

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

Financial analysis of Mercedes-Benz in Russia

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BACHELOR THESIS ASSIGNMENT

Nikita Vasin

Business Administration

Thesis title

Financial analysis of Mercedes-Benz in Russia

Objectives of thesis

The objective of paper is to perform financial analysis of Mercedes-Benz Company.

The tasks:

- To examine the goals and tasks of the analysis of company's financial condition.
- To learn the systems of indices for financial analysis.
- To consider the sources of information for financial analysis.
- To give an overview of Mercedes-Benz in Russia
- To conduct analysis of financial indices of Mercedes-Benz Company in Russia.

Methodology

The most important methodology, which are used during the economics analysis are:

- Horizontal analysis (also known as trend analysis) is a financial statement analysis technique that shows changes in the amounts of corresponding financial statement items over a period of time. It is a useful tool to evaluate the trend situations.
- Vertical analysis
- Ratio analysis
- Factor analysis
- Deductive method-The deductive method is also named as analytical, abstract or prior method. The deductive method consists in deriving conclusions from general truths, takes few general principles and applies them draw conclusions.
- Inductive method
- method of index numbers
- mean-value method

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Declaration

I declare that I have worked on my bachelor thesis titled "Financial analysis of Mercedes-Benz 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

Nikita Vasin

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I would like to thank a lot Ing. Petr Procházka, M.Sc., Ph.D my thesis super visor.
Thanks to my parents, who gave me an opportunity to study in Czech Republic, and a
friends of mine, who was supporting me through all this hard period

Finanční analýza Mercedes-Benz v Rusku

Souhrn:

Finanční analýza je proces výzkumu finanční situace a hlavních výsledků finanční činnosti společnosti k určení zásob k navýšení její tržní hodnoty a k zajištění jejího dalšího účinného rozvoje. Vyhodnocení poskytuje základ chápání skutečné pozice společnosti. Finanční analýza je postup studie a hodnocení společností v zájmu najít nejrozumnější rozhodnutí jak dle dalšího rozvoje společnosti, tak i dle porozumění jejího přítomného stavu.

Finanční situace společnosti je chápána jakožto její schopnost financovat její činnost. Je charakterizována dostupností nezbytných finančních prostředků k úspěšnému výkonu společnosti žádoucí na jejich dispozici, efektivním využití, finančním poměru s jinými právníckými osobami a jednotlivci, finanční solventnosti a finanční stálosti. Předmět tohoto papíru je vhodný jako hlavní cíl rozboru včasné identifikace a odstranění nevýhod finančních aktivit a zjištění zásob k vylepšení finančních podmínek společnosti a její finanční spolehlivosti.

Klíčová slova: AMG Rusko, motor Mercedes-Benz v Rusku, Mercedes-Benz, poptávka, nabídka.

Financial analysis of Mercedes-Benz in Russia

Summary

Financial analysis is a process of research of financial condition and main results of company's financial activity to identify the reserves to increase its market cost and provide its further effective development.

The results of financial analysis are the basis for managerial decision making, formulation of strategies towards further development of a company. That is why financial analysis is an integral part of financial management, the most important component.

Theoretical part consists of goals and tasks of analysis of Financial Standing of Company, system of Indices for Financial Analysis, Types and Forms of Financial Analysis. Sources of Information for Financial Analysis and General Characteristic of Holding Company Mercedes-Benz.

Practical part will contain peculiarities of Financial Analysis in Russia, analysis of Financial Indices of Mercedes-AMG, analysis of Company Assets, analysis of Balance Liquidity, assessment of Liquidity and Financial Soundness, analysis of Net Assets.

Keywords: Mercedes-Benz, Mercedes-Benz in Russia, AMG in Russia, Automobile, Automotive Industry, Supply, Demand, Financial analysis, car.

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1 Introduction

Financial analysis is a process of research of financial condition and main results of company's financial activity to identify the reserves to increase its market cost and provide its further effective development.

The results of financial analysis are the basis for managerial decision-making, formulation of strategies towards further development of a company. That is why financial analysis is an integral part of financial management, the most important component.

The analysis of financial condition of a company is one of key moments while it is evaluating as it provides a basis of understanding actual position of a company.¹

The financial analysis is a process of study and evaluation of a company in order to find the most reasonable decision as for its further development and understanding of its current state. The financial situation is understood as the ability of a company to finance its activity. It is characterized by availability of financial resources which are necessary for successful performance of a company, desirability of their disposition and use efficiency, financial relations with other legal entities and individuals, financial solvency and financial stability.

The data of financial analysis have a direct impact on the selection of evaluation procedure, prediction of company's incomes and expenditures, determination of discount rate, applied in discount cash flow approaches, size of multiplier which is used in comparative approach.²

The subject of this paper is appropriate as the main goal of analysis is timely identification and eliminating of drawbacks in financial activities and discovering reserves for improvement of financial condition and financial soundness of a company.

¹ Alekseeva A.I. Complex economic analysis of economic activity: textbook / A.I. Alekseeva, Yu.V. Vasiliev. — M.: Finances and Stylistics, 2016.

² Alekseeva A.I. Complex economic analysis of economic activity: textbook / A.I. Alekseeva, Yu.V. Vasiliev. — M.: Finances and Stylistics, 2016.

2 Objectives and Methodology

2.1 Objectives

The objective of paper is to perform financial analysis of Mercedes-Benz Company.

The tasks:

1. To examine the goals and tasks of the analysis of company's financial condition.
2. To learn the systems of indices for financial analysis.
3. To consider the sources of information for financial analysis.
4. To give an overview of Mercedes-Benz Company.
5. To conduct analysis of financial indices of Mercedes-Benz Company.

The object of study: Mercedes-Benz Company

The subject of study: the analysis of Company's financial state.

2.2 Methodology

The methods of analysis used in the paper: horizontal analysis, vertical analysis, ratio analysis, factorial analysis. The most important methodology, which are used during the economics analysis are:

-Horizontal analysis (also known as trend analysis) is a financial statement analysis technique that shows changes in the amounts of corresponding financial statement items over a period of time. It is a useful tool to evaluate the trend situations.

-Vertical analysis

-Ratio analysis

-Factor analysis

-Deductive method-The deductive method is also named as analytical, abstract or prior method. The deductive method consists in deriving conclusions from general truths, takes few general principles and applies them draw conclusions.

-Inductive method

-method of index numbers

-mean-value method

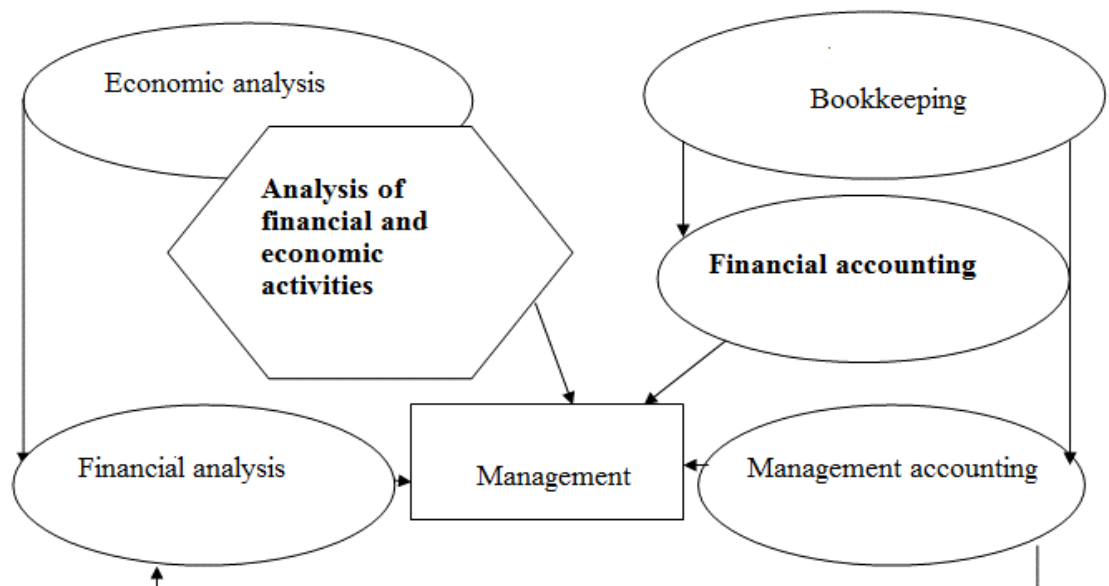
3 Theoretical review

3.1 Goals and tasks of analysis of Financial Standing of Company

Financial analysis is an assessment of main indicators, parameters, coefficients and multipliers providing an objective estimation of financial standing of organisations and value of companies' shares for the purpose of making decisions on allocation of capital.³

Financial analysis is a part of economic analysis.

Figure 1 Financial analysis as a part of economic analysis



The goal of financial analysis is the characteristics of financial standing of an enterprise, company, organization.

The tasks of financial analysis:

Analysis of assets (property).

Analysis of sources of financing.

Analysis of financial solvency (liquidity position).

Analysis of financial soundness.

Analysis of financial results and profitability index.

Analysis of economic activity (turnaround).

³ Analysis and diagnostics of financial and economic activities of a company: textbook / Edited by P.P. Taburchak, V.M. Gumin, M.S. Saprykin. — Rostov-on-Don: Fenix, 2015.

Analysis of flow of money.

Analysis of investments and capital investments.

Analysis of market value.

Analysis of probability of bankruptcy.

Integrated assessment of financial standing.

Making of financial forecast.

Making of conclusions and recommendations.

Financial analysis can be divided into the following types.⁴

According to clients:

- internal financial control — financial analysis performed by company's employees;
- External financial analysis — financial analysis performed by persons who do not work at a company.

According to goals of analysis:

- retrospective analysis — analysis of last financial information;
- perspective analysis — analysis of financial plans and prognosis

According to specification:

- express-analysis — analysis which is based on main financial indicators;
- Detailed financial analysis — analysis which is based on all the indices, provides the full characteristics of a company.

According to implementation:

- analysis of financial reporting — analysis which is based on financial statements;
- investment analysis — analysis of investments and capital investments;
- technical analysis — analysis of price chart of financial credit documents of a company;
- Special analysis — special purpose analysis.

As a rule, the following methods are used in financial analysis:

- vertical analysis;

⁴ Analysis and diagnostics of financial and economic activities of a company: textbook / Edited by P.P. Taburchak, V.M. Gumin, M.S. Saprykin. — Rostov-on-Don: Fenix, 2015.

- horizontal analysis;
- ratio analysis;
- method of summary and grouping ;
- analysis and forecasting of trends;
- component analysis;
- method of balance equation;
- correlation analysis;
- Sensitivity analysis.

As the main sources of information for financial analysis the external data can be used:

- state of economy, financial sector, political and economic status;
- currency rates;
- rate of securities, profitability of financial credit documents;
- alternative profitability;
- Indicators of financial status of other companies.⁵

Besides, internal data, first of all, bookkeeping and management reporting are used.

The analysis of financial and economic activities of enterprise should include methods of induction and deduction. This means that, examining an individual parameter, the analysis should take into account general parameters. While studying the activities of production brigade and individual performers, indices of a production unit as well as the rating of such a production brigade should be considered; similarly, to this, a production unit and enterprise, an enterprise and joint-stock corporation, etc. should be considered.⁶

During the economic analysis all business-processes and their interconnections, interdependence and interaction are reviewed.

Causative, or component, analysis is based on the principle that each reason, each factor receives an appropriate evaluation. To that effect, causes-factors are previously studied, for which they are classified by groups: essential and unessential, main and subsidiary, defining and practically non-defining. Then, an impact on economic processes, first of all, essential, main, determinant factors are examined. If it is necessary, the consideration of non-essential, practically non-determining factors is carried out, as the

⁵ Analysis of industrial economic activity / Edited by V.I. Strazhev. – M.: High School, 2015

⁶ Analysis of economic activity: textbook / Edited by V.I. Barylenko. — M.: Omega-L, 2015

second priority. To establish the impact of all the factors is rather difficult and it is not always necessary.⁷

The objective of analysis is to discover and understand the principal reasons and factors having determining influence on financial and economic status of a company at that moment.

In market environment any company can appear a bankrupt or victim of «someone else's» bankruptcy. However, an able economic strategy, efficient policy in the field of finances, investments, prices and marketing make it possible for an enterprise to avoid it and remain active for years, have profits and high reputation of responsible partner and producer of high-quality products.⁸

Diagnostics of bankruptcy is a kind of financial analysis that focuses in particular on identification of different failures and errors in the work as soon as possible.

Among legally (regulatory) approved approaches to financial analysis and methods the following documents can be listed:

- The resolution of Federal Board of Recognizing Insolvency (Bankruptcy) of 12.08.1994 No. 31-p
- The regulation of RF Government of 25.06.2003 No. 367 "Approval of rules for financial analysis by bankruptcy commissioner".
- The guidance notes of CBR of 19.06.2009 No. 337-II "On the process and criteria of evaluation of financial status of legal entities – founders (members) of credit institution"
- The Resolution of Federal Service for Financial Recovery of 23.01.2001 No. 16 "Approval of «Methodological notes on the conduct of analysis of financial status of organizations"
- The Order of Ministry of Economics of RF of 01.10.1997 No. 118 "Approval of Methodological notes on reform of enterprises (organizations)".⁹

⁷ Bakanov M.I. Theory of economic analysis /M.I. Bakanov — M.: Finances and Statistics, 2015.

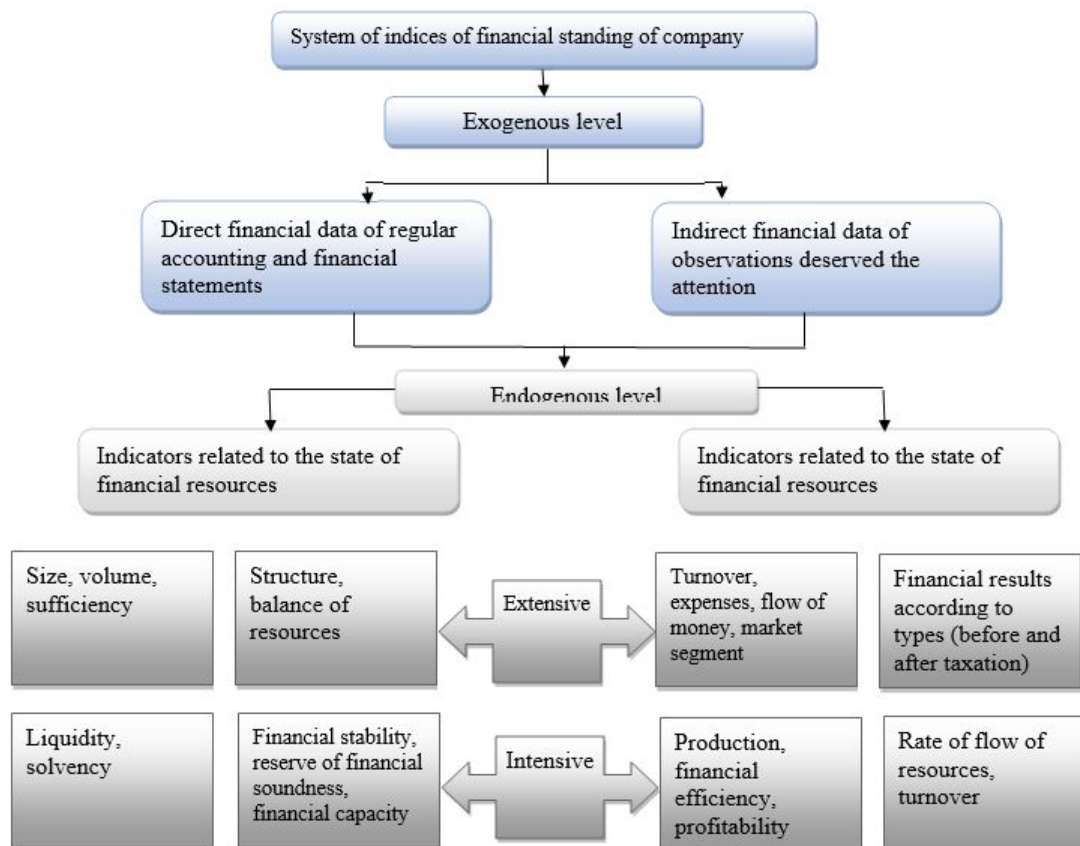
⁸ Bakanov M.I. Theory of economic analysis /M.I. Bakanov — M.: Finances and Statistics, 2015.

⁹ Balabanov I.T. Financial analysis and planning of economic agent: textbook /I.T. Balabanov. — M.: Finances and Statistics, 2016.

3.2 System of Indices for Financial Analysis

Financial situation and financial condition are often considered as correspondingly as a part and as a whole, which include not only the affirmation of values of selected indicators, but also their overall evaluation.

Figure 2 System of indices of financial standing of company



The exogenous level involves organization of gathering of information and preliminary preparation of information based on its relevancy with regard to possible influence on changes in economic entity's financial state.¹⁰

The endogenous level involves formation of indicators showing what resource and functional aspects of financial standing of economic agent are. According to financial resources these two aspects are specified in assessments of their presence and use. Inside of each aspect the extensive and intensive characteristics can be identified. All this can be combined with an important for interested users concept as financial capacity which shows the increment in profit opportunity, financial and physical capital of economic agent while integral estimating of its financial standing. The necessary and sufficient spectrum of indicators showing such potential, includes the amount of financial resources, the speed of their incremental return from business and net profit ratio.¹¹

Following the principal of «from the general to the special» in general suggests a kind of sequence in analyzing of economic agent's financial standing, at least, in the form of two main stages. As a rule, at first users are interested in close-up view. That is why, first of all, an induction express-analysis of financial standing is performed for composite rating and justification of necessity of specific directions to enhance further calculations. At this stage, the need for further information, available in replies to requests of company's account department and other departments, contractors, creditors, investors, statistical and tax offices, audit organizations, etc., is considered. The targeting of management accounting technique in forming of analysis's database to provide a desired degree of specification for further assessment of financial condition is of very importance too.¹²

The indices of company's financial standing can be divided into two main categories: volume and relative. The last ones are called financial ratios or finance indicators.

¹⁰ Balabanov I.T. Financial analysis and planning of economic agent: textbook /I.T. Balabanov. — M.: Finances and Statistics, 2016.

¹¹ Balabanov I.T. Financial analysis and planning of economic agent: textbook /I.T. Balabanov. — M.: Finances and Statistics, 2016.

¹² Bank V.R. Financial analysis: textbook / V.R. Bank, S.V. Bank. — M.: TK Velbi, Publishing house Prospect, 2016,

Finance indicators characterize proportions between different titles of reporting. The advantages of financial ratios are simplicity of calculation and elimination of inflation influence.

Different indicators depend on each other and reflect only one of several possible points of view concerning a company. That is why they say about a system of **finance indicators**. Among volumetric **indicators of activity** of a company the following are used:

1. Currency of balance.
2. Own or issued share capital of a company.
3. Net assets of a company.
4. Sales volume (revenue) for the period.
5. Profit margin for the period.
6. Flow of money for the period.
7. Structure of flow of money according to type activities.

Financial ratios are divided into several groups:

1. Debt ratios (liquidity ratios).
2. Net profit margins.
3. Turnover ratios.
4. Financial good standing ratios.
5. Profitability ratios.
6. Efficiency ratios.¹³

The profit and margin indicators are considered individually. This is due to the fact that in the former, the efficiency of the operating (main) activity of a company is reviewed, that is, incomes and expenditures related to their gaining are compared. In the second, that is effective use of total capital (assets).¹⁴

Financial ratios do not detect difference between bookkeeping methods, do not reflect the quality of constituent components. Finally, they have static character. The

¹³ Berdnikova T.B. Analysis and diagnostics of financial and economic activities of a company: textbook / T.B. Berdnikova. — M.: Infra-M, 2015.

¹⁴ Berdnikova T.B. Analysis and diagnostics of financial and economic activities of a company: textbook / T.B. Berdnikova. — M.: Infra-M, 2015.

limitations imposed on their use and related to them as an instrument of analysis need to be understood.¹⁵

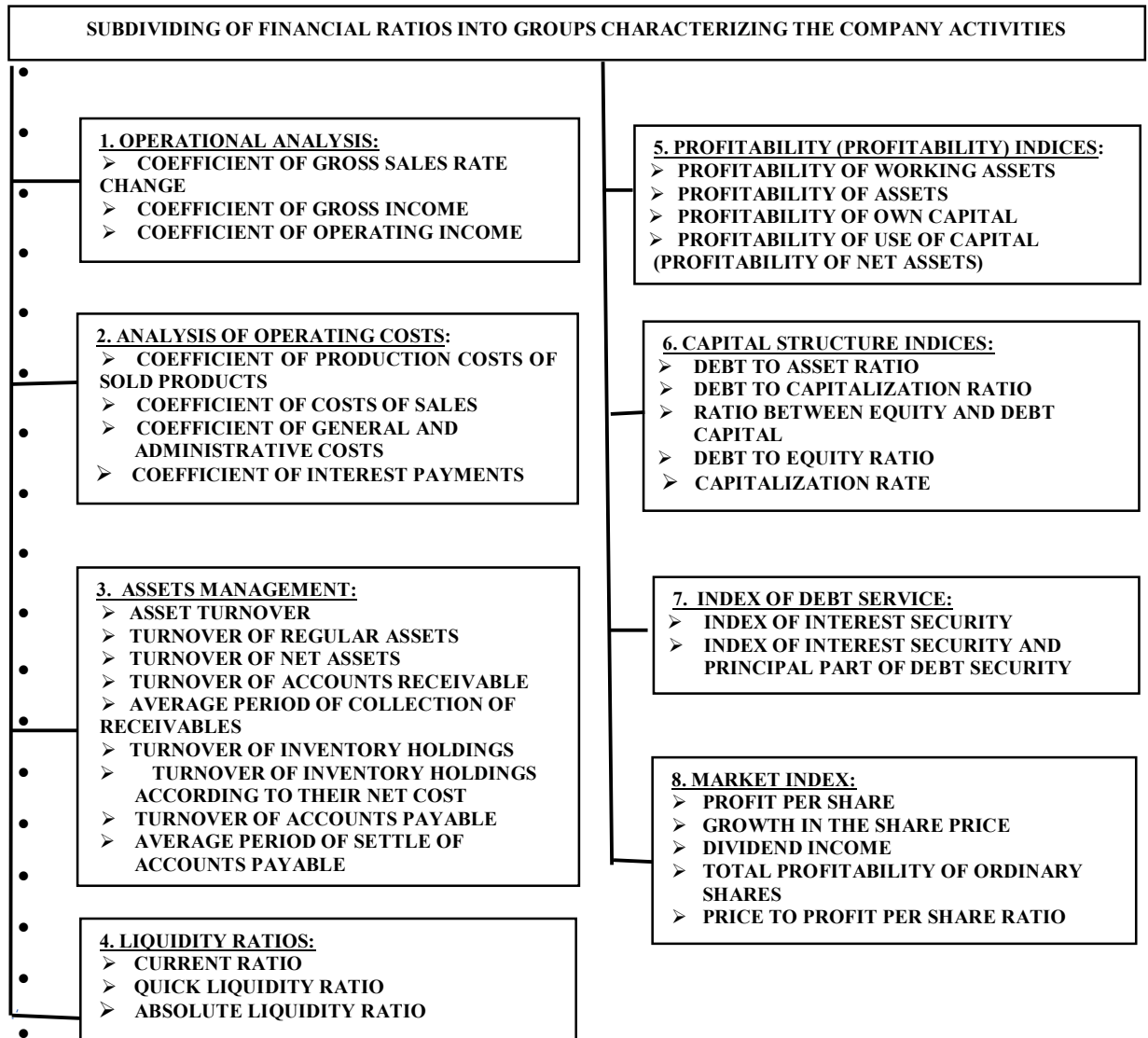
The answer for question put, in turn, by a State if a company is able to pay taxes (performance of tax liabilities by a company) is very important. That is why the financial standing, from the point of view of tax authorities, can be characterized by the following indicators:

- balance profit;
- return on assets = balance profit as a percentage of assets value;
- profits margin = balance profit as a percentage of revenues from sales;
- Balance profit on 1 RUR of funds for remuneration of labour.¹⁶

¹⁵ Berdnikova T.B. Analysis and diagnostics of financial and economic activities of a company: textbook / T.B. Berdnikova. — M.: Infra-M, 2015.

¹⁶ Vasileva L.S. Financial analysis: textbook / L.S. Vasileva, M.V. Petrovskaia. — M.: KNOSSRT, 2015.

Figure 3 Indices of financial standing of company



In order to get comprehensive evaluation of a company different volumetric datum and financial ratios are combined (taking into account the weight and importance of each one) into complex (component) indices of financial standing.

3.3 Types and Forms of Financial Analysis. Sources of Information for Financial Analysis

The analysis of financial standing is performed not only by managers and relevant departments of a company but its founders, investors to study efficiency of resource exploitation; by banks to evaluate credit conditions and rate of risks; by suppliers to

receive payments in time; by tax inspections to execute the plan of receipt of funds into the budget, etc. According to it the analysis is divided into internal and external ones.¹⁷

The internal analysis is held by company's departments, its results are used for planning, control and predicting of financial standing of a company. Its purpose to provide the regular cash inflow and distribute own and borrowed funds so that it would be possible to get maximum profit and exclude bankruptcy.¹⁸

The external analysis is held by investors, suppliers of material and financial resources, controlling authorities on the basis of published reporting forms. Its purpose to identify the possibility of beneficial investments to provide maximum profit and exclude losses. The external analysis has the follows characteristics:

- plurality of subjects of analysis, users of information on company activities;
- variety of goals and interests of analysis subjects;
- availability of standard methods, standards of accounting and reporting;
- external reporting orientation of the analysis;
- limitation of analysis problem if only external reporting is used;
- maximal transparency of analysis results for users of information about company activities.¹⁹

According to types and forms the financial analysis of a Russian company is essentially the same as that one which is used in traditional (western) approach.²⁰

Depending on specific tasks financial analysis can be carried in following types:

- express analysis (supposed to provide for 1-2 days basic understanding of the company's financial status based on external reporting forms);

-complex financial analysis (supposed to provide for 3-4 weeks complex assessment of the company's financial status based on external reporting forms and

¹⁷ Germalovich N.A. Analysis of economic activities of a company /N.A. Germalovich. — M: Finances and Statistics, 2015.

¹⁸ Germalovich N.A. Analysis of economic activities of a company /N.A. Germalovich. — M: Finances and Statistics, 2015.

¹⁹ Giliarovska L.T. Complex economic analysis / L.T. Giliarovska and others — M.: TK Velbi, Prospect, 2016.

²⁰ Dontsova L.V. Analysis of financial reporting: Workshop / L.V. Dontsova, N.A. Nikiforova. — M.: Publishing house «Delo and Service», 2015.

transcripts of financial statement items, data of analytical records, results of independent audit, etc.);

-financial analysis as a part of general study of business processes of a company (supposed to provide complex assessment of all aspects of company activities: production, finances, procurement, sales and marketing, management, staff members, etc.);

-oriented financial analysis (supposed to solve a priority financial problem of a company, e.g. optimization of accounts receivable on basis of both main forms of external financial statements and transcripts of those items which are connected with the said problem);

-regular financial analysis (supposed to set up effective financial management on basis of representation period, quarter-yearly or monthly, the refined results of complex financial analysis in a special way).

Depending on reference directions, financial analysis can be executed as follows:

- Retrospective analysis (supposed to analyse the existing tendencies and problems of financial standing of company);

-Plan-factor analysis (used to assess and identify the causes that lead to deviation of reporting indices from planned ones);

- Prospective analysis (necessary for evaluation of financial plans, their justification and authenticity considering its current state and potential).²¹

Main information sources for financial analysis are data of bookkeeping and management accounting:

1. Data on company's property (assets) and resources of their formation (liabilities) by the beginning and end of analysed period based on analytical datasheet.

2. Information on the results of performance of company for the analysed period based on a profit and loss analytical statement.²²

When performing financial analysis to obtain more faithful interpretation of initial data, in addition, the following information may be needed:

²¹ Dontsova L.V. Analysis of financial reporting: Textbook / L.V. Dontsova, N.A. Nikiforova. — 4th revised and enlarged edition M.: Publishing house «Delo and Service», 2015.

²² Kanke L.A. Analysis of financial and economic activities of a company: textbook/ L.A. Kanke, I.P. Koshevaia. — M.: ID «FORUM»: INFRA-M, 2015. — (Vocational education).

Information on accounting policies of a company.

Depreciation charges of fixed assets and intangible assets.

Average staffing number and payroll of a company.

The share of overdue receivable and payable accounts.²³

The share of barter (commodity) settlements in sales revenue.

Traditionally and, in particular, when performing external analysis, the standard accounting balance-sheet (Form – 1) is used as initial information. However, it is not necessary and, for example, in the event of distrust in the external report of a company, any other document of management accounting can be used.²⁴

In any case the data have to meet the following requirements:

Preparation of data must be on regular basis and according to the same methods.

Data on property and sources must be well-balanced.

Assets must be structured according to their economic character (on the principle of adding the costs to the manufactured products, periods of use and degree of liquidity).

Database on funding sources must be divided according to the principle of ownership and period of attraction.

The analytical data sheet meets all the above-mentioned requirements.

One of the ways to draw this document is transformation (aggregation or disaggregation) and specification of a standard bookkeeping balance sheet.²⁵

Below you will find a number of procedures that need to be undertaken:

To reduce the authorized capital of a company by amount of subscribed capital stock (liabilities of investors).

To set fair value of fixed assets.

²³ Kovalev V.V. Analysis of economic activities of a company / V.V. Kovalev, O.N. Volkova: Textbook. — M.: LLC «TK Velbi», 2015.

²⁴ Kovalev V.V. Analysis of economic activities of a company / V.V. Kovalev, O.N. Volkova: Textbook. — M.: LLC «TK Velbi», 2015.

²⁵ Complex economic analysis of economic activity: Textbook / A.I. Alekseeva, and others. — M.: Finances and Statistics, 2015.

To update the value of working assets (stock, accounts receivable, idle monetary funds) and liabilities (accounts payable, loans) to the amounts which, for some reasons, were not registered in the balance sheet.

To update the difference incurred between value of assets and liabilities more convenient through the specially made item in the analytical data sheet "Accumulated capital". This analytical item combines all types of undistributed profits, reserves, formed due to the profit, accumulation and consumption funds and other similar balance items. It shows how much the company actually earned throughout its existence (for privatised enterprises - since transformation into a joint-stock company).²⁶

3.4 General Characteristic of Holding Company Mercedes-Benz

Mercedes-Benz (Mercedes-Benz; German pronunciation mɛʁ'tse:dəs 'bɛnts) — trade mark of light vehicles of premium class, lorries, buses and other transport vehicles by German automobile concern «Daimler AG». It is one of the most recognizable automobile brands in the world. The head office of Mercedes-Benz is in Stuttgart, Baden-Wurttemberg, Germany.

In 2014 its value estimated at USD 34,338 billion, number two (after Toyota) among companies which manufacture cars and number ten among all world brands. As estimated by BrandZ, in 2015 the brand ranked 43rd in the world with the value of USD 21,786 billion.²⁷

The history of this brand is made of histories of two famous car makes — «Mercedes» produced by German company «Daimler-Motoren-Gesellschaft», and «Benz» which were built by the company having the same name. Both companies managed to

²⁶ Kreinina M.N. Analysis of financial standing and attraction as an investment of joint-stock companies in the field of industry, construction and trade/M.N. Kreinina. — M: Infra-M, 2015.

²⁷ Liubushin N.P. Complex economic analysis of economic activities: textbook/ N.P. Liubushin. 3rd revised and enlarged edition. — M.: Yumiti Dana, 2015

develop independently of the other and in 1926 merged to form the concern «Daimler-Benz».²⁸

Mercedes-AMG (German: Hans Aufrecht, Erhard Melcher и Großaspach), often used as a short form AMG — a division of Mercedes-Benz is known for production of more powerful and sports models (modifications), engines and own racing cars and representation of interests of Mercedes-Benz in motor racing. It was founded in 1967 by former Daimler-Benz engineers Hans Werner Aufrecht and Erhard Melcher Up to 1990 it was a separate company, specializing in productivity improvement of Mercedes-Benz cars. In 1990 the Daimler-Benz management signed a contract of cooperation with tuning studio and in 1999 the controlling stake was bought. In 2005 the concern completely absorbed the company, having set up Mercedes-AMG GmbH, with its head office in Affalterbach, Baden-Wurttemberg, Germany.²⁹

Serial Mercedes-AMG cars are considered to be independent models (in comparison with basic mass production of Mercedes-Benz) since they differ from the latter due to the large amount of own minor components as well as own market indexing (name). The products made by the division, as a rule, have more aggressive looks, higher level of performance, better handling, better stability and more extensive use carbon fiber if to compare with regular Mercedes-Benz counterparts. Some makes are produced exclusively by the division (e.g. Mercedes-Benz SLS AMG)³⁰

The history of Mercedes-AMG began in 1960-s: two engineers, Hans Werner Aufrecht and Erhard Melcher, worked at engineering office of Daimler-Benz concern developing sports engine 300 SE – until the concern decided to suspend its participation in motor racing. Then in 1967 they founded a company, specializing in design and testing of motor car engines, called AMG, the name was composed of the first letters of their surnames and town Großaspach. The principal purpose was the tuning of Mercedes-Benz

²⁸ Melnyk M.V. Analysis of financial and economic activities of a company: textbook /M.V. Melnik, E.B. Gerasimova. — M.: Forum: INFRA-M, 2015.

²⁹ Bakanov M.I. Theory of economic analysis /M.I. Bakanov — M.: Finances and Statistics, 2015.

³⁰ Analysis and diagnostics of financial and economic activities of a company: textbook / Edited by P.P. Taburchak, V.M. Gumin, M.S. Saprykin. — Rostov-on-Don: Fenix, 2015.

cars. The headquarter of company was located at the former mill in the nearby village Burgstall.³¹

The first important event of the company was Spa 24-hour race in 1971: designed by engineers Mercedes-Benz 300 SEL 6.8 won in its class of cars and ranked the second among all the teams. Being a muscle luxury sedan, it became a real sensation, and the company name became known throughout the world.³²

At the beginning of 1970-s one more new direction was opened – individualization of cars. In 1976 the company *AMG*, whose number of employees was around a dozen, moved to Affalterbach, to the workshop which was specially equipped and had office premises.

In 1984 Melcher designed a completely new individual cylinder head with four-valve technology. In two years the company installed in the E-class coupe 5,0-litre engine V8, which became world famous under nickname «The Hammer».

By the end of 1980–s AMG and concern Daimler-Benz had approached. As a result of their collaboration was a modified model called Mercedes-Benz 190, which became a winner of 50 DTM motor racings from 1988 to 1993.³³

In 1990 the Contract of Cooperation with Daimler-Benz was made which ensured the company to Use Company's wide network of dealers. In the same year, the third factory started to work and the number of employees increased by 400. In 1993 within the framework of the agreement AMG the first car of co-design – Mercedes-Benz C36 AMG.

On 1 January 1999 51 % of company shares were bought by the concern DaimlerChrysler, and its name was changed into Mercedes-AMG. In 1999 Hans Werner Aufrecht set up motosports subdivision AMG^{[5][6]} he founded a separate company H.W.A. GmbH (then it was reorganized into H.W.A. AG). It was located next to Mercedes-AMG GmbH. 210 employees continued the work in close cooperation with their

³¹ Bakanov M.I. Theory of economic analysis /M.I. Bakanov — M. Finances and Statistics, 2015.

³² Melnyk M.V. Analysis of financial and economic activities of a company: textbook /M.V. Melnik, E.B. Gerasimova. — M.: Forum: INFRA-M, 2015.

³³ Podyablonskaya L.M. Financial stability and evaluation of insolvency of companies /L.M. Podyablonskaya//Finances. — 2015. — №12.

colleagues from motosports subdivision Mercedes–Benz, they were designing racing cars for participation in races series DTM.³⁴

By 2005 the total area of company premises increased from 41 300 to 57 750 square metres. On 1 January 2005 DaimlerChrysler became a sole owner of it and it was made as a separate subdivision. During their cooperation with AMG, the sales of the latter increased from 11 500 items in 2000 to more than 20 000 items in 2004. The number of staff members came up to a record-high number: near 680 employees worked in Affalterbach as of October 2005. Since 1 September 2005 Volker Mornhinweg (President), Wolf Zimmermann (design and production) and Domingos Piedade (sales, marketing and international cooperation) have been employed as management board.³⁵

As a division specializing in high-performance updating of Daimler Chrysler Group vehicles, Mercedes-AMG assumed responsibility for the whole development process of chassis, engines, driving systems, mountings, brakes, electronics, air mechanics, interior, design and quality. Besides, the division is fully responsible for all the aspects related to marketing and sales. The company established the principle «*One man — one engine*» that still works nowadays. It means that each engine made by the company is hand-made. An assembly worker of AMG manufacture in Affalterbach usually assembles the entire power-transmission plant and is always responsible for the complete assembly cycle, from affixing of a crankshaft to a cylinder block and assembling of a countershaft including wiring connection of an engine and filling it with engine oil, as evidenced by his personal signature put on the AMG engine plate.³⁶

In 2006 an Italian company Santoni, specialising in luxury footwear, collaborating with Mercedes-AMG designed a special collection of sports shoes *Santoni* for AMG. These shoes became so successful that they are produced yearly since 2006.³⁷

As of 2013 more than 1200 employees worked for Mercedes-AMG. By 2015 product line included more than 20 highly dynamic AMG vehicles with power range of

³⁴ Bakanov M.I. Theory of economic analysis /M.I. Bakanov — M. Finances and Statistics, 2015.

³⁵ Bakanov M.I. Theory of economic analysis /M.I. Bakanov — M. Finances and Statistics, 2015.

³⁶ Piastolov S.M. Economic analysis of company's activities: textbook /S.M. Piastolov. — M.: Academic Project, 2015.

³⁷ Raizberg B. A. Modern economic vocabulary. 5th revised and enlarged edition — M.: INFRA-M, 2016.

engine – from 310 kW (422 shp.) to 522 kW (710 shp.) and great choice of models from sedans, coupes and offroaders to roadsters up to Mercedes-Benz SLS AMG – the first car which was completely designed by Mercedes–AMG.³⁸

³⁸ Raizberg B. A. Modern economic vocabulary. 5th revised and enlarged edition — M.: INFRA-M, 2016.

4 Financial Analysis of Mercedes-AMG Company.

4.1 Peculiarities of Financial Analysis in Russia

Based on the experience of financial analysis held in Russian companies of different types and the study of attempts to carry out classical analytical procedures it is possible to identify the main problems of "Russian specific character" in this field of research.³⁹

First of all, in fact, in many cases the financial analysis is calculations of structural relations, rate of change of indices, value of financial ratios. The depth of study is limited, at least, by statement of "improvement" or "worsening" tendency. To draw conclusions and moreover, recommendations based on initial database is an undecidable problem for company's specialists who have special software but do not have special skills, professional experience, creative attitude towards routine calculation operations.⁴⁰

Secondly, very often the results of financial analysis are based on inaccurate information, in this regard, it can be inappropriate due to both subjective and objective reasons. On the one hand, the rule of a "skilled" Russian manager is considered to be the under declaration or non-disclosure, with the help of any contrivances, of incomes (profits) earned that is why in order to evaluate the initial data credibility and therefore, obtainment of actual results of financial analysis it is necessary at first to carry out an independent audit to detect intended or unintended mistakes. On the other hand, according to Russian accounting regulations the monetary and non-monetary methods of payment are not separated in the reporting forms (with the exception of form No.4 " Cash flow statement ", but it is yearly one).⁴¹

As a result of prevailing barter settlements, the illusion of progressive development of market relations in Russia is created and cultivated, wherein the companies sell their

³⁹ Savitskaia G. V. Analysis of economic activities of a company: textbook/G.V. Savitskaia. — Minsk: LLC «Novoe Znanie», 2015.

⁴⁰ Cherkasova I.O. Analysis of economic activities: textbook / I.O. Cherkasova. — SPb.: Neva, 2015.

⁴¹ Cherkasova I.O. Analysis of economic activities: textbook / I.O. Cherkasova. — SPb.: Neva, 2015.

products at quasi market prices (in fact, inflated ones, because of consensus of interests of barterers), receive profit for them and pay out quasi fiscal liabilities to the state budget.

Thirdly, the tendency to working out the financial analysis in details stipulated development, calculation and superficial use of obviously surplus amount of financial coefficients, as most of them depend on each other functionally. The crowning glory of the developers of new software for financial analysis is their statement that the tool created provides an opportunity to calculate more than 100 financial ratios, generally, using of no more than 2-3 indices concerning each aspect of financial activity is sufficient, though.⁴²

You can see below the standards of key financial indices recognized in worldwide practice.

Table 1 Standards of key financial indices

Index	Standard value
Equity-assets ratio	0,5-0,7
Mobility ratio	0,05-0,10
Reserve replacement ratio	1,0-1,5
Working capital ratio	1,0-2,0
Absolute liquidity ratio	0,1-0,2
Quick liquidity ratio	0,8-1,5
Ratios of payables and receivables	1
Reserves-to-production and cost with own sources of finances ratio	0,6-0,8
General profit margin	0,05-0,15
Net profit ratio	0,05-0,15

However, the calculations show that Russian companies, as a rule, do not meet most of these standard values and can be considered, as for financial characteristics, as disadvantaged (on the verge of bankruptcy) ones.

Fifthly, western integral indices fairly differ from Russian practices which are used by a number of domestic analysts to estimate of probability of bankruptcy of companies.⁴³

⁴² Cherkasova I.O. Analysis of economic activities: textbook / I.O. Cherkasova. — SPb.: Neva, 2015.

⁴³ Sheremet A.D. Complex analysis of economic activities: textbook / A.D. Sheremet. — M.: INFRA-M, 2015.

Finally, initial financial reporting of the companies analysed can be distorted due to inflationary development in Russian economy, which, first of all, do not affect, the vertical analysis (principal ratios remain the same), but the horizontal one.⁴⁴

4.2 Analysis of Financial Indices of Mercedes–AMG

We will make the analysis of financial indicators of Mercedes–AMG Company based on the financial statements data for 2014-2015 (annex)

Table 2 Vertical and Horizontal Analysis of Accounting Balance-Sheet

Indices	As of 31.12.2014		As of 31.12.2015		Changes		
	billion RUR	% of total	billion RUR	% of total	billion RUR	specific weight	rate of growth
Assets							
1. Fixed assets	31 819	27%	25 722	20%	-6 097	-7%	81%
Intangible assets	292	0%	208	0%	-84	0%	71%
Basic assets	14 733	13%	11 354	9%	-3 379	-4%	77%
Construction in progress	0	0%		0%	0	0%	0%
Profitable investments into material values	11 966	10%	9 212	7%	-2 754	-3%	77%
Financial investments	4 680	4%	4 685	4%	5	0%	100%
Deferred tax assets	148	0%	263	0%	115	0%	178%
Other non-current assets	0	0%		0%	0	0%	0%
2. Current assets	86 037	73%	101 511	80%	15 474	7%	118%
Stock	8 745	7%	9 116	7%	371	0%	104%
Value-added tax on purchased values	12	0%	6	0%	-6	0%	50%
Accounts receivable	6 546	6%	5 376	4%	-1 170	-1%	82%
Financial investments (except for money equivalents)	20 000	17%	50 000	39%	30 000	22%	250%
Cash assets and money equivalents	43 310	37%	29 802	23%	-13 508	-13%	69%
Other current assets	7 424	6%	7 211	6%	-213	-1%	97%

⁴⁴ Sheremet A.D. Methods of financial analysis: textbook /A.D. Sheremet. — M. INFRA-M, 2015.

Balance	117 856	100%	127 233	100%	9 377	0%	108%
Liabilities							
3. Capital and reserves	15 356	13%	87 569	69%	72 213	56%	570%
Statutory capital	1 000	1%	65 700	52%	64 700	51%	6570%
Additional fund	0	0%		0%	0	0%	0%
Reserve capital	149	0%	435	0%	286	0%	292%
Undistributed profits (uncovered loss)	14 207	12%	21 434	17%	7 227	5%	151%
4. Long-term liabilities	597	1%	172	0%	-425	0%	29%
Debs and borrowings	0	0%		0%	0	0%	0%
Other long-term liabilities	0	0%		0%	0	0%	0%
Deferred tax liabilities	597	1%	172	0%	-425	0%	29%
5. Short-term liabilities	101 903	86%	39 494	31%	-62 409	-55%	39%
Debs and borrowings	0	0%		0%	0	0%	0%
Accounts payable	101 172	86%	38 189	30%	-62 983	-56%	38%
Debts to participants (founders) according to income payment	0	0%		0%	0	0%	0%
Deferred revenues	0	0%		0%	0	0%	0%
Reserves for future expenses	0	0%		0%	0	0%	0%
Estimated liabilities	731	1%	1 305	1%	574	0%	179%
Other short-term liabilities	0	0%		0%	0	0%	0%
Balance	117 856	100%	127 235	100%	9 379	0%	108%

Conclusion. During the study period the company assets increased by RUR 9377 billion and amounted to RUR 127 235 billion. Also worth highlighting is the fact that the accounts receivable declined as well as the volume of money decreased as a result of opening deposit accounts by the company. The growth of assets of the company is linked to the growth of financial investments (except for money equivalents), stock fund. Liabilities also demonstrate the rise (by RUR 9379 billion). The enlargement of liabilities is mostly connected with the increase of the authorized capital as well as the growth of undistributed profit. The decrease of accounts payable is a positive trend for the company. However, the fact that the accounts payable is higher than accounts receivable is not a positive moment.

Table 3 Changes of Net Profit Indices

No	Index	For January-December 2014	For January-December 2015	Changes	
		billion RUR	billion RUR	billion RUR	rate of growth, %
Profits and expenses on usual types of activity					
1	Revenue from sale of goods, works, services (minus VAT, excise tax and similar obligatory payments)	36 650	59 203	22 553	162%
2	Net cost of sold goods, works, services	679	305	-374	45%
3	Gross profit	35 971	58 898	22 927	164%
4	Commercial expenses	0	0	0	0%
5	Managerial expenses	29 294	53 108	23 814	0%
6	Profit (loss) of sales	6 677	5 790	-887	87%
Other profits and liabilities					
7	Interest receivable	0	0	0	0%
8	Interest payable	0	0	0	0%
9	Investments from investments in other companies	0	0	0	0%
10	Other profits	1391	4 378	2 987	315%
11	Other expenses	790	775	-15	98%
12	Income (loss) before taxation	7 278	9 393	2 115	129%
13	Other income	309	115	-194	37%
14	Other payables	17	425	408	2500%
15	Current income tax	1782	2 420	638	0%
16	Others	101		-101	0%
17	Net profit	5 721	7 513	1 792	131%

Conclusion. The revenue index of January-December 2015 shows the increase with regard to the similar period of 2014 (by RUR 22 553 billion). The increase of revenue JSC «Social card» is related to the growth of income, particularly, for such items as: other receipts. The cost of services for January-December 2015, if to compare with the corresponding period of the last year, declined. The growth rate of expenses related to regular activities is lower than the growth rate of company's profits. The growth rate of other income is higher than the growth rate of other costs. The net profit at the 4th quarter of 2015 amounted to RUR 7513 billion, that is higher than the corresponding period index is by RUR 1792 billion

Table 4 Analysis of Company Assets

№	Distribution of assets	As of 31.12.2014		As of 31.12.2015		Changes	
		billion RUR	specific weight	billion RUR	specific weight	billion RUR	rate of growth
1	<i>Fixed assets, total</i>	31 819	27%	25 722	20%	-6 097	81%
2	Stock	8 745	7%	9 116	7%	371	104%
3	Settlements and accounts receivable (1)	13 982	12%	12 593	10%	-1 389	90%
4	Cash assets and short-term financial investments	63 310	54%	79 802	63%	16 492	126%
5	<i>Current assets, total</i>	86 037	73%	101 511	80%	15 474	118%
6	Total assets	117 856	100%	127 233	100%	9 377	108%

Conclusion. As of the end of reporting period the working assets of company grow, as well, we can see the reduction of fixed assets. At the beginning and end of reporting period the main part in the current assets structure belongs to monetary assets and short-term financial investments.

Table 5 Analysis of the financing sources of company

No	Distribution of property	As of 31.12.2014		As of 31.12.2015		Changes	
		billion RUR	specific weight	billion RUR	specific weight	billion RUR	rate of growth
1	Sources of own and equivalent to them funds (2)	15 953	14%	87 741	69%	71 788	550%
2	Borrowed funds (3)	101 903	86%	39 494	31%	-62 409	39%
3	Total sources	117 856	100%	127 235	100%	9 379	108%

Conclusion. In the structure of the financing sources of company the sources of own and equivalent to them funds cover more than 50% by the end of the reporting period. In the structure of the financing sources of company 86 % belong to borrowed funds, and 31% belong to them by the end of analysed period. By the end of analysed period the own funds exceed the borrowed ones.

Table 6 Analysis of Balance Liquidity

	Absolute value, billion RUR		Changes
	opening balance	closing balance	billion RUR
Assets			
A1	63 310	79 802	16 492
A2	13 970	12 587	-1 383
A3	8 757	9 122	365
A4	31 819	25 722	-6 097

		Absolute value, billion RUR		Changes				
		opening balance	closing balance	billion RUR				
Liabilities								
L1		101 903	39 494	-62 409				
L2		0	0	0				
L3		597	172	-425				
L4		15 356	87 569	72 213				
Assets	Absolute value, billion RUR		Liabilities	Absolute value, billion RUR		Balance between assets and liabilities		Payment overage / shortage as of 31.12.2015
	As of 31.12.2014	As of 31.12.2015		As of 31.12.2014	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	
A1	63 310	79 802	L1	101 903	39 494	A1 < L1	A1 > L1	40 308
A2	13 970	12 587	L2	-	-	A2 > L2	A2 > L2	12 587
A3	8 757	9 122	L3	597	172	A3 > L3	A3 > L3	8 950
A4	31 819	25 722	L4	15 356	87 569	A4 > L4	A4 < L4	(61 847)
Balance	117 856	127 233	-	117 856	127 235	(-+-)	(++++)	-

Conclusion. The accordance to inequality $A1 > L1$ shows that the level of financial soundness of a company by the preparation of balance sheet. The company has enough absolute and most liquid assets to meet the most accrued liabilities. The accordance to inequality $A2 > L2$ shows that quick assets exceed short-term liabilities and the company can become solvent in the near future, taking into account the settlements with creditors in time, receive income product sales on credit. The accordance to inequality $A3 > L3$ means that in future with the provision of cash assets from sales and payments in a timely manner, the company can be solvent for a period which is equal to average duration of one turnover of working capital after the balance sheet date. Execution of first three requirements leads to the fulfilment of condition: $A4 \leq L4$. If this condition is met, minimum conditions for financial sustainability of the company are adhered, it has its own working capital.

However, it should be mentioned that the analysis of balance liquidity according to the scheme set out above is approximate, more detailed one is the analysis of solvency held with the help of financial instruments.

4.3 Current ratio, Quick liquidity ratio, Absolute liquidity ratio

Table 7 Assessment of Liquidity and Financial Soundness

Index	Optimal value	Value of index	
		As of 31.12.2014	As of 31.12.2015
Current ratio	≥ 2	0,85	2,66
Quick liquidity ratio	≥ 1	0,76	2,42
Absolute liquidity ratio	$\geq 0,2$	0,63	2,09

Conclusion. Current ratio helps to evaluate the possibility of reimbursement of current liabilities by the company in the event of emergency, if there are no possibilities to sell stocks. The value of rate from 1.5 to 2.5 is considered to be a good one, depending upon an industry. The value which is lower than 1 shows that the financial risk is high, it is connected with the fact that the company is not able to pay for running accounts regularly. If the value is higher than 3, it can be indicative of irrational capital structure. As of the beginning of the reporting period the current ratio constitutes 0,85 which does not correspond to standard value, during January-February 2015 the current ratio increases by 2,66 and reaches its standard value.

Quick liquidity ratio is a financial ratio which is equal to the ratio of highly liquid assets to short-term liabilities (current liabilities). The standard value is considered to be 0,7-1,5. The ratio reflects the ability of a company to pay back its current liabilities in the event of difficulties in sales of goods (services). By the beginning of reporting period the rate corresponds to standard value, Quick liquidity ratio for January-February 2015 is 2,42 and exceeds the standard value.

Absolute liquidity ratio is the most rigid criterion of financial solvency and shows what part of short-term liabilities a company can pay out in the near future. Its value is considered to be not less than 0,2. During the whole reporting period the values of absolute liquidity ratio correspond to their standard values which shows that the company is able to pay out its short-term liabilities in the near future.

Having analysed the liquidity ratios of the company from 31.12.2014 to 31.12.2015, it may be concluded that the indices are higher than optimal values. The current ratio indexes its short-term liabilities throughout a year. The value of quick

liquidity ratio proves the ability of a company to pay out its short-term liabilities due to the sales of liquid assets. The value of absolute liquidity ratio corresponds to its standard value which shows that the company is able to pay out its short-term liabilities. On the other hand, the high index of quick liquidity ratio and absolute liquidity ratio would suggest that the capital structure is irrational, the part of non-working assets in terms of cash money and assets on accounts is too big.

Table 8 Analysis of Profitability Indices

No	Index	Value of index		Changes, billion RUR
		As of 31.12.2014, billion RUR	As of 31.12.2015, billion RUR	
Profitability indices				
1	Profitability of principal activity	0,2228	0,1084	-0,1144
2	Profitability of sales	0,1822	0,0978	-0,0844
Assets profitability indices				
3	Profitability of non-current capital	0,1798	0,2921	0,1123
4	Profitability of working capital	0,0665	0,0740	0,0075
5	Profitability of total assets	0,0485	0,0590	0,0105
6	Profitability of own capital	0,3726	0,0858	-0,2868
7	Profitability of invested capital	0,3586	0,0856	-0,2730

Conclusion. The profitability comprehensively reflects how well the material, labour and monetary resources are used. The profitability indices of activity for January-December 2015 slightly declined in comparison with the rates as of the end of 2014. The reduce of these ratios shows that the effectiveness of economic activity of the company declines. The indices of profitability of own and invested capital for January-December 2015 in comparison with the indices as of the end of 2014 slightly decrease. The profitability of non-current and working capital increases.

Table 9 Changes of Financial Stability Indices

Index	Optimal value	Value of index		Changes
		As of 31.12.2014	As of 31.12.2015	
I Initial values for analysis				
Fixed assets	-	31 819	25 722	-6 097
Working assets	-	86 037	101 511	15 474
Currency balance	-	117 856	127 233	9 377

Own capital	-	15 356	87 569	72 213
Long-term liabilities	-	597	172	-425
Borrowed capital	-	102 500	39 666	-62 834
II Indices of financial stability of company				
Own current capital	>=10% of working assets costs	-16 463	61 847	78 310
Equity-assets ratio	>=0,5	0,13	0,69	0,56
Financial good standing ratio	0,8-0,9	0,14	0,69	0,55
Mobility of own capital ratio	0,2-0,5	-1,07	0,71	1,78
Concentration of borrowed capital ratio	<=0,5	0,87	0,31	-0,56
Availability of working capital ratio	>=0,1	-0,19	0,61	0,80
Debt-equity ratio (financial leverage)	<=1	6,67	0,45	-6,22
Fixed assets index	<1	2,07	0,29	-1,78

Conclusion. The value of own working capital by the end of analysed period is positive and corresponds to the optimal value. Positive value means that the financial standing of the company is good, as in that event, the company is able to repay its current liabilities before creditors by sale of current assets.

The equity-assets ratio, concentration of borrowed capital ratio, availability of working capital ratio, debt-equity ratio, fixed assets index correspond to their standard value and show that the company has enough own assets to finance operating performance. However, the financial good standing ratio does not reach standard value and remains concern for the stability of company.

Table 10 Analysis of Business Activity

No	Index	For January-December 2014	For January-December 2015	Changes
1	Turnover of accounts payable, vol.	0,39	0,85	0,46
2	Turnover of accounts receivable, vol.	5,87	9,93	4,06
3	Settlement of accounts payable, days.	928,41	429,60	-498,82
4	Settlement of accounts receivable, days	62,16	36,75	-25,41
5	Turnover of owned capital, vol.	2,93	1,15	-1,78

Conclusion. The increase of turnover of accounts payable index shows that there is acceleration of the pace of payments. The value of turnover of accounts receivable index confirms the high effectiveness in collecting of payments for company's products. The low index of turnover of owned capital means that a part of owned capital is inactive.

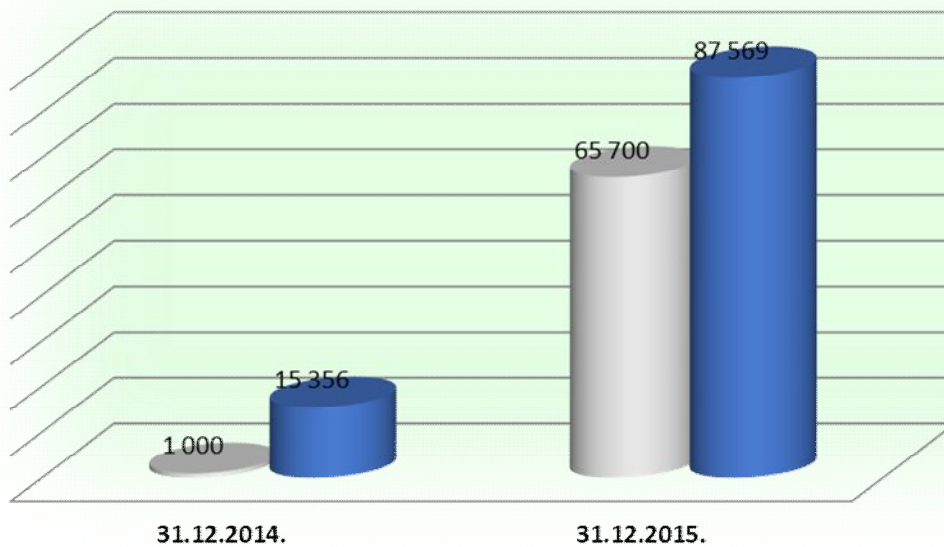
Table 11 Analysis of Net Assets

Index	Value of index				Change	
	billion RUR		% of balance currency		billion RUR (group3- group 2)	(+/-)
	31.12.2014	31.12.2015	31.12.2014	31.12.2015		
1	2	3	4	5	6	7
1. Net assets	15 356	87 569	13,03%	68,82%	72 213	growth
2. Statutory fund	1 000	65 700	0,85%	51,64%	64 700	growth
3. Exceeding of net assets over statutory fund (1-2)	14 356	21 869	-	-	7 513	growth
4. Balance currency	117 856	127 235	-	-	9 379	growth

Conclusion. Net assets – is one asset category of a company (in terms of value), which remains available to distribute among shareholders after the settlements with all creditors in the event of liquidation of a company are carried out, that is it describes the protection of shareholders' interests. As of 31.12.2015 the net assets of the company constitute RUR 87 569 billion, which is higher than indicator of 31.12.2014 by RUR 72 213 billion The growth of net assets in the dynamics is considered to be a positive trend.

Figure 4 Chart of capital and net assets

Billion



Grey- authorized capital

Blue- net assets

Based on the analysis performed, it may be concluded that the positive result of company's activity is the net profit from financial and economic activities for January - December 2015 amounted to RUR 7513 billion

To increase the financial standing of the company and improve the indicators of balance we can recommend the company the following measures related to decrease of accounts receivable:

1. Establishing of system of discounts and penalties

One of the most efficient instruments which enables to minimize the cash flow and reduce the risk of overdue accounts receivable is a system of discounts and penalties. Assessment system for penalties and fines for failure to meet the due date, as prescribed by schedule for the payment of arrears, shall be specified by the agreement. Discounts are given depending on terms of payment for commodities. For example, 3% discount of value of goods is offered for advance payment, 2% discount is offered for advance payment in parts (more than 50% of value of shipped consignment), 1% discount is offered when payment is made upon shipment of goods. No discounts are provided if the payment is extended for 7 days.

2. Implementation of system of staff motivation

To increase the efficiency of system of motivation directed to decline the amount of overdue accounts receivable, each employee has to be interested in achievement of the targeted level of accounts receivable. For instance, sales manager is rewarded not only for execution of a plan on sales but also for fulfilment of obligations by those contractors who obtained goods based on terms of payments by instalments. The awards scheme must be balanced by the system of punishment (comments, warnings, deprivation of awards, official investigation, and dismissal of employee). The practice of imposing fines should be not only for overdue accounts receivable (if a manager executes all the actions provided by procedure, a client is the only responsible for overdue accounts receivable), but for breach of order and control of accounts receivable procedure. The incentive system for staff members must be found in regulatory documents of a company according to labour law.

For example, employees may lose their bonuses for the following actions:

1. execution of request for shipment of goods if there is a prescription to cancel all dispatches to the customer;
2. a mistake in accrual of interests;
3. breach of order concerning the provision of information about current debtors;
4. providing incorrect information;
5. Breaches of established rules for document control, etc.

A manager cannot be held responsible for violation of obligations by a contractor, especially if there is a board which decides whether it is possible to have instalment payment.

5 Conclusion

Under a market economy the technical and economic analysis and analysis of financial standing of a company are the most important presupposition for preparation and justification of managerial solutions. The main task of analysis of financial standing of a company is systematic, integrated study of its production and economic and financial activity in order to get objective assessment of results obtained and determine objective ways for further increase of working efficiency and quality of work.

Managerial solutions are related to both production operations improvement in general and their individual elements and improvement of working and living conditions of employees. In the production management system the analysis of economic activity is an effective link between gathering of information and management decision making. The significance of it is that it is the main instrument for revealing of reserves to increase the efficiency of production and product quality, development of economic management mechanism.

Market economy includes establishing and development of companies of different business legal structures based on different types of private property. It is the most important condition and cause of the interest in the results of financial and economic activity.

A need for oversight of financial and economic activities of a company is an objective result of subject matter of finances as money relations. Financial and economic activity of a company is connected with formation and expenditure of cash assets and therefore it affects the interests of a state, employees, stockholders and other possible contractors of a company.

Oversight appears in the analysis of financial indicators of company's activities and measures of different content.

All of the foregoing about "Russian specific character" does not detract from the fact of importance of traditional approach, which was approved and developed in countries which have free market economy, used for financial analysis of current state and development prospects of domestic companies.

On the other hand, its significance will be immeasurably high for owners, managers, creditors and investors when taking methods of conventions of Russian market transition period into account in classic Western methods. Such adaptation of traditional

approach will enable the financial analysis not only to remain as an integral part of financial management but also significantly improve the justification of managerial decisions.

The main ways of adapting of traditional approach are connected with both external and internal conditions of development of domestic companies.

First of all, the following things will help to eliminate the conventionalities of Russian particularities:

- development of accounting rules (in particular, when consideration of difference in rate of exchange);

- improvement of approaches and methods of market value estimation of company's shares (necessary, for instance, to evaluate the capitalization);

In this paper the financial analysis of captive structure of holding Mercedes-Benz - Mercedes-AMG has been performed.

Mercedes-Benz (Mercedes-Benz; German pronunciation mɛʁ'tse:dəs 'bɛnts) — trade mark of light vehicles of premium class, lorries, buses and other transport vehicles by German automobile concern «Daimler AG». It is one of the most recognizable automobile brands in the world. The head office of Mercedes-Benz is in Stuttgart, Baden-Wurttemberg, Germany.

Based on the analysis performed, it may be concluded that the positive result of operation of a company is the net profit from financial and economic activities for January - December 2015 amounted to RUR 7513 billion

Net assets is the part of assets of a company (in terms of value) which remains available to distribute among shareholders after the settlements with all creditors in the event of liquidation of a company are carried out, that is it describes the protection of shareholders' interests. As of 31.12.2015 the net assets of the company constitute RUR 87 569 billion, which is higher than indicator of 31.12.2014 by RUR 72 213 billion The growth of net assets in the dynamics is considered to be a positive trend.

The increase of index of accounts payable turnover shows the accelerating the payments of invoices.

The net profit margin completely reflects the level of efficiency of material, labour and cash resources application. The profitability index of activities for January-December 2015 in comparison with indices as of the end of 2014 decrease slightly.

Having analysed company's liquidity rate from 31.12.2014 to 31.12.2015 it may be concluded that the indicators are higher than optimal values are.

By the end of the period analysed, own funds exceed borrowings.

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7 Annexes

Table 12 Bookkeeping balance sheet as of 31 December 2015 (RUR, billion)

Notes	Name of index	Code	As of 31 December 2015	As of 31 December 2014	As of 31 December 2013
	ASSETS				
	I. FIXED ASSETS				
	Intangible assets	1110	208	292	385
	including: Intangible assets of a company	11101	208	292	385
	Intangible asset acquisition	11102	-	-	-
	Results of research and development	1120	-	-	-
	including: Expenditures on scientific and research, experiment- constructive and technological works	11201	-	-	-
	Implementation of scientific and research, experiment- constructive and technological works	11202	-	-	-
	Intangible search assets	1130	-	-	-
	Tangible search assets	1140	-	-	-
	Fixed assets	1150	11354	14733	19706
	including: Fixed assets of a company	11501	11354	14733	19706
	Equipment for installation	11502	-	-	-
	Acquisition of land plots	11503	-	-	-
	Acquisition of environmental management objects	11504	-	-	-
	Construction of fixed assets objects	11505	-	-	-
	Acquisition of fixed assets objects	11506	-	-	-
	Income-bearing lease investments	1160	9212	11966	15312
	Financial investments	1170	4685	4680	90
	Deferred tax assets	1180	263	148	131
	Other fixed assets	1190	-	-	-
	including: Transfer of young stock into main herd	11901	-	-	-

	Purchase of mature animals	11902	-	-	-
	Total Section I	1100	25723	31819	35624
	II. CURRENT ASSETS				
	Stock	1210	9116	8745	9398
	including:				
	Materials	12101	2400	2144	2145
	Manufacturing defects	12102	-	-	-
	Goods delivered	12103	146	151	126
	Goods	12104	6570	6450	7127
	Manufactured goods	12105	-	-	-
	Book selling expenses	12106	-	-	-
	Primary production	12107	-	-	-
	Semi-finished products of own production	12108	-	-	-
	Auxiliary department	12109	-	-	-
	Service sector	12110	-	-	-
	Value-added tax on purchased goods	1220	6	12	4
	including:				
	VAT on purchased fixed assets	12201	3	3	-
	VAT on purchased intangible assets	12202	-	-	-
	VAT on purchased inventories	12203	4	9	4
	Accounts receivable	1230	5376	6546	5938
	including:				
	Settlements with suppliers and contractors	12301	236	390	52
	Settlements with buyers and customers	12302	2187	2666	3731
	Settlements on taxes and levies	12303	-	-	-
	Settlements on social insurance and security	12304	-	10	38
	Settlements with reporting entities	12305	-	5	1
	Settlements with employees on other transactions	12306	-	-	-
	Settlements of contributions to the authorized (share) capital	12307	-	-	-
	Settlements with different debtors and creditors	12308	2953	3475	2115
	Fulfilled stages of uncompleted works	12309	-	-	-
	Reserves for future	12310	-	-	-

	expenses				
	Financial investment (except for money equivalent)	1240	50000	20000	10000
	including:				
	Shares	12401	-	-	-
	Debt securities	12402	-	-	-
	Granting loans	12403	-	-	-
	Contribution under partnership agreement	12404	-	-	-
	Acquired rights under rendering of financial services	12405	-	-	-
	Deposit accounts	12406	50000	20000	10000
	Deposit accounts (in foreign currency)	12407	-	-	-
	Cash assets and money equivalents	1250	29802	43310	25978
	including:				
	Cash office	12501	-	-	-
	Operational cash office	12502	-	-	-
	Company's cash office (in foreign currency)	12503	-	-	-
	Settlement accounts	12504	29802	43310	25978
	Foreign currency accounts	12505	-	-	-
	Letters of credit	12506	-	-	-
	Cheque books	12507	-	-	-
	Other special accounts	12508	-	-	-
	Letters of credit (in foreign currency)	12509	-	-	-
	Other special accounts (in foreign currency)	12510	-	-	-
	Transfers in transit	12511	-	-	-
	Other current assets	1260	7211	7424	9528
	including:				
	Excise duties on paid tangible assets	12601	-	-	-
	Financial documents	12602	-	-	-
	Financial documents (in foreign currency)	12603	-	-	-
	VAT on advances and overpayments	12604	-	-	152
	Expenditures of future periods	12605	7211	7424	9376
	Deficiencies and losses resulting from spoilage of values	12606	-	-	-
	Total Section II	1200	101512	86037	60846
	BALANCE	1600	127235	117856	96470

Notes	Name of index	Code	As of 31 December 2015	As of 31 December 2014	As of 31 December 2013
	LIABILITIES				
	III. CAPITAL AND RESERVES				
	Authorised capital (reserve capital, statutory fund, investments of friends)	1310	65700	1000	1000
	Treasury shares	1320	-	-	-
	Re-assessment of fixed assets	1340	-	-	-
	Additional capital (without re-assessment)	1350	-	-	-
	Reserve capital	1360	435	149	149
	including: Reserves, formed according to legislation	13601	435	149	149
	Reserves, formed according to constituent documents	13602	-	-	-
	Undistributed profits (accumulated loss)	1370	21434	14207	8486
	Total Section III	1300	87569	15356	9635
	IV. LONG-TERM LIABILITIES				
	Borrowed funds	1410	-	-	-
	including: Long-term credits	14101	-	-	-
	Long-term loans	14102	-	-	-
	Long-term credits (in foreign currency)	14103	-	-	-
	Long-term loans (in foreign currency)	14104	-	-	-
	Deferred tax liabilities	1420	172	597	906
	Estimated liabilities	1430	-	-	-
	Other liabilities	1450	-	-	-
	Total Section IV	1400	172	597	906
	V. SHORT-TERM LIABILITIES				
	Borrowed funds	1510	-	-	-
	including: Short-term credits	15101	-	-	-
	Short-term loans	15102	-	-	-
	Short-term credit interests	15103	-	-	-
	Long-term credit interests	15104	-	-	-
	Short-term loan interests	15105	-	-	-
	Long-term loan interests	15106	-	-	-
	Short-term credits (in foreign currency)	15107	-	-	-
	Short-term loans (in foreign currency)	15108	-	-	-

	Short-term credit interests (in foreign currency)	15109	-	-	-
	Long-term credit interests (in foreign currency)	15110	-	-	-
	Short-term loan interests (in foreign currency)	15111	-	-	-
	Long-term loan interests (in foreign currency)	15112	-	-	-
	Accounts payable	1520	38189	101172	85274
	including: Settlements with suppliers and contractors	15201	13995	15293	64949
	Settlements with buyers and customers	15202	4	5	1012
	Settlements on taxes and levies	15203	906	1275	1285
	Settlements on social insurance and security	15204	-	2	-
	Remuneration settlements with employees	15205	3	-	-
	Settlements with reporting entities	15206	3	15	10
	Accounts payable on the income payment	15207	-	-	-
	Settlements with different debtors and creditors	15208	23278	84582	18018
	Deferred incomes	1530	-	-	-
	including: Target financing	15301	-	-	-
	Revenues for commitments for future years	15302	-	-	-
	Uncompensated receipts	15303	-	-	-
	Accounts receivable on shortages in respect of previous years	15304	-	-	-
	Estimated liabilities	1540	1305	731	656
	Other liabilities	1550	-	-	-
	Total Section V	1500	39494	101903	85930
	BALANCE	1700	127235	117856	96470

Statement of Financial Performance
from 1 January to 31 December 2015 (RUR, billion)

Notes	Name of index	Code	January - December 2015	January - December 2014
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	Revenues	2110	59203	36650
	including: activity with principal system of taxation	21101	59203	36650
	selected activities (unified tax on imputed income)	21102	-	-
	Cost of sales	2120	(305)	(679)
	including: activity with principal system of taxation	21201	(305)	(679)
	selected activities (unified tax on imputed income)	21202	-	-
	Gross profit (loss)	2100	58898	35971
	including: activity with principal system of taxation	21001	58898	35971
	selected activities (unified tax on imputed income)	21002	-	-
	Business expenses	2210	-	-
	including: activity with principal system of taxation	22101	-	-
	selected activities (unified tax on imputed income)	22102	-	-
	Management expenses	2220	(53108)	(29294)
	including: activity with principal system of taxation	22201	(53108)	(29294)
	selected activities (unified tax on imputed income)	22202	-	-
	Sales profit (loss)	2200	5790	6677
	including: activity with principal system of taxation	22001	5790	6677
	selected activities (unified tax on imputed income)	22002	-	-
	Income from investments in other companies	2310	-	-
	including: Participation interest in foreign organization	23101	-	-
	Participation interest in Russian organization	23102	-	-
	Interest receivable	2320	-	-
	including: Interest receivable	23201	-	-
	Interests on state securities	23202	-	-
	Interests on state securities at the rate of 0%	23203	-	-
	Interest payable	2330	-	-
	including: Interest payable	23301	-	-
	Other incomes	2340	4378	1391
	including: Income from sale of tangible assets	23401	48	-

	Income from sale of intangible assets	23402	-	-
	Income from sale of other property	23403	-	-
	Income from sale of rights through implementation of financial services	23404	-	-
	Income from transactions with financial instruments of forward-type transactions in the organized security market	23405	-	-
	Income from entrusted assets	23406	-	-
	Income in the form of replenished reserves	23407	-	-
	Other operational incomes	23408	3949	1072
	Penalties, fines, stipulated damages receivable	23409	-	-
	Income from previous years	23410	-	-
	Indemnity for losses receivable	23411	-	-
	Difference in rate of exchange	23412	-	-
	Income as written-off accounts payable	23413	-	-
	Incomes from re-assessment of fixed assets	23414	-	-
	Other extraordinary revenues	23415	381	319
	Other Costs	2350	(775)	(790)
	including:			
	Expenditures incidental to participation in Russian companies	23501	-	-
	Expenditures incidental to participation in foreign companies	23502	-	-
	Expenditures incidental to sale of fixed assets	23503	(581)	-
	Expenditures incidental to sale of intangible assets	23504	-	(10)
	Expenditures incidental to sale of other property	23505	-	-
	Expenditures incidental to right of demand of implementation of financial services	23506	-	-
	Expenditures incidental to transactions with financial instruments of forward-type transactions in the organized security market	23507	-	-
	Expenditures incidental to lease of property (sublease)	23508	-	-
	Assessed reserves deductions	23509	-	-
	Bank service expenses	23510	-	-
	Other operating expenses	23511	(194)	(780)
	Penalties, fines, stipulated damages receivable	23512	-	-
	Losses of past years	23513	-	-

	Exchange differences	23514	-	-
	Expenditures as written-off accounts receivable	23515	-	-
	Other extraordinary charges	23516	-	-
	Other indirect costs	23517	-	-
	Profit (loss) before tax	2300	9393	7278
	including: activity with principal system of taxation	23001	9393	7278
	selected activities (unified tax on imputed income)	23002	-	-
	Current income tax	2410	(2420)	(1782)
	including: standing tax liabilities (assets)	2421	-	-
	Change of deferred tax liabilities	2430	425	309
	Change of deferred tax assets	2450	115	17
	Others	2460	-	(101)
	including: Taxes paid with regard to use of special tax regulations	24601	-	(101)
	Penalty provisions and fines for violation of tax and other legislation	24602	-	-
	Net profit (loss)	2400	7513	5721

Notes	Name of index	Code	January - December 2015	January - December 2014
	Result from re-assessment of fixed assets, which is not included into net profit (loss) for a period	2510	-	-
	Result from different transactions which is not included into net profit (loss) for a period	2520	-	-
	aggregate financial result for a period	2500	7513	5721
	Reference basic earnings (loss) per share	2900	-	-
	Diluted earnings (loss) per share	2910	-	-