifikovat nejdůležitější typy a metody finanční analýzy, a také popsat hlavní finanční ukazatele důležité pro úspěšné fungování společnosti. V bakalářské práci zkoumána ruská velkoobchodní společnost.

Práce se skládá ze dvou hlavních částí. První část se zabývá teoretickými aspekty, které jsou považovány za podstatné pro finanční analýzu, jako jsou horizontální a vertikální analýzy. Dalé taky byly definovány klíčové finanční koeficienty a základy technické analýzy. Také v této části popsána definici velkoobchodu a zjištěn úroveň ruského velkoobchodu ve srovnání se světovým. Pro zpracování literární rešerše byla využita metoda studia odborné literatury a článků. Část informace byla čerpana z internetových zdrojů.

Praktická část je zaměřena na finanční analýzu vybrané ruské velkoobchodní společnosti. Analytická část se zabývá finanční analýzou, která byla popsána v teoretické části. Základem analýzy byli účetní rozvaha a výkaz zisku a ztrát. Byly spočítány hodnoty hlavních ukazatelů: koeficient likvidity, rentability a efektivity. Na základě výsledků analýzy byly identifikovány silné a slabé stránky finančního stavu společnosti a nalezeny doporučení k jeho zlepšení.

Klíčová slova: finance, analýza, velkoobchod, Ruská Federace, ekonomie

Declaration

I declare that I have worked on my bachelor thesis titled "Financial Analysis of Selected Wholesale Company in Russia" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 14.03.2016

Ksenia Timasheva

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1. Introduction

The financial stability is the status of accounts of an organization that ensures its permanent solvency.

The successful work of enterprises in the new economic system is largely dependent on the financial stability and the effective use of financial resources.

Financial analysis is a method of assessing the retrospective (past) and the future financial sustainability of the economic entity on the basis of the study and according to the dynamics of the financial information. Therefore, only the financial analysis in the complex is able to examine and assess all the aspects and the results of the cash flow, the level of the relations related to the cash flow as well as possible financial stability of the organization.

The research of organization's financial stability during the financial crisis in Russian Federation at the present time is especially important. By using the analysis of the financial stability it is possible to identify and eliminate weaknesses in the financial activity and find reserves to improve the financial stability and solvency of the organization.

2. Objectives and methodology

2.1. Objectives

The object of the thesis is the Russian Wholesale Organization that specializes in selling clothing - LLC "Threeka".

The goal of the thesis is to study theoretical framework in order to analyze the financial stability of the limited liability company "Threeka" in 2014 and 2015 years and to develop ways to strengthen the organization's financial stability.

To achieve this goal it is necessary to solve a number of tasks that will be helpful. The important goal of the thesis is to study theoretical foundations of the financial analysis of the organization. With the help of the received knowledge the financial situation of LLC "Threeka", its financial strength and other financial indicators have to be analyzed. The prognosis can be conducted based on the data.

2.2. Methodology

The scientific works of domestic (Russian) and foreign authors in the field of the financial analysis and stability served as the methodological basis of the thesis.

Information basis is the accounting reports (balance sheet, income statement), data collected by the author of a thesis on the subject of the study.

As a tool for the financial analysis of the organization financial ratios are used. It is relative indicators of the organization's financial status, which express the attitude of some of the absolute financial indicators to the others.

The system of financial ratios in the study is divided into a number of specific groups: indicators of profitability of the enterprise; indicators for assessing management effectiveness and profitability of production; indicators for assessing the liquidity balance of assets as the basis of ability to pay. Also horizontal and vertical analysis is performed on the basis of the balance sheet and income statement.

3. Theoretical part

3.1. Types of financial analysis

3.1.1. Express-analysis and detailed analyses

In managing of current activities of small and big businesses the express-analysis has the large role. It allows to get quick the basic information about company needed for operational management. Importance of express-analysis is the fact that not always the user (shareholders, investors, creditors) has a possibility to conduct a comprehensive, in-depth economic analysis. (Zalutskaya, 2008)

According to Kovalev express-analysis is an analysis which carried out on the basis of the balance sheet, analyzes the property of the organization, liquidity and balance sheet assets, factor analysis of financial stability, as well as the construction of a chain of economic growth. (Kovalev, 2010)

Chernyshev has shown in his book, it is advisable to carry out the express-analysis in three phases: 1) preparatory phase, 2) preliminary review of financial statements, 3) reading and analysis of economic reporting. (Chernyshev, 2000)

Chernyshev in his tutorial explains this. The first stage is to make sure that the financial statements are available to the reading: correctness and clarity of filling, balance sheet and all intermediate results, availability of all necessary details. The second step is the introduction of an explanatory note to the accounting evaluation of the conditions in which the company operates during the reporting period, as well as the assessment of trends in key indicators of production and financial activities. The third stage is the key in the express-analysis. At this stage the calculation and assessment of the dynamics of a number of indicators which are used in space-time comparisons. (Chernyshev, 2000)

Also there are two types of indicators which are used during this analysis. The first group of indicators, in turn, includes the following areas of analysis: analysis of the financial situation and analysis of the financial situation of the company. The second group of indicators, in turn, includes these areas of analysis like profitability analysis, dynamic analysis, analysis of the effectiveness of the economic potential. (Zalutskaya, 2008)

The calculation results are presented in the form of analytical tables, on which then formulate conclusions and recommendations for decision-making. (Zalutskaya, 2008)

According to tutorial of Ostashkov the goal of detailed financial analysis is a more detailed description of the property and financial situation of the business entity, its performance during the past reporting period, as well as opportunities for the future development of the subject. It elaborates, complements and extends the individual procedures rapid analysis. The degree of detail depends on the desire of the analyst. (Ostashkov, 2005)

By Pyastolov the plan of financial analysis is:

- 1) Collection and preparation of input data (from the financial statements of previous periods, statistical reports published by interviewing experts, and so on.);
- 2) Analytical Data Processing;
- 3) Interpretation of the results;
- 4) Development of variants of administrative decisions on the basis of the analysis. (Pyastolov, 2004)

In literature, the first stage is called "Industry Analysis". Before you start reading reporting should examine the overall economic and industrial environment of the analyzed company, evaluate its place in the market, and corporate strategy. (Yershova, 2007)

Analyzing the second point of the plan MSU professor Bobyleva points that when analyzing the reports should take into account that there may be understated liabilities, overstated assessment of bad materials, incorrectly reflected the state of inventories, incorrectly assessed the securities, intangible assets, units, veiled excessive management expenditure (representation, personal vehicles, personal insurance), rents exceed the average. (Bobyleva, 2007)

A more detailed view of analysis from Ostashkov: characteristics of the general orientation of financial and economic activity, identification of "sick" articles reporting, estimation of property, vertical analysis and horizontal analysis of the balance, evaluation of the financial situation, assessment of liquidity, estimation of financial stability, evaluation of production (main) activity, profitability analysis, assessment of the situation in the securities market. (Ostashkov, 2005)

3.1.2. Internal and external analyses

As shown in the tutorial of Broilo (Doctor of Economics) the internal analysis is conducted by internal services (departments) of the enterprise. The data base of this analysis is much wider than others, as it involves the using of a variety of information circulating within the company. Other aspects of importance to optimize the management can be added in the main contents of an internal financial analysis. Such as the analysis of the effectiveness of advancing capital analysis of the relationship of costs, revenue and profit. The purpose of the internal financial analysis is providing an orderly receipt of funds and placement of equity and debt so as to create conditions for the normal functioning of the enterprise, maximize profits and eliminate the risk of bankruptcy. (Broilo, 2012).

Internal financial analysis identifies the main causes of changes in the financial condition of the company and finds ways to overcome the negative factors. It should be noted that, despite the need for permanent monitoring of the financial status of domestic enterprises, the main limitations of this process is the complexity and much time. (Vypritskaya, 2015)

External financial analysis is based on data from only the financial statements, which contains very limited information on the activities of the company and does not allow to reveal all the secrets of success of the company. It is held by interested counterparties, owners or public authorities that do not have access to internal information-based businesses. (Broilo, 2012).

Features of external financial analysis are the multiplicity of subjects of analysis, users of information about the activities of the organization; a variety of objectives and interests of the subjects of analysis; availability of standard techniques, accounting and reporting standards. Focusing only on the analysis of public, external reporting enterprise, limited tasks of the analyst, maximum transparency of the analysis to the user information on the activities of the enterprise (Kovalev, 2010)

The main content of the external financial analysis carried out according to public financial data, is to analyze the absolute factors of earnings, relative profitability, financial condition and market stability, solvency and liquidity of balance sheet, efficient use of

borrowed capital, turnover of working capital, economic diagnostics of the financial condition and rating companies. (Broilo, 2012)

Kovalev in his educational literature under the external financial analysis often understands analysis of financial statements, since this resource is the only systematic, regularly appearing in public source of information about the company. (Kovalev, 2010)

3.1.3. Essentials of technical analysis

By definition of Belova and Okorokov the technical analysis as a set of methods of financial analysis based on the study of the dynamics of changing market conditions in previous times. The basic assumption of the theory of technical analysis is by examining the behavior of the individual parameters, as well as the relationship between the various states of the markets in the last intervals, you can draw some conclusions about the behavior of these parameters in the future. (Belova, Okorkov, 2006)

«Dow Theory» - a theory describing the behavior of stock prices over time. There are six basic tenets of Dow theory:

1. The indices take into account all.

Any factor that can affect the price change will be reflected in the dynamics of the index. (Robert Rhea, 1993)

2. On the market, there are three types of trends.

Defining trend given by Dow, is as follows: when the upward (downward) trend, each subsequent peak and each drop should be above (below) the previous one.

According to Dow theory, there are three types of trends: primary (or long), secondary (or intermediate) and small (or short). (Robert Rhea, 1993)

3. The primary trend has three phases.

Accumulation phase - when the most far-sighted and informed investors start to buy. The second phase is public participation, in the game included those who use technical methods of following trends. The third phase is implementation, the action takes the general public and the market begins to stir. (Robert Rhea, 1993)

4. Indexes must confirm each other.

Charles Dow has considered industrial and railway indexes. The signal from a technical indicator has to be confirmed by the testimony of other technical indicators. (Robert Rhea, 1993)

5. The volume of trade should confirm the trend

Trading volume should rise when prices move in the direction of the main trend. (Robert Rhea, 1993)

6. The trend exists as long as there are no clear signals that trend ended.

This statement should be understood as follows: the market tends to continue the changes in prices that does not meet the trend, which in the case of uncertainty, should be interpreted as a time adjustment and not as a change of trend. (Robert Rhea, 1993)

3.2. Methods of financial analysis

3.2.1. Horizontal analysis (trend/time analysis)

By definition of Brovina in 2008 horizontal analysis allows a comparison of the financial statements in time: to the beginning of the year or the preceding period. (Brovina, 2008)

Horizontal analysis is to compare the company's financial data for the past two periods (years) in relative and absolute form, in order to make a concise conclusions. Analysis technology is quite simple: the second and third columns contain data based on the main balance sheet at the beginning and end of the year. Then, in the fourth column, the absolute deviation of each balance sheet. The last column is determined by the relative change in percent of each article. (Savchuk, 2006)

Figure 1. Example of Horizontal analysis of Income Statement

DELL INC.
Comparative Income Statements

As of February 2

Base year 2011

| | 2011 | | 2012 | | 2013 | |
|-------------------------------|---------------|------|---------------|------|---------------|------|
| Revenue | 61,494 | 100% | 62,071 | 101% | 56,940 | 93% |
| Cost of goods sold | <u>50,098</u> | 100% | <u>48,260</u> | 96% | <u>44,754</u> | 89% |
| Gross profit | 11,396 | 100% | 13,811 | 121% | 12,186 | 107% |
| Operating expenses | <u>7,963</u> | 100% | <u>9,380</u> | 118% | <u>9,174</u> | 115% |
| Operating income | 3,433 | 100% | 4,431 | 129% | 3,012 | 88% |
| Interest expenses | <u>(83)</u> | 100% | <u>(191)</u> | 230% | <u>(171)</u> | 206% |
| Income before income taxes | 3,350 | 100% | 4,240 | 127% | 2,841 | 85% |
| Income tax provision | <u>715</u> | 100% | <u>748</u> | 105% | <u>469</u> | 66% |
| Net income | 2,635 | 100% | 3,492 | 133% | 2,372 | 90% |

Source: valueinvestingbasics.com (2013)

3.2.2. Vertical analysis (structural analysis)

Vertical analysis involves the study of correlation of sections and balance sheet items, ie, their structure. Vertical analysis performed by using the analytical tables and involves the study of changes in the specific weights of the articles of assets and liabilities in order to forecast changes in their structure. (Lovashin, 2005)

Figure 2. Example of Vertical Analysis Of Balance Sheet

| | 2008 | | 2007 | |
|---|------------------|---------------|------------------|---------------|
| | Amount (\$) | Percent | Amount (\$) | Percent |
| Assets: | | | | |
| Current assets | 550,000 | 48.3% | 533,000 | 43.3% |
| Long-term investments | 95,000 | 8.3% | 177,500 | 14.4% |
| Plant assets (net) | 444,500 | 39.0% | 470,000 | 38.2% |
| Intangible assets | 50,000 | 4.4% | 50,000 | 4.1% |
| Total assets | 1,139,500 | 100.0% | 1,230,500 | 100.0% |
| Liabilities: | | | | |
| Current liabilities | 210,000 | 18.4% | 243,000 | 19.7% |
| Long-term liabilities | 100,000 | 8.8% | 200,000 | 16.3% |
| Total liabilities | 310,000 | 27.2% | 443,000 | 36.0% |
| Stockholders' equity: | | | | |
| Preferred 6% stock | 150,000 | 13.2% | 150,000 | 12.2% |
| Common stock | 500,000 | 43.9% | 500,000 | 40.6% |
| Retained earnings | 179,500 | 15.7% | 173,500 | 11.2% |
| Total stock holders' equity | 829,500 | 72.8% | 787,500 | 64.0% |
| Total liabilities and stockholders' equity | 1,139,500 | 100.0% | 1,230,500 | 100.0% |

Source: accountingformanagement.org (2014)

Soboleva and Sobolev determine the vertical analysis like an analysis that provides insight into the structure of the enterprise funds and their sources, expressed not in absolute terms and as a fraction or percentage. The unit, or 100% is adopted balance sheet, and each

absolute measure is calculated either as a fraction or as a percentage of the final balance indicator. (Soboleva, Sobolev, 1999)

Vertical analysis complements the horizontal analysis. Vertical analysis, as well as horizontal widely used during inter-farm comparisons. (Lovashin, 2005)

Sobolev and Sobolev recommend the following structure for the vertical analysis:

Assets (Fixed assets + Current assets) and Liabilities (Capital and reserves + Long-term liabilities + Current liabilities).

3.2.3. Analysis of financial ratios

Financial ratios is relative indicators allowing to analyze the financial condition of the enterprise from different points of view. This is a simple tool that allows you to focus on the most important areas of activity of the enterprise and to compare the results of different companies. (Levchaev, 2010)

According to Levchaev the set of parameters involved in the analysis can reach a larger number, so it is advisable to select those which do not contradict each other, do not duplicate the analyzed aspects. So the main ratios are:

1. Liquidity ratios

It measures a company's ability to perform on time their short-term financial obligations. (Zalutskaya, 2008)

2. Profitability Ratios

Profitability indicators are designed to assess the overall effectiveness of investing in enterprise. They are widely used to assess the financial - economic activity of enterprises of all industries. This is one of the most important indicators in assessing the activities of the enterprise that reflect the profitability of the enterprise. (Neil Kokemuller, 2013)

3. Asset management ratios

Used to analyze how well the company manages its assets if the total amount of assets in the balance sheet of the company is sufficient, large or small in relation to current or projected sales volumes. (Brigham, 2015)

1. Debt ratios

It is a financial measure, is calculated as the ratio of turnover to the average value of the receivables. (Soboleva, Sobolev, 1999)

2. Market value ratios

Market activity is analyzed on the basis of the valuation of the company's shares. The ordinary share has a nominal, emission, carrying, market and real (recalculated taking into account the time value of money) cost. For effective functioning of the value should increase from nominal to real. (Kokin, 2006)

3. Efficiency ratios

Production efficiency is one of the key categories of market economy which is directly linked to the achievement of the ultimate goal of social production as a whole and each company individually. In the most common form, an economic efficiency of production represents the proportion of two values - the results of operations and production costs. The essence of the problem of increasing production efficiency is to increase the economic benefits per unit of cost in the process of using available resources. (Safronova, 2000)

3.3. Wholesale

3.3.1. The definition of wholesale trade and its functions

In his book Basovskiy defines a wholesale like any activity for the sale of goods or services to those who buy them for resale or professional use. (Basovskiy, 2002)

Sales of goods to distributors, not to the final consumers. Wholesalers usually deal with larger volumes of goods than retail: they split large batches on small and sold in smaller quantities than got from producers. (Osadchaya, 2000)

Wholesalers different from retailers on a number of characteristics. Firstly, the wholesaler pays less attention to sales promotion, atmosphere and location of its commercial enterprise, as it deals mainly with professional clients. Secondly, in terms of volume the wholesale transactions are larger than retail and shopping area of wholesaler is usually larger than the retailer's. Thirdly, there are different positions of government (legal provisions and taxes) in regard to wholesalers and retailers. (Basovskiy, 2002)

Some functions of wholesale identified by Henry J. Krier.

1. Purchase of goods. The wholesaler buys goods in large quantities, thereby eliminating the inconveniences that arise from the territorial dispersion of enterprises which produce a particular product. In doing so, wholesaler, on the one hand, helps manufacturers to regulate the marketing of products, by immediately paying the cost of the goods, on the other - provides an important service to retailers sparing them from certain difficulties associated with the creation of inventory. (H. Krier, 1993)
2. Storage of goods. Wholesaler purchases goods in large quantities, splits it to smaller parties and sells to retailers as the product will be sold out. For this reason, it is necessary for wholesalers to create a large inventory. The warehousing of goods is one of the most characteristic aspects of the activity of wholesalers. (H. Krier, 1993)
3. Sales of goods. The wholesaler is obliged to deliver goods to retailers in the form that meets their needs. This means that wholesaler must transform big parties of goods to less parties, to form a range of products and to ensure the delivery of products. (H. Krier, 1993)

Basovskiy describes some other functions of wholesaling such as transportation. The wholesaler provides a more rapid delivery of goods, since it is located closer to customers than the manufacturer. Basovskiy writes about financing. Wholesalers finance their customers by providing trade credit to them, and finance and suppliers by giving out orders in advance and by paying bills on time. (Basovskiy, 2002)

At the same time wholesalers provide their suppliers and customers with information about the activities of competitors, new products, price movement (Osadchaya, 2000)

3.3.2. Wholesale in the world and in Russian Federation

There are several factors that contribute to strengthening the role of the wholesale trade and ensure the effectiveness of its basic functions Henry J. Krier says. Also in his book he

writes that first of all, it should be noted an increase in trade in the world, which is accompanied by an increase in the per capita income. (Henry J. Krier, 1993)

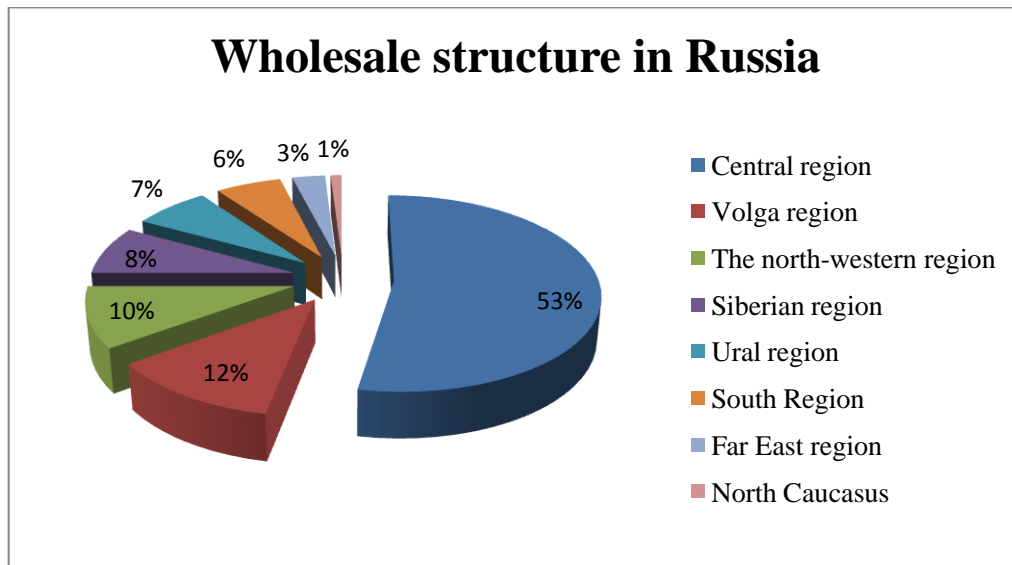
According to Yedemskaya and Panov comparison of quantitative parameters of the Russian wholesale development with those countries which are leading in world market indicates that Russian trading system does not meet the requirements of market development. If in Russia at the beginning of the 90s, on average, based on the region (region, territory, autonomy) there was 20-25 wholesale structures, in the United States more than 8 thousand per one state, in France more than 10 thousands per one department, in the Federal Republic of Germany about 10 thousand per land. (Yedemskaya, Panov, 2000)

At the present stage in the Russian economy, wholesale trade is essential. It makes our wholesale manufacturers to raise the quality of domestic goods to win a lasting place in both domestic and foreign markets. At this stage, government regulation of the wholesale trade sector is virtually absent, the market represented a large number of companies, none of which is not clear leader. (Bragina, Danko, 1996)

A specific feature of the Russian wholesale business is very weak its development in the regions. The development of wholesale trade - is the inevitable consequence, and, at the same time, the one of the main indicators of market maturity. The increasing complexity of trade business, improvement quality of service leads to the need to reduce all non-core activities. Gradually and inevitably direct connection layer displaced by the development of mediation in wholesale trade enterprises, who take on the role of a link between the manufacturer of the final product and retailer. Therefore, wholesale trade is developing in close connection with retail. (Karacharovsky, 2001)

Developing trade service process and increasing the quality of the offered goods, trade not only helps to meet the demand, but also its development. Terms and conditions of functioning and development of wholesale enterprises in Russia's regions are different. This is reflected in the number of wholesale entities located in a particular federal district. In the Central Federal District is located 53% of all subjects of Russian wholesale. (Pyhanov, 2008)

Figure 3. Wholesale structure in Russia



Source: Own figure based on data from utmagazine.ru. (2015)

According to book of Pyhanov Russian trade is experiencing today a period of painful but necessary changes. In recent years the industry greatly decreased the rate of profit. Wholesalers fully have experienced increased pressure on the part of retailers and producers at the same time. (Pyhanov, 2008)

Insufficient development of wholesale trade significantly reduces the efficiency of the Russian market. In particular, this deficiency significantly reduces the competitiveness of domestic manufacturers compared to foreign. (Pyhanov, 2008)

Another negative factor of wrong organized product distribution process is the limited and untimely receipt of information about the market. As a result, Russian producers are late to respond to changes in the external environment. As a result, the formation of excess reserves, formed due to the slow reaction can cause serious financial problems not only at the stage of development of production, but also in general for its further functioning. (Afanasyeva, Lyaydig, Bagiev, 2006)

In recent years there have been significant changes in the structure of the wholesale market. So, share of former state-owned wholesale and intermediary organizations has

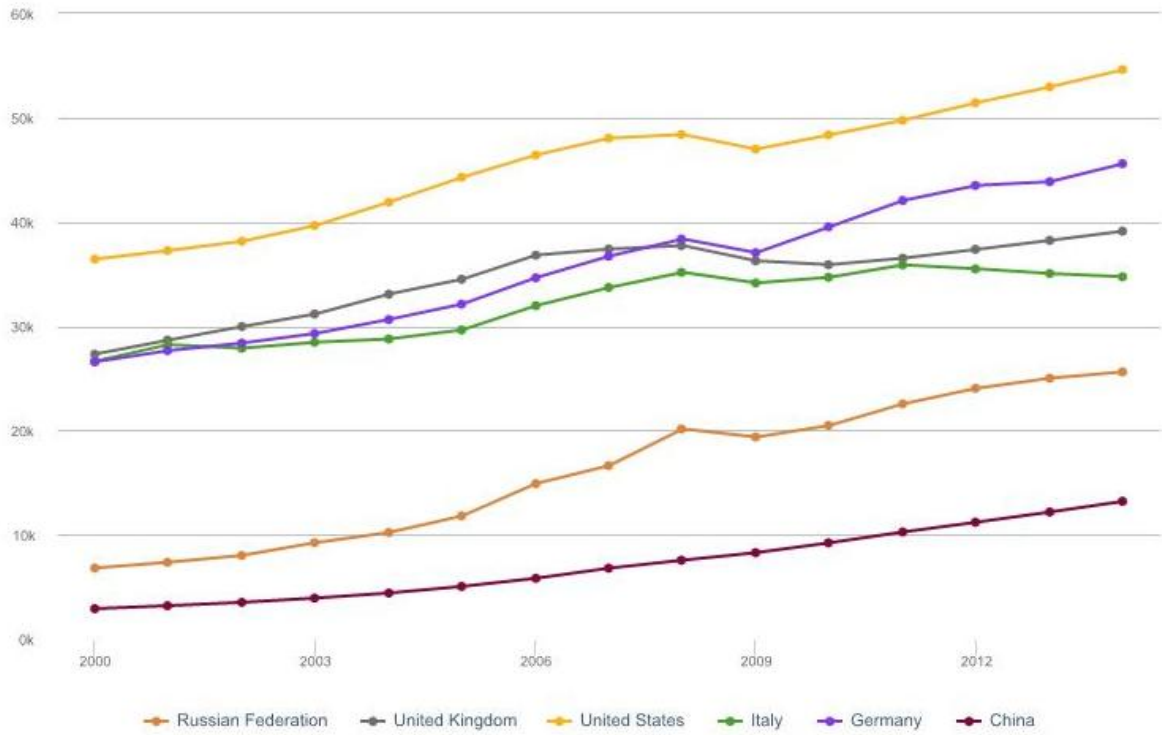
declined substantially and continues to; at the same time significantly increased the proportion of new intermediaries. (Bragina, Danko, 1996)

The biggest advantage in the era of free trade development was in the cities which have the infrastructure for access to foreign markets. Saint Petersburg - the sea port and the first city-millionaire before the Finnish border. Vladivostok is a seaport. Rostov-on-Don, Krasnodar, Novorossiysk have access to the Black Sea. Moscow - "Seven Seas port", although there is no access to sea anywhere but the habit of shipping all over there and then distribute throughout the country remained from Soviet Union times, plus international airports and «Aeroflot». (Karacharovsky, 2001)

Currently, the Russian sector of the wholesale as well as retail is at the growth stage. It is expected that with the development of the retail sector and industry, retail and manufacturing companies will develop their own units engaged in distribution. At the same time the companies of wholesale sector will be either integrated into the retail companies or will focus on logistics services, on working with small companies (manufacturing and retail), with a niche range or with remote areas. (Raitsky, Grebnev, 1999)

Thus, an independent wholesale companies does not mean a relic of the past - they remain an essential and dynamic element of the trade system in Russia and around the world. However, partly the survival of wholesale exists due to its output beyond the inherent features and to the introduction in a retail trade. An example of the company "Promodes" is an illustration of the rapid development of wholesale trade; it is a company that emerged in 1961 through the merger of a number of wholesale companies, ranked second among companies doing trade in food products in France. "Promodes" is a real constellation of branches and various commercial enterprises; half of the total sales made in the form of wholesale trade, and the other half - in the form of retail trade like branches of the system, hypermarkets, etc. (H. Krier, 1993)

Figure 4. Wholesale in Russia in comparison with the other countries



Source: data from official website «investment-in-russia.com» (2015)

4. Practical part

The following chapter describes a practical part of the research. Author investigated the company's financial indexes using the main methods of financial analysis. The company which will be described is the medium-sized limited liability wholesale company «Threeka» (LLC) in Russia specializing in women's clothing.

4.1. Horizontal analysis of selected company

For the horizontal analysis of company is taken data from the end of 2014 and 2015 years. The changes in rubles and percentage are computed by formulas:

1. *Amount change* = *Amount of the item in comparable year* – *Amount of the item in basic year*

2. *Percentage change* = $\frac{\textit{Amount change}}{\textit{Amount of the item in basic year}} \times 100$

This express-analysis which you can see in Table No.1 and Table No.2 some main points of financial indicators of the company.

As shown in tables the total assets of firm increased by 17,4% and net sales increased by 29,7%. A quite large percent of sales increasing is supported by lower rate of growth of assets. Increasing of inventories by 20,6% is smaller than sales. These results represent positive specifics in company's productivity. Furthermore, increasing in sales accompanied by increasing of debtors only by 18,5%. So it is clear that sales growth not connected with relaxation in credit policy.

The income statement shows that increasing of gross profit by 38,9% are outrunning the growth of sales. According to this it can be said that company did a higher mark-up rate in the latest year. However net income increased only by 21,8%, therefore probably expenses were growing disproportionately. In fact selling expenses and administrative expenses increased by 44,7% and 52,3% respectively.

Table 1. Horizontal analysis of Balance Sheet of "Threeka"

| | 2015 (RUB) | 2014 (RUB) | Variance | |
|-------------------------------------|---------------|---------------|--------------|-------------|
| | | | Amount | Percent (%) |
| Assets | | | | |
| Fixed assets | 46800 | 41600 | 5200 | 12,5 |
| Equipment | 45000 | 40000 | 5000 | 12,5 |
| Investment | 1800 | 1600 | 200 | 12,5 |
| | | | | |
| Current assets | 145500 | 122200 | 23300 | 19,1 |
| Inventories | 76000 | 63000 | 13000 | 20,6 |
| Bank account | 900 | 600 | 300 | 50,0 |
| Marketable securities | 1500 | 2400 | -900 | -37,5 |
| Debtors | 61600 | 52000 | 9600 | 18,5 |
| Cash | 5500 | 4200 | 1300 | 31,0 |
| | | | | |
| Total assets | 192300 | 163800 | 28500 | 17,4 |
| | | | | |
| Equity | | | | |
| Registered capital | 20000 | 14000 | 6000 | 42,9 |
| Loss from previous years | 7500 | 5500 | 2000 | 36,4 |
| Retained earnings | 74100 | 61900 | 12200 | 19,7 |
| Reserve fund | 8000 | 8000 | - | - |
| | | | | |
| Total equity | 109600 | 89400 | 20200 | 22,6 |
| | | | | |
| Liabilities | | | | |
| Bank loan | 57700 | 54400 | 3300 | 6,1 |
| Trade payables | 25000 | 20000 | 5000 | 25,0 |
| | | | | |
| Total liabilities | 82700 | 74400 | 8300 | 11,2 |
| | | | | |
| Total equity and liabilities | 192300 | 163800 | 28500 | 17,4 |

Source: the table made by the author of the thesis based on the company`s Balance Sheet

Through this analysis of comparative financial statement can be concluded that indicators of the latest year of observable company are favorable.

Table 2. Horizontal analysis of Income Statement of "Threeka"

| | 2015 (RUB) | 2014 (RUB) | Variance | |
|-------------------------|------------|------------|----------|-------------|
| | | | Amount | Percent (%) |
| Net sales | 415000 | 320000 | 95000 | 29,7 |
| Cost of goods sold | 290000 | 230000 | 60000 | 26,1 |
| Gross profit | 125000 | 90000 | 35000 | 38,9 |
| | | | | |
| Selling expenses | 39500 | 27300 | 12200 | 44,7 |
| Administrative expenses | 49640 | 32600 | 17040 | 52,3 |
| Total | 89140 | 59900 | 29240 | 48,8 |
| | | | | |
| Operating income | 35860 | 30100 | 5760 | 19,1 |
| Other expenses | 3000 | 2400 | 600 | 25,0 |
| | | | | |
| Income before tax | 32860 | 27700 | 5160 | 18,6 |
| Income tax | 14100 | 12300 | 1800 | 14,6 |
| | | | | |
| Net income | 18760 | 15400 | 3360 | 21,8 |

Source: the table made by the author of the thesis based on the company's Income Statement

The foregoing analysis has revealed that an operational expenses particularly administrative expense has increased with a high speed. Many selling expenses as salaries, commissions and advertising should rise with sales but administrative expenses should not to. So, the owners of company should focus on this problem to investigate the reasons for the large increase in the latter expense.

A specification of change of amounts in both - the structure and rates of growth - can be possible for each article of submitted forms but it is not included in the express-analysis.

4.2. Vertical analysis of selected company

With data from previous table it is possible to make a table for vertical analysis of observed company. It helps to keep track of other financial aspects by following formula:

$$\text{Percentage of base} = \frac{\text{Amount of individual item}}{\text{Amount of base}} \times 100$$

By using this formula coefficients can be calculated in Table No. 3

According to following table No. 3:

1. The share of fixed assets tends to decrease although the expenses on equipment and investment are increased;
2. The company's share of current assets is more than half of the company's assets and does not tolerate particular changes between years;
3. The equity capital of the company is a little more than 50% of the total amount of its liabilities (each observed year), which indicates the average level of riskiness of the company to go bankrupt.
4. The share of the company's liabilities decreased in comparison with the first year, although amount of total liabilities increased.

At the same time it is also required to carry out a vertical analysis of Income Statements. Put the same data and year in the Table No. 4.

Based on these calculations it can determine that:

1. The share of expenses of the company in 2015 slightly increased compared to 2014. (Selling expenses by 1% and administrative by 2%)
2. These changes are the reason that the share of the operating income decreased from 9.4% to 8.6%. This undoubtedly shows a decline in the operating efficiency of the company.
3. The final result of changes in the cost structure of the company is reducing of the share of net profit in revenue.

Refer to Table No. 3 and Table No. 4 on the next two pages.

Table 3. Vertical analysis of Balance Sheet of company

| | 2015 | | 2014 | |
|------------------------------|--------------|-------------|--------------|-------------|
| | Amount (RUB) | Percent (%) | Amount (RUB) | Percent (%) |
| Assets | | | | |
| Fixed assets | 46800 | 24,3 | 41600 | 25,4 |
| Equipment | 45000 | 23,4 | 40000 | 24,4 |
| Investment | 1800 | 0,9 | 1600 | 1,0 |
| | | | | |
| Current assets | 145500 | 75,7 | 122200 | 74,6 |
| Inventories | 76000 | 39,5 | 63000 | 38,5 |
| Bank account | 900 | 0,5 | 600 | 0,4 |
| Marketable securities | 1500 | 0,8 | 2400 | 1,5 |
| Debtors | 61600 | 32,0 | 52000 | 31,7 |
| Cash | 5500 | 2,9 | 4200 | 2,6 |
| | | | | |
| Total assets | 192300 | 100 | 163800 | 100 |
| | | | | |
| Equity | | | | |
| Registered capital | 20000 | 10,4 | 14000 | 8,5 |
| Loss from previous years | 7500 | 3,9 | 5500 | 3,4 |
| Retained earnings | 74100 | 38,5 | 61900 | 37,8 |
| Reserve fund | 8000 | 4,2 | 8000 | 4,9 |
| | | | | |
| Total equity | 109600 | 57,0 | 89400 | 54,6 |
| | | | | |
| Liabilities | | | | |
| Bank loan | 57700 | 30,0 | 54400 | 33,2 |
| Trade payables | 25000 | 13,0 | 20000 | 12,2 |
| | | | | |
| Total liabilities | 82700 | 43,0 | 74400 | 45,4 |
| | | | | |
| Total equity and liabilities | 192300 | 100 | 163800 | 100 |

Source: the table made by the author of the thesis based on the company's Balance Sheet

Generally vertical analysis has shown satisfactory data for the company. One should pay attention to the points mentioned above.

Table 4. Vertical analysis of the Income Statement of the company

| | 2015 | | 2014 | |
|-------------------------|--------------|-------------|--------------|-------------|
| | Amount (RUB) | Percent (%) | Amount (RUB) | Percent (%) |
| Net sales | 415000 | 100 | 320000 | 100 |
| Cost of goods sold | 290000 | 69,9 | 230000 | 71,9 |
| Gross profit | 125000 | 30,1 | 90000 | 28,1 |
| | | | | |
| Selling expenses | 39500 | 9,5 | 27300 | 8,5 |
| Administrative expenses | 49640 | 12,0 | 32600 | 10,2 |
| Total | 89140 | 21,5 | 59900 | 18,7 |
| | | | | |
| Operating income | 35860 | 8,6 | 30100 | 9,4 |
| Other expenses | 3000 | 0,7 | 2400 | 0,8 |
| | | | | |
| Income before tax | 32860 | 7,9 | 27700 | 8,7 |
| Income tax | 14100 | 3,4 | 12300 | 3,8 |
| | | | | |
| Net income | 18760 | 4,5 | 15400 | 4,8 |

Source: the table made by the author of the thesis based on the company's Income Statement

4.3. Analysis of company's financial ratios

4.3.1. Liquidity ratios

In this chapter will be calculated three basic indicators of liquidity of studied company in 2015.

The first one is Current Ratio. It can be calculated through the following formula:

$$\text{Current Ratio} = \frac{\text{Current assets (minus long-term debtors)}}{\text{Current liabilities (short-term)}}$$

As shown in the following table current assets of our firm in 2015 are equal to 145500 (total) but it necessary to deduct 61600 (debtors) and it is equal to 83900. Current liabilities are equal to 25000 (trade payables).

Table 5. Calculation of Current Ratio of "Threeka" in 2015

| | 2015 (RUB) |
|-----------------------|-------------------|
| Assets | |
| Fixed assets | 46800 |
| Equipment | 45000 |
| Investment | 1800 |
| | |
| Current assets | 145500 |
| Inventories | 76000 |
| Bank account | 900 |
| Marketable securities | 1500 |
| Debtors | 61600 |
| Cash | 5500 |
| | |
| Total assests | 192300 |
| | |
| | |
| Liabilities | |
| Bank loan | 57700 |
| Trade payables | 25000 |
| | |
| Total liabilities | 82700 |
| | |

Source: the table made by the author of the thesis based on the company's data

$$\text{Current Ratio} = \frac{83900}{25000} \approx 3$$

According to this data Current Ratio of our company is equal to 3. Often factor with a value of 3 indicates that in the company an irrationally structure of capital takes place. That, for sure, is not a good point for financial position of company.

The second one main ratio is Quick Ratio.

Factor shows how quickly a company can pay its current liabilities by current assets. This is one of the most important ratios. Means for repayment of liabilities may be bank

accounts, short-term securities, as well as income from accounts receivable. The higher the score, the better the company's solvency. (Afdanalyse.ru, 2016)

Quick Ratio can be calculated by formulas:

$$\text{Quick Ratio} = \frac{\text{Cash} + \text{cash equivalent} + \text{short-term investments} + \text{accounts receivable}}{\text{Current liabilities}}$$

or

$$\text{Quick Ratio} = \frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}}$$

Table 6. Calculation of Quick Ratio of "Threeka" in 2015

| | 2015 (RUB) |
|-----------------------|-------------------|
| Assets | |
| Fixed assets | 46800 |
| Equipment | 45000 |
| Investment | 1800 |
| | |
| Current assets | 145500 |
| Inventories | 76000 |
| Bank account | 900 |
| Marketable securities | 1500 |
| Debtors | 61600 |
| Cash | 5500 |
| | |
| Total assets | 192300 |
| | |
| Liabilities | |
| Bank loan | 57700 |
| Trade payables | 25000 |
| | |
| Total liabilities | 82700 |

Source: the table made by the author of the thesis based on the company's data

Thus the Quick Ratio of the company is 2,78.

The last point of the three main liquidity ratios is Cash Ratio. Coefficient shows the proportion of short-term liabilities (debts), which can be covered by cash or cash equivalents marketable securities and deposits. (Afdanalyse.ru, 2016)

Formula for this ratio:

$$\text{Cash Ratio} = \frac{\text{Cash} + \text{Cash Equivalents}}{\text{Total Current Liabilities}}$$

$$\text{Cash Ratio} = \frac{5500 + 1500}{25000} = 0,28$$

Table 7. Calculation of Cash ratio of "Threeka" in 2015

| | 2015 (RUB) |
|-----------------------|------------|
| Assets | |
| Fixed assets | 46800 |
| Equipment | 45000 |
| Investment | 1800 |
| | |
| Current assets | 145500 |
| Inventories | 76000 |
| Bank account | 900 |
| Marketable securities | 1500 |
| Debtors | 61600 |
| Cash | 5500 |
| | |
| Total assets | 192300 |
| | |
| Liabilities | |
| Bank loan | 57700 |
| Trade payables | 25000 |
| | |
| Total liabilities | 82700 |
| | |

Source: the table made by the author of the thesis based on the company's data

The normal value of the coefficient is greater than 0.2. Thus, the observed company has a great indicators on this step.

4.3.2. Profitability ratios

The coefficients of profitability study the income statement of companies to calculate ability of company to get profit from their actions (operations). (My Accounting Course, 2016)

Gross Profit Margin. It indicates how good a company sets its prices and controls its costs.

$$GPM = \frac{\text{Sales} - \text{Cost of goods sold}}{\text{Sales}}$$

Table 8. Calculation of Gross Profit Margin of the company

| | 2015 (RUB) |
|-------------------------|-------------------|
| Net sales | 415000 |
| Cost of goods sold | 290000 |
| Gross profit | 125000 |
| | |
| Selling expenses | 39500 |
| Administrative expenses | 49640 |
| Total | 89140 |
| | |
| Operating income | 35860 |
| Other expenses | 3000 |
| | |
| Income before tax | 32860 |
| Income tax | 14100 |
| | |
| | |
| Net income | 18760 |

Source: the table made by the author of the thesis based on the company's data

To calculate Gross Profit Margin of observed company in 2015:

$$GPM = \frac{415000 - 290000}{415000} = 0,3$$

As you can see company has ratio of 30 percent. It means when firm pay their inventory costs it still has 30 percent to cover other costs.

The Profit Margin Ratio (also called the Return on Sales Ratio) is the coefficient that measures the amount of net income earned from each sales unit. (Study.com, 2016)

Table 9. Calculation of Profit Margin Ratio of the company in 2014 and 2015 years

| | 2015 (RUB) | 2014 (RUB) |
|-------------------------|-----------------------|-----------------------|
| Net sales | 415000 | 320000 |
| Cost of goods sold | 290000 | 230000 |
| Gross profit | 125000 | 90000 |
| | | |
| Selling expenses | 39500 | 27300 |
| Administrative expenses | 49640 | 32600 |
| Total | 89140 | 59900 |
| | | |
| Operating income | 35860 | 30100 |
| Other expenses | 3000 | 2400 |
| | | |
| Income before tax | 32860 | 27700 |
| Income tax | 14100 | 12300 |
| | | |
| Net income | 18760 | 15400 |

Source: the table made by the author of the thesis based on the company's data

There is a formula to calculate Return On Sales in 2014 and 2015:

$$\text{For 2015: } ROS = \frac{\text{Net Income}}{\text{Net Sales}}$$

$$\text{For 2014: } ROS = \frac{15400}{320000} = 0,045 (4,5\%)$$

For 2015: $ROS = \frac{18760}{415000} = 0,048 (4,8\%)$

According to these calculation it is clear that this profitability ratio decreased by 0,03% from 2014 year. But it is still higher than 0 and it is a good index.

Also it is necessary to consider on Return on Assets Ratio or Return on Total Assets. It is a profitability ratio that measures the amount of profit the company achieved when use its assets. (Study.com, 2016)

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

Table 10. Calculation of Return on Assets of "Threeka" in 2014 and 2015 years

| | 2015 (RUB) | 2014 (RUB) | | 2015 (RUB) | 2014 (RUB) |
|-----------------------|-----------------------|-----------------------|-------------------|-----------------------|-----------------------|
| Assets | | | Income before tax | 32860 | 27700 |
| Fixed assets | 46800 | 41600 | Income tax | 14100 | 12300 |
| Equipment | 45000 | 40000 | | | |
| Investment | 1800 | 1600 | Net income | 18760 | 15400 |
| Current assets | 145500 | 122200 | | | |
| Inventories | 76000 | 63000 | | | |
| Debtors | 900 | 600 | | | |
| Marketable securities | 1500 | 2400 | | | |
| Bank account | 61600 | 52000 | | | |
| Cash | 5500 | 4200 | | | |
| Total assets | 192300 | 163800 | | | |

Source: the table made by the author of the thesis based on the company's data

Using to these tables the ROA for company can be calculated for 2014 and 2015 years.

1. $ROA (2014) = 15400/163800 = 0,09$
2. $ROA (2015) 18760/192300 = 0,1$

From these formulas we see that the indicators have changed slightly in 2015 (10%) compared to 2014 (9%). The higher indicator is always better so in 2015 the company started to use their assets more efficiently.

The return on equity ratio or ROE is an indicator which measures firm's ability to generate profit from its shareholders investments. This ratio shows the efficiency and profitability through own capital. (My Accounting Course, 2016)

The formula for ROE:

$$ROE = \frac{\text{Net Income}}{\text{Shareholder's Equity}} \times 100$$

Table 11. ROE of the company in 2014 and 2015 years

| | 2015 (RUB) | 2014 (RUB) | | 2015 (RUB) | 2014 (RUB) |
|-------------------|-----------------------|-----------------------|--------------------------|-----------------------|-----------------------|
| Income before tax | 32860 | 27700 | Equity | | |
| Income tax | 14100 | 12300 | Registered capital | 20000 | 14000 |
| | | | Loss from previous years | 7500 | 5500 |
| Net income | 18760 | 15400 | Retained earnings | 74100 | 61900 |
| | | | Reserve fund | 8000 | 8000 |
| | | | | | |
| | | | Total equity | 109600 | 89400 |

Source: the table made by the author of the thesis based on the company's data

$$ROE \text{ in 2014: } 15400/89400 \times 100 = 17,2$$

$$ROE \text{ in 2015: } 18760/109600 = 17,1$$

According to statistics, the average Return On Equity is about 10-12% (in the United States and the United Kingdom). For inflationary economies, such as Russia, the rate should be higher. (Audit-it.ru, 2016).

The result is more than 17 percent in both years. It is a good point for the company.

4.3.3. Debt ratios

Debt ratio is a ratio which measures the debt levels of business as a percentage from its total assets. (Audit-it.ru, 2016)

There is a formula for calculate exact indicators:

$$\text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Table 12. Calculation of Debt Ratios in 2014 and 2015 years

| | 2015 (RUB) | 2014 (RUB) |
|--------------------------|-----------------------|-----------------------|
| Assets | | |
| Fixed assets | 46800 | 41600 |
| Equipment | 45000 | 40000 |
| Investment | 1800 | 1600 |
| Current assets | 145500 | 122200 |
| Inventories | 76000 | 63000 |
| Bank account | 900 | 600 |
| Marketable securities | 1500 | 2400 |
| Debtors | 61600 | 52000 |
| Cash | 5500 | 4200 |
| Total assets | 192300 | 163800 |
| Liabilities | | |
| Bank loan | 57700 | 54400 |
| Trade payables | 25000 | 20000 |
| Total liabilities | 82700 | 74400 |

Source: the table made by the author of the thesis based on the company's data

Estimate of Debt ratios again for two years.

1. *Debt ratio in 2014:* **74400/163800 = 0,45 (4,5%)**
2. *Debt ratio in 2015:* **82700/192300 = 0,43 (4,3%)**

As calculations have shown the Debt Ratio is decreasing. It is definitely a benefit of the company.

4.3.4. Efficiency ratios

Receivable Turnover Ratio is the first of main coefficient. It shows how efficiently the company has organized work on the collection of payment for their products. The lower receivables turnover, the higher will be the company's need for working capital for the expansion of sales. (Zhdanov, 2015)

Table 13. Calculation of Receivable Turnover Ratio of company in 2015 and 2014 years

| | 2015 (RUB) | 2014 (RUB) | | 2015 (RUB) | 2014 (RUB) |
|-------------------------|---------------|---------------|-----------------------|---------------|---------------|
| Net sales | 415000 | 320000 | | | |
| Cost of goods sold | 290000 | 230000 | Assets | | |
| Gross profit | 125000 | 90000 | Fixed assets | 46800 | 41600 |
| | | | Equipment | 45000 | 40000 |
| Selling expenses | 39500 | 27300 | Investment | 1800 | 1600 |
| Administrative expenses | 49640 | 32600 | | | |
| Total | 89140 | 59900 | Current assets | 145500 | 122200 |
| | | | Inventories | 76000 | 63000 |
| Operating income | 35860 | 30100 | Bank account | 900 | 600 |
| Other expenses | 3000 | 2400 | Marketable securities | 1500 | 2400 |
| | | | Debtors | 61600 | 52000 |
| Income before tax | 32860 | 27700 | Cash | 5500 | 4200 |
| Income tax | 14100 | 12300 | | | |
| | | | Total assets | 192300 | 163800 |
| Net income | 18760 | 15400 | | | |

Source: the table made by the author of the thesis based on the company's data

Here is the formula to calculate Receivable Turnover:

$$\text{Receivable Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Accounts Receivable}}$$

According to data in Table No.13 Receivable Turnover Ratio for 2014: $320000/52000 = 6,2$

Receivable Turnover Ratio for 2014: $415000/61600 = 6,7$

As you can see, the turnover is almost the same in these two years – 6,2 and 6,7. This means that company gets debtors approximately 6,5 times in year or every 56 days. It means that company needs 56 days to receive cash from the credit sale.

The next one is Inventory Turnover.

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of good sold}}{\text{Average Inventory}}$$

Table 14. Calculation of Inventory Turnover Ratio and Total Asset Turnover Ratio of the company in 2014 and 2015

| | 2015 (RUB) | 2014 (RUB) | | | |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net sales | 415000 | 320000 | | 2015 (RUB) | 2014 (RUB) |
| Cost of goods sold | 290000 | 230000 | Assets | | |
| Gross profit | 125000 | 90000 | Fixed assets | 46800 | 41600 |
| | | | Equipment | 45000 | 40000 |
| Selling expenses | 39500 | 27300 | Investment | 1800 | 1600 |
| Administrative expenses | 49640 | 32600 | | | |
| Total | 89140 | 59900 | Current assets | 145500 | 122200 |
| | | | Inventories | 76000 | 63000 |
| Operating income | 35860 | 30100 | Bank account | 900 | 600 |
| Other expenses | 3000 | 2400 | Marketable securities | 1500 | 2400 |
| | | | Debtors | 61600 | 52000 |
| Income before tax | 32860 | 27700 | Cash | 5500 | 4200 |
| Income tax | 14100 | 12300 | | | |
| | | | Total assets | 192300 | 163800 |
| Net income | 18760 | 15400 | | | |

Source: the table made by the author of the thesis based on the company's data

$$1. \text{ ITR} = \frac{230000}{63000} = 3,6 \text{ (2014)}$$

$$2. \text{ ITR} = \frac{290000}{76000} = 3,7(2015)$$

Thus, the company has a good coefficient for this ratio. It means that products go from the warehouse fast and it is possible quickly buy a new, and thus make more profit.

Total Asset Turnover Ratio is another important ratio for any company. Formula to calculate it:

$$\text{TAT} = \frac{\text{Net Sales}}{\text{Total Assets}}$$

Of course the higher coefficient the better and again according to data from Table No.14 it is clear:

$$1. \text{ TAT}(2014) = \frac{320000}{163800} = 1,9$$

$$2. \text{ TAT}(2015) = \frac{415000}{192300} = 2,1$$

The company has increased the coefficient by 0,02 and the point is company has increased revenue that is attributable to one ruble by 0,02.

5. Conclusion and recommendations

The aim of this thesis is the financial analysis of the commercial enterprise LLC "Threeka". The initial data for the analysis: the balance sheet and the income statement. With the help of these data, reporting the forms in the computational part of this thesis, the following factors were derived: profitability ratio indicators of business activity and others.

On the basis of the calculations the conclusions about the financial condition of LLC "Threeka" were made.

In the reporting (2015) year the income from sales increased by 3360 rubles compared with 2014. Despite the fact that the expenses have increased, net costs of production and sales revenue affected on the income positively.

The return on sales in the reporting year was 4.5% which is 0.3% less than in the past.

The total amount of the company's assets for the year increased to 28500 rubles. The current assets are the largest part of the company's assets. The current assets increased by 19% and the fixed assets by 12%.

The total shareholders' equity increased by 22200 rubles during the year. The largest share of equity is the registered capital.

The analysis of the financial stability led to the following conclusions:

- the creditors have trust in the company and it indicates their confidence in sustainable business for the future development;
- the company is provided by sufficient working capital.

In the process of the analyses of of the enterprise business activity turnover ratios and margins have been calculated. They all have a positive characteristics and their relatively sufficient level.

Thus, the company is able to open the reserves to further increase profits, and hence the effectiveness of the growth:

- to rationalize the structure of the property;
- to carry out the valuation of the current assets to determine their minimum requirement;

- to speed up the turnover of capital by reducing excessive inventories and period of the accounts receivable collection;
- to organize effective advertising;
- to increase sales of the finished products.

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7. Appendices

Appendix 1:

There are Balance Sheets and Income Statements from 2014 and 2015 years were provided by owners of the company to author for making a research.

Balance Sheets:

| | 2014 year | | |
|-----------------------|---------------|--------------------------------|---------------|
| Assets | | Equity | |
| Fixed assets | 41600 | Registered capital | 14000 |
| Equipment | 40000 | Loss from previous years | 5500 |
| Investment | 1600 | Retained earnings | 61900 |
| | | Reserve fund | 8000 |
| Current assets | 122200 | Total equity | 89400 |
| Inventories | 63000 | Liabilities | |
| Bank account | 600 | Bank loan | 54400 |
| Marketable securities | 2400 | Trade payables | 20000 |
| Debtors | 52000 | | |
| Cash | 4200 | Total liabilities | 74400 |
| | | | |
| Total assets | 163800 | Total equities and liabilities | 163800 |

| | 2015 year | | |
|-----------------------|---------------|--------------------------------|---------------|
| Assets | | Equity | |
| Fixed assets | 46800 | Registered capital | 20000 |
| Equipment | 45000 | Loss from previous years | 7500 |
| Investment | 1800 | Retained earnings | 74100 |
| | | Reserve fund | 8000 |
| Current assets | 145500 | Total equity | 109600 |
| Inventories | 76000 | Liabilities | |
| Bank account | 900 | Bank loan | 57700 |
| Marketable securities | 1500 | Trade payables | 25000 |
| Debtors | 61600 | | |
| Cash | 5500 | Total liabilities | 82700 |
| | | | |
| Total assets | 192300 | Total equities and liabilities | 192300 |

Income Statements:

| | 2014 | | | 2015 |
|-------------------------|---------------|--|-------------------------|---------------|
| Sales | 320000 | | Sales | 415000 |
| Cost of goods sold | 230000 | | Cost of goods sold | 290000 |
| Gross profit | 90000 | | Gross profit | 125000 |
| Selling expenses | 27300 | | Selling expenses | 39500 |
| Administrative expenses | 32600 | | Administrative expenses | 49640 |
| Operating income | 30100 | | Operating income | 35860 |
| Other expenses | 2400 | | Other expenses | 3000 |
| Income before tax | 27700 | | Income before tax | 32860 |
| Income tax | 12300 | | Income tax | 14100 |
| Net income | 15400 | | Net income | 18760 |
| | | | | |

Appendix 2:

To better navigate in a foreign currency there is an official exchange rate from The Central Bank of the Russian Federation:

US Dollar \$ = 73.185 ₺

Euro € = 80.1161 ₺