

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

**Economic Analysis of Czech Federation of Bobsled and
Skeleton**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Jan Šindelář

Business Administration

Thesis title

Economic analysis of Czech Federation of Bobsled and Skeleton

Objectives of thesis

Thesis creates a view of the method of financing sports association in the Czech Republic. Specifically, in this case Czech Federation of Bobsleigh and Skeleton. The goal of thesis is to create a financial analysis of state federation and try to make a view of financing sport in the Czech Republic.

Methodology

The bachelor thesis is divided into theoretical and practical parts. The first part explains terms sport, sport in economy, sport like an economic good, structure of financing of sport in the Czech Republic and history of bobsleigh all over the world and then in the Czech Republic. The practical part of the thesis deals with financial analysis of Czech Federation of Bobsleigh and Skeleton.

Methodology used in both parts include description method and my own survey in federation. Methods used in financial analysis are vertical analysis, horizontal analysis, liquidity ratios and analysis of ratio indicators.

The proposed extent of the thesis

40 pages

Keywords

Financial analysis, government grant, sport, Czech Federation of Bobsled and Skeleton

Recommended information sources

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Declaration

I declare that I have worked on my bachelor thesis titled "Economic Analysis of Czech Federation of Bobsled and Skeleton" 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 14.3.2017

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Author: Jan Šindelář

Finanční analýza Českého svazu bobistů a skeletonistů

Souhrn

Cílem této bakalářské práce je posouzení finanční situace Českého svazu bobistů a skeletonistů, z.s za období 2012 až 2016. Práce je rozdělena na teoretickou a praktickou část. Teoretická část práce se zabývá pojmem sport v obecné rovině, jeho základním rozdělením, pojmem sport ve společnosti, sportem ve spojení s ekonomikou, sportem z pohledu ekonomického statku, stručným souhrnem systému financování sportu v České republice, teoretickým výkladem metod použitých v práci a poté historií bobového sportu ve světě a u nás. V praktické části je prezentován Český svaz bobistů a skeletonistů a poté jsou aplikovány jednotlivé ukazatele hodnocení finanční situace. V práci jsou využity metody horizontální a vertikální analýzy a poměrové ukazatele. V závěru bakalářské práce je uvedeno konečné hodnocení finanční situace svazu.

Klíčová slova: finanční analýza, rozvaha, vertikální analýza, horizontální analýza, poměrové ukazatele, likvidita, zadluženost, Český svaz bobistů a skeletonistů, sport

Economic analysis of Czech Federation of Bobsled and Skeleton

Summary

The main aim of the thesis is the analysis of the Czech Federation of Bobsled and Skeleton financial situation from 2012 to 2016. The thesis is divided into literature review and analytical part. The literature review deals with sport in general and its main division; explains the meaning of sport in society; describes the relationship between sport and economy; characterizes sport as economic goods; explains the methods used in the thesis; gives a brief summary of the system of sport financing in the Czech Republic. The author also mentions the history of bobsled sport abroad and in our country. The Czech Federation of Bobsled and Skeleton is introduced on the first pages of the analytical part. The rest of the analytical part is devoted to the particular indicators of financial situation. The methods of horizontal and vertical analyses as well as ratio indicators are used in the thesis. The final evaluation of the federation financial situation is in the conclusion of the thesis.

Keywords: financial analysis, balance sheet, vertical analysis, horizontal analysis, ratio indicators, liquidity, indebtedness, Czech Federation of Bobsled and Skeleton, sport.

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1 Introduction

Financial analysis is one of the strongest means how to determine the financial situation of a particular company. Its results are used by company's management and owners to find out what the financial situation is. They also help to define specific steps which should the management and owners take to maximize the company's efficiency. There are several formulas for financial analysis calculation depending on particular resources. Also recommended values differ very often. However, the principle of financial analysis remains the same; to find out results with corresponding value.

Relevant and complex data are the most important issues for financial analysis. The most essential source of data is a balance sheet for a specific company for specific time period. Other significant sources of information are profit and loss statements, cash-flow, attachments to financial statements. Company's webpages and official statements can be also used for acquiring information.

The author chose the Czech Federation of Bobsled and Skeleton for financial analysis. The financial analysis covers years 2012 – 2016. This topic was chosen because the author is personally involved in the federation as an active athlete. The Czech Federation of Bobsled and Skeleton is the only Czech federation authorized to represent Czech bobsled and skeleton sport at international races organized by the International Bobsleigh and Skeleton Federation.

2 Objectives and Methodology

2.1 Objectives

The main aim of the bachelor thesis is to formulate the financial analysis of the Czech Federation of Bobsled and Skeleton and to find out its financial situation between 2012 – 2016.

The literature review describes sport from several points of view. It also serves as the theoretical background for the analytical part. The author tries analysing sport from economic perspective and the relationship between sport and the GDP of EU member states. Total percentage of sport expenses are compared with GDP as well as sport expenses per inhabitant. Sport from the point of view of economical goods is discussed. The system of obtaining state financial support is described. There is also a brief summary of the history of bobsled sport abroad and in the Czech Republic. An essential part of the literature review is the theoretical explanation of financial analysis methods used in the analytical part of the bachelor thesis. The aim of the analytical part is the formulation of the federation financial analysis using several analytical methods.

2.2 Methodology

The bachelor thesis is divided into literature review and analytical part. All data and information are obtained from books and Internet sources. Methods as synthesis, deduction and extraction are used in the first part of the bachelor thesis. Quantitative analysis characterizes the analytical part. Following methods are applied: vertical analysis, horizontal analysis, analysis of ratio indicators, numerical analysis of data. All necessary data for financial analysis were taken from the federation balance sheets from 2012 to 2016. The processed data of particular items are put into well-arranged tables and graphs with appropriate explanation and comments.

3 Literature Review

3.1 What is sport?

The most precise explanation of the term sport is offered by the European Sport Charter from 2001.

“Sport means all forms of physical activity which, through casual or organized participation, aim at expressing or improving physical fitness and mental well-being, forming social relationships or obtaining results in competition at all levels.” (European Sport Charter, 2001)

Sport is a great way to keep fit and to get our bodies into a better shape. Regular physical activities can prevent from many health problems, overweight and obesity. Therefore doing sport can save state health expenses. (Hobza, Rektořík, 2006)

Sport can be divided into 3 main categories:

Recreational sport – the aim is not to beat sport records but to improve man’s physical shape and to reduce stress. It is also a popular free time activity.

Performance sport – these sportsmen concentrate on beating records. They train and participate in competitions regularly.

Elite sport – similar to performance sport. Sportsmen compete at the top level (World Championships, World Cups, Olympic Games,...).

3.2 Meaning of sport in society

The social and economical importance of sport has been on the rise. It is a phenomenon which helps to develop society in a significant way. In EU countries a high percentage of population is involved in sport. Approximately 20% of sportsmen are sport club members. Even bigger part of population does non-organized sport. This fact has influenced the attitude of the deciding EU institutions for last 10 years. (Český olympijský výbor, Ministerstvo školství mládeže a tělovýchovy, 2009)

- Social integration, equal opportunities
- Health and standard of living improvement
- Vacation, physical strength recovery
- Education
- State representation
- Fitness
- International contacts and peace support

3.3 Sport in economy

„It is an important part of the national economy, contributing significantly in terms of spending, economic activity (measured using Gross Value Added) and employment. For those who participate there are health and well-being (or happiness) impacts. Sport makes a huge contribution to the lives of individuals, to the economy and to society.” (Sport England, 2013)

Sport in general can be understood as one area of economy. Sport is capable of economic profit and loss. Nowadays, most of the professional clubs and players are legal entities. New work positions are created thanks to sport and this way it influences Gross Domestic Product (GDP). Therefore it is possible to talk about its relation to economy; this relation works vice versa. For example, sport increases GDP and, on the other hand, economy creates conditions for the existence of sport itself. Sport represents a dynamic and fast-growing economic unit. It can be used as a tool for local and regional development and towns renewal. It is evident from recent studies and state budget analysis. It is important to keep in mind that big sports events are usually of high profit. On the other hand, the expenses caused by physical inactivity including the aging of the population are also high. (Český olympijský výbor, Ministerstvo školství mládeže a tělovýchovy, 2009)

There are direct and indirect relations which connect sport with economy. The relations work in both ways; the economy creates suitable conditions for sport development and sport helps to develop national economy.

- Organizing sport events
- Construction of sport facilities
- Production of sports facilities equipment and tools
- Trading with sports goods
- Services
- Transport of sportsmen and spectators
- Tourist industry – sport tourism
- Modernizing of infrastructure related to sport
- Media sphere

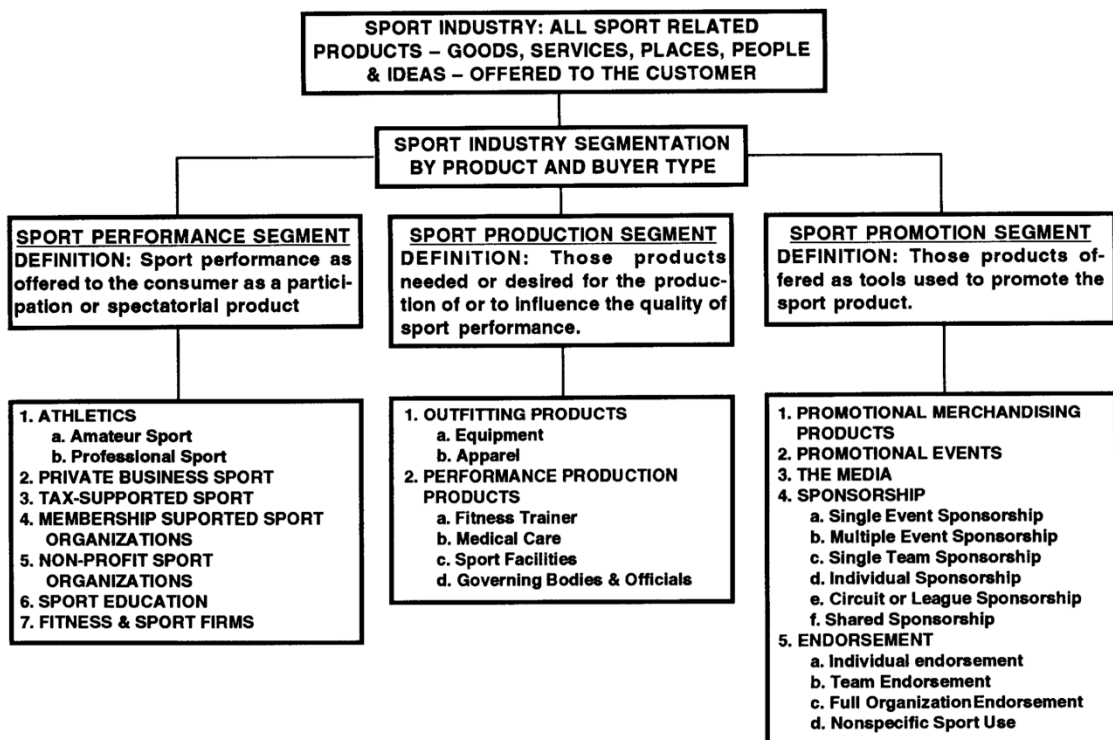
(Český olympijský výbor, Ministerstvo školství mládeže a tělovýchovy, 2009)

According to the White Paper on Sport, sport contributes to GDP with 3,7% and approximately 5,4% of labour force is employed in sport sphere. (European Commission, 2007)

The relationship between sport and economy is well explained in the following chart. It is so-called Segment model (coursehero.com, 2018). This model describes the range of sport in economy in the following segments:

- Sport performance segment
- Sport production segment
- Sport promotion segment

Picture 1 Segment model



Source: coursehero.com, 2018

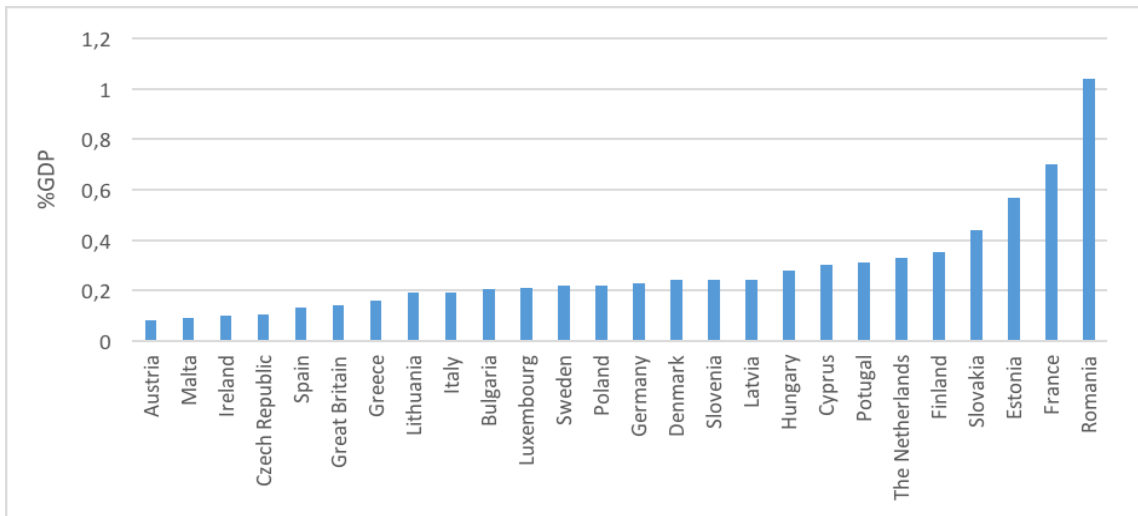
3.4 Sport GDP

As already described above, sport is an essential part of a state GDP. The GDP in sport in the Czech Republic reaches 1,5 – 2% of the whole GDP.

The graph below shows expenses on sport related to the GDP of selected countries. The data are from the year 2008. The Czech Republic belongs to four states with the lowest expenses on sport. On the other hand, Romania, a country with one of the lowest employment in sport, spends on sport the biggest amount of money from all EU countries.

(Český olympijský výbor, Ministerstvo školství mládeže a tělovýchovy, 2009)

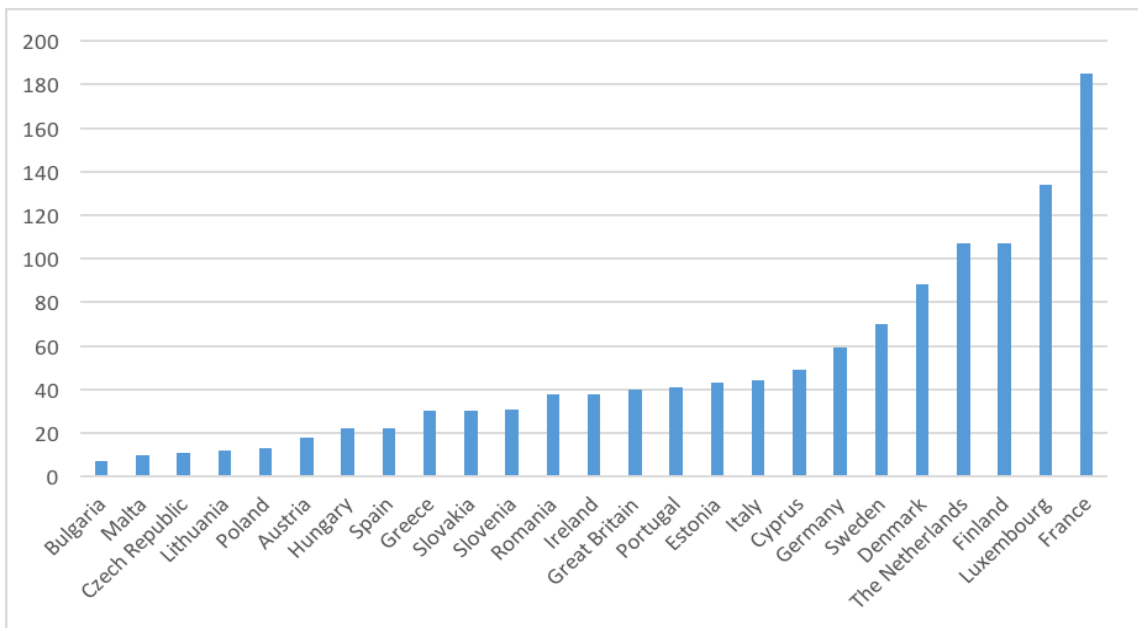
Graph 1 Expenses on sport related to the GDP in states EU



Source: OECD, own data processing

The graph below shows expenses on sport in euros related to population in states of European Union. The Czech Republic is on the left side of graph as in graph which shows expenses on sport related to the GDP. We are among Bulgaria, Malta or Latvia and Lithuania. None of these countries can be compared to us as far as the success of its sportsmen at top sports events throughout various sports disciplines.

Graph 2 Expenses on sport in euros related to population in states EU

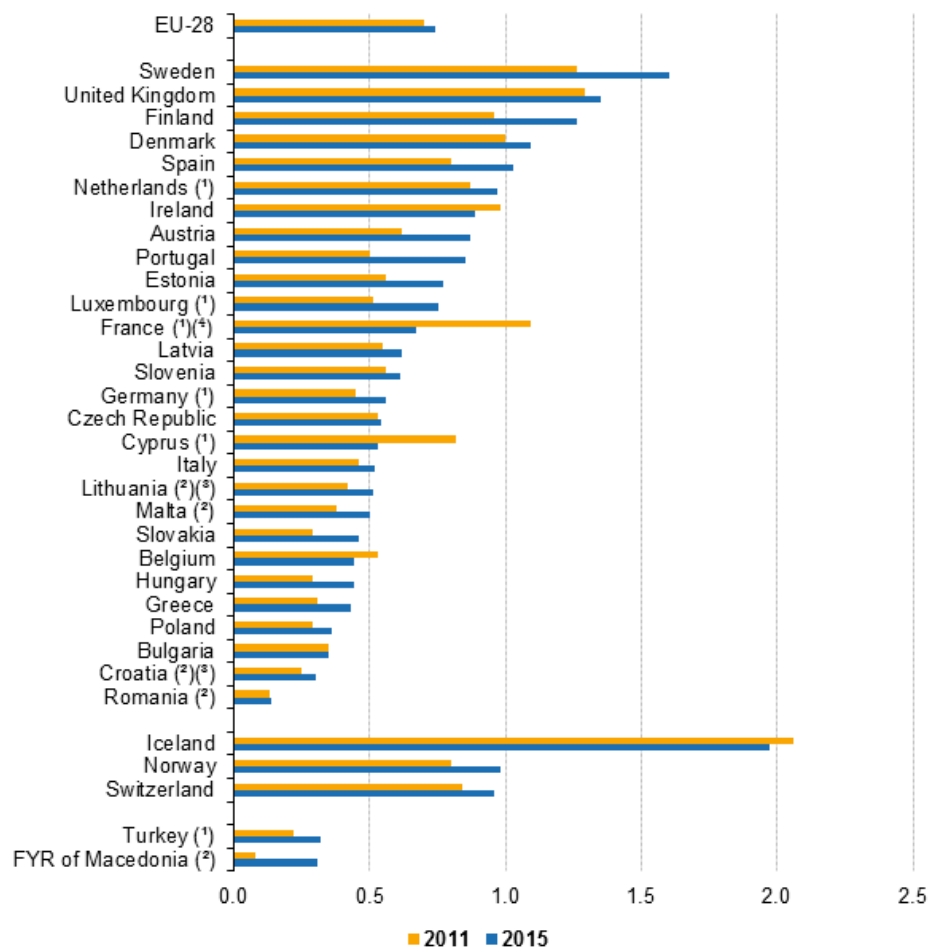


Source: OECD, own data processing

3.5 Employment in sport

Sport has grown significantly recently; mainly its power and volume. The graph below shows the proportion of population employed in sport compared to the whole in selected countries. Romania with 0,1% is at the graph's bottom; Sweden (1,6%) and Iceland (2,1%) are at its top. The Czech Republic (appr. 0,5%) is in the lower half of the statistics.

Graph 3: Population employment in sport in comparison with the whole employment in country



(*) 2011–2015: break in time series.

(?) Low reliability for 2011.

(*) Low reliability for 2015.

(†) 2011–2013: excluding overseas departments and territories.

Source: eurostat.com, 2018

3.6 Sport as an economic good

The term good is an essential economic category and its roots go back to neoclassical economy. It can take a form of a physical good or a service. A good is characterized by the ability to bring benefits and to satisfy someones needs. Sport itself is of non-material origin, it consists of a lot of various activities, which can be realized out by fulfilment of certain material conditions. (Hobza, Rektořík a kol., 2006)

Novotný (2011) believes that products of sport are non-material activities. However, in order to create these products, material support is necessary, eg.: sports specific equipment, sport fields,... From the above mentioned, it is obvious that the border between a public good and a private good is quite difficult to distinguish.

The elementary division of goods is into public and private ones. The main criterion for deciding whether a good is public or private, is its degree of excludability and consumption rivalry. A private good is characterized by high degree of excludability and rivalry consumption, on the other hand, a public good is characterized by low degree of excludability and non-rivalry consumption. Goods, which do not fulfil neither of these definitions, are called mixed goods. (Hobza, Rektořík, 2006)

The division of goods is described in the following table from (Jackson, Brown, 1994).

Table 1: Division of goods

	Degree of excludability	
	High	Low
	Private goods	Common goods
Rivalrous	Low cost of excludability	Used collectively, effect of overcrowding is possible
	Production through private sector	Can be produced by state or private sector
	Their production is financed from their sale	Financed from sale and public funds
	Provided through market	Provided in public and market ways
	Fitness, skiing, sports equipment	Public swimming pool, public ice-rings
Non-Rivalrous	Club goods	Public goods
	Private goods produced by private sector	High expenditures for excludability or impossibility of excludability
	Provided by market, price is influenced by collective taxation	Produced by state, provided by public funds
	Financed by their sale	Financed by tax revenue
	Sport spectator	Hiking, cross country skiing

Source: Jackson, Brown 1994

In sport we can find characteristics of all goods, public goods, common goods and private goods. All of them are discussed in the following paragraphs.

3.6.1 Sport as a public good

Sport functions under following circumstances:

- Non-exclusion consumption
- Non-rivalry
- Zero marginal cost for every other consumer

The above mentioned conditions can be fulfilled in the following way. Non-exclusion is ensured by free conditions for doing sport, e.g.: hiking, daily sport in public places or freeride skiing in nature. Non-rivalry consists of free admission for all members. The last condition, the zero marginal cost for every other consumer, is fulfilled in a situation when a growing number of sportsmen does not raise the expenses of sport facilities. The rule is that variable and fixed costs are the same for any number of sportsmen. (Hobza, Rektořík, 2006)

3.6.2 Sport as a common good

Non-exclusion from consumption is also a typical feature of this good. Examples are public swimming pools or public ice-rings. This good is used collectively, therefore the effect of overcrowding is possible, for example there are far more visitors at a swimming pool than its capacity. Divisibility of consumption is another typical feature of common good. The rule the higher the number of sportsmen is, the lower the quality of provided good, can be applied to a lot of sports. (Hobza, Rektořík, 2006)

3.6.3 Sport as a private good

The supply of sport in this category is strongly influenced by the law of demand and supply on the market. The supply is usually ensured by:

- Goods whose production public sector is not capable of
- Goods whose meaning from the social point of view is neutral
- Goods whose consumption is completely dependent on each consumer requests

(Hobza, Rektořík, 2006)

Public goods are usually free of charge. Common goods are very often financed from state or towns contributions. This way it is possible to regulate the consumption to certain extent. The supply and price of private goods is defined by the law of market only.

3.7 The structure of sport financing in the Czech Republic

According to the Study on the funding of grassroots sport in the EU, the structure of sport financing in the Czech Republic is unique thanks to its big number of sources. In the above mentioned study it is said that sport in the Czech Republic is financed from public sources to a small extent. Most of the funds come from private sources.

(Amnyos, 2013)

The financing of sport in the Czech Republic is provided by two main sources, public and private. Both sources are often combined and therefore such financing is called multisource financing. (Hodaň, Hobza, 2010)

Private sources, mainly household sources represent 57% of the whole amount of finance in sport. Then public sources follow. They can be divided into two types – central sources from the state budget and regional sources from the budget of towns and villages. Income taxes from Czech lottery companies represent an important part of financial contribution to sport.

Private companies usually contribute to sport in a form of sponsoring. Sport clubs and unions themselves contribute only in a small measure. (Český olympijský výbor, Ministerstvo školství mládeže a tělovýchovy, 2009)

3.7.1 Financing of sport from public sources

The Act of Parliament 115/2001 Sb. deals with the financing of sport from public sources. As already mentioned, the financing can be divided into two levels – central and regional. The main institution which divides finances is MŠMT (Ministry of Education, Youth and Sports) in cooperation with other state institutions. At the regional level, the division of finance is provided by countries and villages.

3.7.2 The central level

The Ministry of Education, Youth and Sports is the main institution which finances sport. It has participated in financing with 80% recently. Although the importance of the Ministry in the financing of sport increases every year, the amount of finance from the central level itself has been decreasing.

This tendency is described in the following table.

Table 2 Expenses on sport at the central level in the Czech Republic

Year	Ministry of the Interior of the Czech Republic	Ministry of Defence of the Czech Republic	Ministry of Education, Youth and Sports	Total expenses at the central level
2008	157	182	2605	4333
2009	220	165	2113	3466
2010	204	159	2059	2729
2011	192	167	2286	2985
2012	184	161	3129	3552
2013	213	164	3314	3820
2014	221	170	3416	3824
2015	192	171	2977	3340

Source: MFCR, own data processing, 2017

3.7.3 MŠMT – Ministry of Education, Youth and Sports

It is the main authority which redistributes finance from the state budget. It is done through state subsidy programs under set conditions. There are several state subsidy programs, each concentrates on different area of sport financing. (e.g.: sport unions activity, Czech representation activity, support of youth, support of disabled) These programs have been used since 2001. Until that time, no clear conditions and rules were set. (MŠMT, 2011)

According to the Hájek (2015) there are two main problems concerning financing sport from the public sources. However, underfinancing is not the key one. It is the fact that only 7% of the finance which is determined for sport support, reaches the „ordinary“ sport clubs and sportsmen, the rest (93%) is used for representation support.

3.7.4 Regional level

Non-grant policy is used at the regional level of sport financing. Grant policy is preferred for financing of non-state and non-profit organizations, whereas non-grant policy usually supports professional sport. (Transparency International, 2018)

The conception of sport state support makes an appeal to regional institutions in order to increase their financial support. It is believed that this way can increase the public interest in sport and the sport itself.

Countries, villages and towns must be more active when gaining interest of young generation in sport and sport activities, especially in regular sport activities. The founders of elementary and secondary school must be motivated to improve the quality of sport facilities at schools. They must also follow European trends and recommendations in educational programs. (MŠMT, 2011)

3.7.5 Financing from lottery companies

At present, the Act of Parliament 202/1990 Sb. on lottery and other similiar games, the Act of Parliament 227/1997 Sb on foundations and foundation funds, relating announcements of the Ministry of Finance determine the problematics of lottery. The financing of sport from lottery sources is based on the obligation of lottery companies to support organizations of public utility (sports, health, cultural,...)

The income rate tax 23% for lottery and odds betting operators has been determined by law since January 1st, 2016. This income rate tax can be reduced up to 25% of the amount that they donate to the Czech Olympic Commitee to support sports activities of children and youth. (olympic.cz, 2018)

Czech Olympic Commitee redistributes the finance to individual athletes and sports. However, the main object of the finance is the development and improvement of youth sport. The amount of finance gained from lottery companies has been on the rise recently. In 2014, the sum total was 443,6mil Kč, whereas in 2016 it was 659,4mil.Kč. (olympic.cz, 2018)

The following chart shows the income of the Czech Olympic Committee from lottery companies.

Table 3 Financing of sport from lottery companies

Company	2014	2016
Českomoravská loterijní a.s.	629 000 CZK	365 000 CZK
FORTUNA GAME a.s.	70 000 000 CZK	985 000 000 CZK
CHANCE a.s.	22 104 396 CZK	36 200 000 CZK
Loterie Korunka a.s.	6 636 481 CZK	9 670 000 CZK
MAXI-TIP a.s.	1 199 288 CZK	2 748 197 CZK
Sazka a.s.	203 276 410 CZK	308 800 000 CZK
SLOT Group a.s.	1 700 000 CZK	1 600 000 CZK
SYNOT TIP a.s.	6 000 000 CZK	7 000 000 CZK
Tipsport a.s.	29 573 257 CZK	25 400 000 CZK
Tipsport.net a.s.	99 524 026 CZK	172 700 000 CZK
Victoria Tip a.s.	2 947 638 CZK	2 416 736 CZK

Source: data from ČOV, own data processing, 2018

According to KPMG last analysis, this form of financing is highly beneficial. The finance is used to support sport activities of children and youth and this way their health is positively influenced. Then it also helps to develop and improve their principles of healthy life-style. It is important to mention the positive effect on children and youth confidence social cohesion and crime prevention as well. (Český olympijský výbor, Ministerstvo školství mládeže a tělovýchovy, 2009)

3.7.6 Other sources of financing

Incomes from several different sources belong to this category of sport financing. The income from household is usually in a form of membership fee. Sport clubs and organizations themselves run their own activities as well and this way they gain finance. Finance from advertising and private sponsorship play an important role in financing professional sport.

3.8 Characteristics of financial analysis

The definition of financial analysis differs from source to a source. According to Růčková, the most suitable definition is the systematic examination of acquired data, which are in a company's internal documents, especially in balance sheets. Financial analysis judges the company from the past and present. It also helps to predict the financial future of the company. Financial analysis covers a longer time period, by contrast, accounting which describes a specific time period only.

(Růčková, 2015)

According to Mrkvička and Kolář, the nature of financial analysis is the disclosure of weaknesses and strenghts of a company. Weaknesses which might cause problems and strenghts which the company should concentrate on in the future.

(Mrkvička, Kolář, 2013)

3.8.1 Target group of financial analysis

There is a great number of those who use the results of financial analysis. Therefore only the most significant ones will be discussed.

- Company owners
- A company management
- Banks
- Investors
- Creditors
- Subscribers

(Kubíčková, Jindřichovská, 2015)

3.8.2 Sources of information for financial analysis

Sources that are essential for financial analysis are as follows – balance sheet, profit and loss account, cash flow, attachments of financial statements. Annual report contains the basic characteristics of a company. Other information can be found in management reports, in company's statistics or on its web pages.

(Kubíčková, Jindřichovská, 2015)

3.8.2.1 Balance sheet

The elementary account sheet is the balance sheet. Its main function is the description of a company's financial situation at the end of a certain period; it is usually the previous calendar year. The form of the balance sheet is described in Act of Parliament 563/1991 Sb. Not only the last day of the period in question, but also the last day of the previous period about all items must be stated in the balance sheet.

(Kubíčková, Jindřichovská, 2015)

Balance sheet consists of several items.

- Assets
- Long-term assets
- Current assets
- Liabilities
- Own capital
- Foreign capital

3.8.2.2 Profit and loss account

Profit and loss account gives a summary about company's profit. It follows expenses and revenues through a certain period. Therefore the data always relate to a specific period and not to a specific date. The structure can be horizontal as well as vertical. The structure of profit and loss account is determined by law of accounting.

(Kubíčková, Jindřichovská, 2015)

3.8.2.3 Cash-flow

When analysing a balance sheet and a profit and loss account, a problem with non-identical time period occurs. The balance sheet describes a company's financial situation to a specific date, whereas the profit and loss account describes the financial situation through a specific period. There is a time and content discrepancy between revenues and incomes, expenses and expenditures, profit and state of financial means. Cash-flow statement solves this problem.

(Knápková, Pavelková, 2010)

3.8.2.4 Attachments of financial statements

Following information can be found in the attachments

- Detail information about a company
- Loans and credits
- Pricing methods and depreciation of assets

(Knápková, Pavelková, 2010)

3.8.3 Basic methods of financial analysis

This chapter deals with basic methods of financial analysis; they are applied in the practical part of the bachelor thesis.

These methods belong to the basic ones:

- Analysis of absolute indicators
- Analysis of flow indicators
- Analysis of differential indicators
- Analysis of ratios
- Analysis of sets of indicators
- Aggregate economic indicators

(Knápková, Pavelková, 2010)

3.8.3.1 Analysis of absolute indicators

3.8.3.1.1 Horizontal analysis

Horizontal analysis provides information about property and financial situation of a company as well as about all components it consists of. It informs about all changes and uses them for future evaluating.

(Kubíčková, Jindřichovská, 2015)

3.8.3.1.2 Vertical analysis

Vertical analysis deals with the volume of partial items of the total.

(Kubíčková, Jindřichovská, 2015)

3.8.3.2 Analysis of ratios

Analysis of ratios belongs to the basic implements of financial analysis. It describes the relationship between two items of a financial statement using their share. (Máče, 2006)

Following ratios are discussed in the bachelor thesis:

- Liquidity indicators
- Indebtedness indicators

3.8.3.2.1 Liquidity indicators

Liquidity is the ability of a company to pay off its obligations and whether and how assets can be changed into financial means.

(Kubíčková and Jindřichovská, 2015)

There are three types of liquidity:

- Current ratio
- Quick asset ratio
- Cash position ratio

3.8.3.2.1.1 Current ratio

Calculation: *active assets/short-term obligations*.

(Kubíčková and Jindřichovská, 2015)

Current ratio tells us how many times active assets cover short-term obligations. Sedláček recommends this indicator being higher than 1.5.

(Sedláček, 2011)

3.8.3.2.1.2 Quick asset ratio

Calculation: *active assets – inventories/short-term obligations*.

(Kubíčková and Jindřichovská, 2015)

The key difference from current ratio lies in the elimination of the influence of the least liquid part of assets – inventories. Higher values of indicators mean that a part of company's current assets depends on means with low or zero interest. Kolář suggests the values of indicators not being less than 1.0.

(Mrkvička, Kolář, 2013)

3.8.3.2.1.3 Cash position ratio

Calculation: *short-term current liquid assets/short-term obligations*.

(Kubíčková and Jindřichovská, 2015)

Only the most liquid items are included into cash position ratio. According to Knápková, the ideal values are between 0.2 – 0.5.

(Knápková, Pavelková, 2010)

3.8.3.2.2 Indebtedness indicators

3.8.3.2.2.1 Total indebtedness

Calculation: *foreign resources/total assets*.

(Knápková, Pavelková, 2010)

Knápková believes that total indebtedness should rate from 30% to 60%.

(Knápková, Pavelková, 2010)

3.8.3.2.2.2 Indebtedness rate

Calculation: *foreign assets/own equity capital*.

(Knápková, Pavelková, 2010)

Indebtedness rate indicates the share of foreign and own equity capital. This indicator is especially used by banks when deciding whether to give or not to give a credit to a company.

(Knápková, Pavelková, 2010)

3.9 The history of the bobsled around the world

“Bobsleigh is a winter sport invented by the Swiss in the late 1860s in which teams make timed runs down narrow, twisting, banked, iced tracks in a gravity-powered sled. The sport of bobsleigh didn't begin until the late 19th century when the Swiss attached two skeleton sleds together and added a steering mechanism to make a toboggan. A chassis was added to give protection to wealthy tourists.” (olympic.com, 2018)

3.9.1.1 Early years

The history of bobsled goes back to 1897 to St. Moritz where the first bobsled club in the world was founded. It led to a fast growth of this new sport in a lot of winter resorts in Europe. Within 20 years, bobsled races became very popular and a lot of natural ice courses were built.

At first, wood was used as the material for the racing sleds. However, it was soon replaced by steel sleds. Since then, the name bobsleds has been used. It is also thanks to the movement the crew of the bobsled was doing at the start.

The International Bobsleigh & Skeleton Federation (IBSF) was founded in 1923. A year later, in 1924, the first Winter Olympic Games in Chamonix, France, were held and a four-man race took place there. In 1932, at the Winter Olympic Games in Lake Placid, the USA, a two-man race was added. Since then, this format has been used.

Picture 2 Historic bobsled



Source: ibsf.org, 2018

In the early years this winter activity was spread mainly among the wealthy and adventurous. They met at Alpine resorts at weekends for competing and partying.

The bobsled sport as we know today shaped in the 1950s. Start was recognized as the most crucial part of the race. Therefore there was effort to attract strong and fast athletes from other sports to bobsledding. There was a demand for gymnasts, handballers and track and field competitors.

3.9.1.2 Mid nineties

Modern technologies and materials have influenced the world of bobsled since the 1990s. Most tracks are artificial; high-tech sleds are made of fiberglass and steel. Top teams also train all year-round.

A new exciting form of competing appeared in the mid-1980s. It was the World Cup Series. Until then, bobsledders competed at the Olympic Games, World and European Championships only. The World Cup brought excitement to the sport. The World Cup takes place at different tracks through the season.

Germany and especially Switzerland have been the most successful bobsledding nations so far.

No other country than Switzerland has won more medals at the World Cup Series, World and European Championships and the Olympic Games.

The German Democratic Republic entered the world of bobsled in the mid-1970s and it immediately became the major power. It put emphasis on construction and design of the sleds. Since the reunification in 1990, the German bobsledders have remained successful and impressive competitors who have won a great number of medals at the Olympic Games and World Championship titles.

Although bobsled was born in the Alpine countries, nowadays, there are a lot of countries where it is operated, e.g. in Canada, the USA, Russia, the Great Britain, Australia etc.

3.9.1.3 Recent history

Another turning point in the bobsled sport was the debut of women bobsledders in European and North American Cups in the early 1990s. Women's bobsled as well as women's and men's skeleton were added as full medal sports for the Olympic Winter Games in Salt Lake City, the USA, in 2002, by the International Olympic Committee in 1999.

An important decision concerning the construction of bobsleds was made at the Congress in Lake Placid in 1983. The Technical Committee was asked to propose regulations in order to standardize the construction of the bobsled frames. The purpose was to limit the costs of it. The Committee was also asked to present the proposal at the next Congress in Calgary in 1984 for the final approval.

This happened since the Congress did not have any objections. Since then the construction of the frame has been standardized.

Another Congress was held in Leipzig, Germany, in 2003. The Sport Department submitted an important report about the runners and their costs. A conclusion, that it was difficult to control all the runners before a competition, was made. The high costs of this could not be omitted as well.

The proposal of the IBSF Executive Committee was approved by the Congress. It meant that all the runners for bobsleds and skeleton sleds had to be manufactured with a standard steel, which was delivered by the IBSF. This way made the runners cheaper. It became also easier for material controllers to find out not allowed processes of the runners treatment.

This exciting sport has been on the rise. New challenging tracks have been built. For example, a new combined track was opened in 2000 in Lake Placid, which is a traditional site for bobsled competitions. New tracks and facilities were also opened for the Olympic Games in Italy, 2006, and Vancouver/Whistler in Canada, 2010. The Olympic Games in 2014 were successfully hosted by the Sliding Center "Sanki" in Sochi, Russia. A new track in PyeongChang, South Korea, will be the place of the sliding competitions of the Olympic Games in 2018. (ibsf.org, 2018)

3.10 The history of the bobsled in the Czech Republic

Bobsled was run mainly by Germans until 1945. That was caused by the fact that most of the tracks were located in the then Sudets (in towns Aš, Mariánské Lázně, Dubí in Krušné Mountains, Jablonec upon Nisa). The construction of the first bobsled tracks goes back to 1905 – 1922. It is interesting to mention that one track was also constructed in Slovakia, Tatranská Lomnica, at the end of the 19th century. It belongs to the oldest tracks in the world.

Bobsled clubs were founded in the following towns: Aš, Mariánské Lázně, Teplice, Tatranská Lomnica, Sokolov, Trnava by Teplice. The clubs were organized by the Czech ski federation. The dynamic after-war development of the Czech bobsled reached its peak in the World Championships in St.Moritz, 1947. Czech bobsledders from towns Mariánské Lázně and Teplice participated in this first abroad race ever. However, no expenses were paid to them.

The first Winter Olympic Games, the Czech bobsledders took part in, were held in St. Moritz in 1948. Ippen and Novotný finished in 14th place in 2-man race as well as in 4-man race together with Zajíček and Šipajlo one week later. An enormous interest led to the foundation

of the Czech Bobsled Championships; for the first time organized by the Teplice bobsledders in Dubí in the Krušné Mountains in 1951. These championships were very popular; participation in both 2-man and 4-man race counted in dozens.

Until 1989 bobsled was considered a bourgeois sport for wealthy men only, which did not correspond to the ideal socialistic sportsman. All sports were divided into categories; bobsled belonged to the fourth one, which meant no state support at all. No publicity was allowed. Only several enthusiasts competed, however, without a systematic training it was a tough task. They participated in a few abroad races every year. Therefore the author would like to appreciate the participation of Jiří Paulát and Václav Sůva at Winter Olympic Games in Innsbruck in 1976. They finished in 17th place in 2-man race.

Considerable changes influenced bobsled after 1989. The Czech bobsledders started to be able to compete with foreign competitors. Winter Olympic Games in Lillehammer in 1994 represent the top event from the author's point of view. Jiří Džmura and Pavel Polomský finished in 7th place in 2-man race; 10th in 4-man race (Džmura, Puškár, Polomský, Kobián). Pavel Puškár and Jan Kobián were in 8th place in Nagano, 1998.

The biggest success of Czech bobsled goes back to 2007. Ivo Danilevič and Roman Gomola became European Champions in Cortina d'Ampezzo. The World Championships in 2008 meant another great success for the Czechs. Ivo Danilevič and Jan Stokláska finished in 6th place.

Picture 3 Danilevič/Stokláška at WCH 2008



Source: bobteam.cz, 2018

From the recent past, the author would like to mention the wonderful 3rd place of Dominik Dvořák and Jan Šindelář at Junior World Championships in 2017. (bobteam.cz, 2018)

4 Analytical Part

The first paragraphs of the analytic part introduce the federation including the basic data. Then the analysis of absolute indicators is described – horizontal and vertical analyses of assets and liabilities. General summary, recommendations and conclusion can be found in the last part. The financial analysis covers years 2012-2016, therefore it is done according to the financial statements which were valid at that time.

4.1 The introduction of the federation

The Czech Federation of Bobsled and Skeleton (see ČSBS) was founded on May 5th, 1990. It is a voluntary federation of clubs, sole traders and others, whose interest and scope of activities are bobsled and skeleton sport. ČSBS is the only authorized subject on behalf of International Bobsleigh and Skeleton (see IBSF) which is allowed to organize and ensures running of the bobsled and skeleton sport in the Czech Republic.

The main task, purpose and activity of ČSBS is organizing of bobsled and skeleton sport in the Czech Republic. ČSBS should also create convenient conditions for its running and development. It presents Czech bobsled and skeleton abroad. The last but not the least function of ČSBS is creation material and training conditions for the above mentioned activities.

ČSBS is allowed to run secondary economic activities, i.e. business or other gainful employment. Nevertheless, its goal is the support of the main federation activities – organizing and development of bobsled and skeleton in the Czech Republic, and economical usage of federation property.

The profit from the gainful employment can be used only for the federation activities including the management of ČSBS. (ČSBS annual report, 2016)

Picture 4: Logo of the federation



Source: bobteam.cz, 2018

4.2 Analysis of absolute indicators

Analysis of absolute indicators consists of horizontal and vertical analyses. All results are in charts and graphs.

4.2.1 Horizontal analysis

Horizontal analysis is divided into two parts. The first part deals with horizontal analysis of assets and the other one deals with the horizontal analysis of liabilities. The main goal of this paragraph is to find out the development of particular items of assets and liabilities during 2012 – 2016.

4.2.1.1 Horizontal analysis of assets

This part shows the percentage change of particular items of assets during 2012 – 2016. Graph 4 describes the development of assets in thousands (CZK) in the observed period.

Table 4 Horizontal analysis of assets (in thousands CZK)

	2012	2013	2014	2015	2016
Assets	6550	5112	5745	6005	5622
Long-term assets	4894	4227	4755	4555	4355
Short-term assets	1656	885	990	1450	1267
Short-term financial assets	1147	299	865	1056	698
Receivables	235	585	40	380	528

Source: CSBS, own data processing, 2018

Table 4 describes the development of items of assets which reached the highest values in the observed period.

The highest value of assets during the observed period was in 2012. Their value was 6550 thousand CZK. However, in the following year there was a strong decrease to 5112 thousand

CZK. This was also the minimum value of assets in the observed period. This decrease was caused by decrease of short-term assets and short-term financial assets.

The values of long-term assets are quite stable; they run from 4355 to 4894 thousand CZK. The year 2013 was an exception with only 4227 thousand CZK.

On the other hand, the values of short-term financial assets change every year, they run from 299 to 1147 thousand CZK.

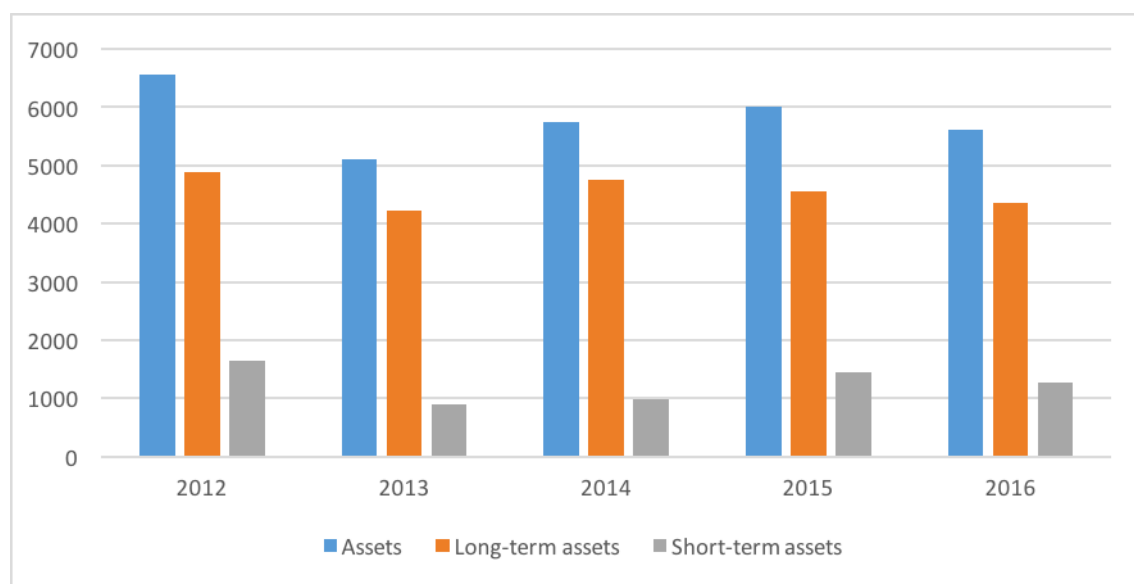
Table 5 Horizontal analysis of assets (percentage)

	2012/2013	2013/2014	2014/2015	2015/2016
Assets	-21,95%	12,38%	4,52%	-6,38%
Long-term assets	-13,63%	12,49%	-4,21%	-4,39%
Long-term intangible assets	0,00%	0	0%	0%
Fixed tangible assets	-7,17%	7,33%	-2,65%	0,00%
Short-term assets	-46,56%	11,86%	46,46%	-12,62%
Receivables	148,94%	-93,16%	850%	38,95%
Other receivables	159,02%	-92,47%	782,50%	-49,58%

Source: CSBS, own data processing, 2018

From the Table 5 it is clear that none of the items of assets had only increasing or decreasing tendency. The highest year-on-year change was reached by the item receivables in general. There was an increase of 850% between 2014 – 2015. This item also reached the highest negative change of 93,16% between 2013 – 2014. The fixed tangible assets seem to be the most stable ones. Its year-on-year changes run from -7,17% to 7,33%. There were even no changes between 2015 – 2016.

Graph 4 Horizontal analysis of assets (in thousands CZK)



Source: CSBS, own data processing, 2018

The value of long-term assets was between 4227 – 4894 thousand CZK through the whole observed period, therefore it is considered stable. The highest year-on-year change was between 2012 – 2013. It decreased from 4894 thousand CZK in 2012 to 4227 thousand CZK in 2013 (-13,62%).

On the other hand, the short-term assets reached the highest fluctuations of values during the period in question. The biggest year-on-year difference was between years 2012 – 2013; it decreased from 1656 to 885 (-46,55%).

It is obvious from the graph that assets were at maximum in 2012 – 6550 thousand CZK; followed by a deep decrease to 5112 thousand CZK. We can notice another increase between 2013 – 2015. In 2016 there was another decrease. The decrease between 2012 – 2013 was mainly caused by the decrease of short-term and long-term assets. Year-on-year differences of the indicators of question were at maximum between 2012 – 2013. It was a considerable decrease in tens of percent.

4.2.1.2 Horizontal analysis of liabilities

Horizontal analysis of liabilities describes the percentage changes of particular items of liabilities between 2012 – 2016. Table 6 shows the development of selected items of liabilities in thousands CZK.

Table 6 Horizontal analysis of liabilities (in thousands CZK)

	2012	2013	2014	2015	2016
Liabilities	6550	5112	5745	6005	5622
Net assets	5507	5077	4778	5254	5565
Foreign sources	874	785	406	355	186
Short-term payables	768	504	389	285	186

Source: CSBS, own data processing, 2018

In this table we can see a survey of liabilities, which had the highest value between 2012 – 2016. The liabilities were floating from 5112 to 6550 thousand CZK. The development of liabilities is identical to that of assets.

The item net assets was the highest of liabilities during the period in question.

A decreasing tendency during this whole time is noticeable in items foreign sources and short-term payables.

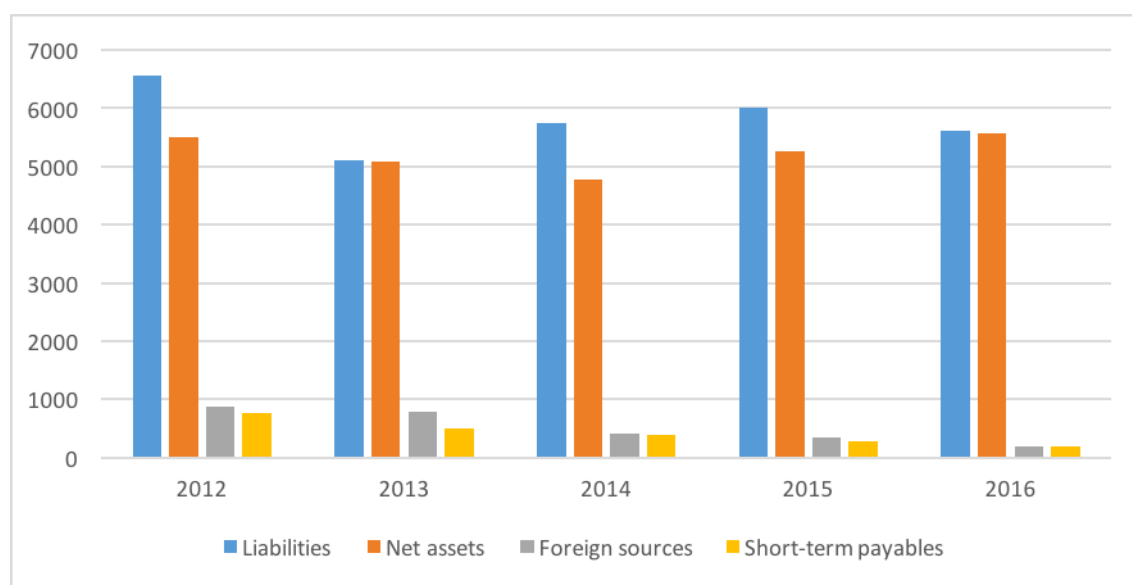
Table 7 Horizontal analysis of liabilities (percentage)

	2012/2013	2013/2014	2014/2015	2015/2016
Liabilities	-21,95%	12,38%	4,53%	-6,38%
Own sources	-23,77%	23,39%	5,83%	-3,79%
Trading income	-543,79%	174,80%	-29,41%	-132,58%
Foreign sources	-10,18%	-48,28%	-12,56%	-47,61%
Long-term payables	0,00%	0,00%	0,00%	0,00%
Short-term payables	-34,37%	-22,82%	-26,74%	-34,74%
Other liabilities	165,09%	-93,95%	311,76%	-100%

Source: CSBS, own data processing, 2018

The percentage changes of particular items of liabilities are obvious from the above table. The development of the item own sources is very similar to the item liabilities. The item trading income has the biggest fluctuation; it reached the highest decrease between 2012 – 2013. It was -543,79%. We can notice a clearly decreasing tendency in items foreign sources and short-term payables. The item other Liabilities reached the highest year-on-year increase between 2014 – 2015; it was 311,76%.

Graph 5 Horizontal analysis of liabilities (in thousands CZK)



Source: CSBS, own data processing, 2018

Assets and liabilities in balance sheet must be equal at the end of every accounting period. Therefore the development of both is the same, which is obvious from the graph above. The items foreign sources and short-term payables had a decreasing tendency in the whole period. Although the item net assets had a decreasing tendency between 2012 – 2014, it changed and was on the rise until 2016.

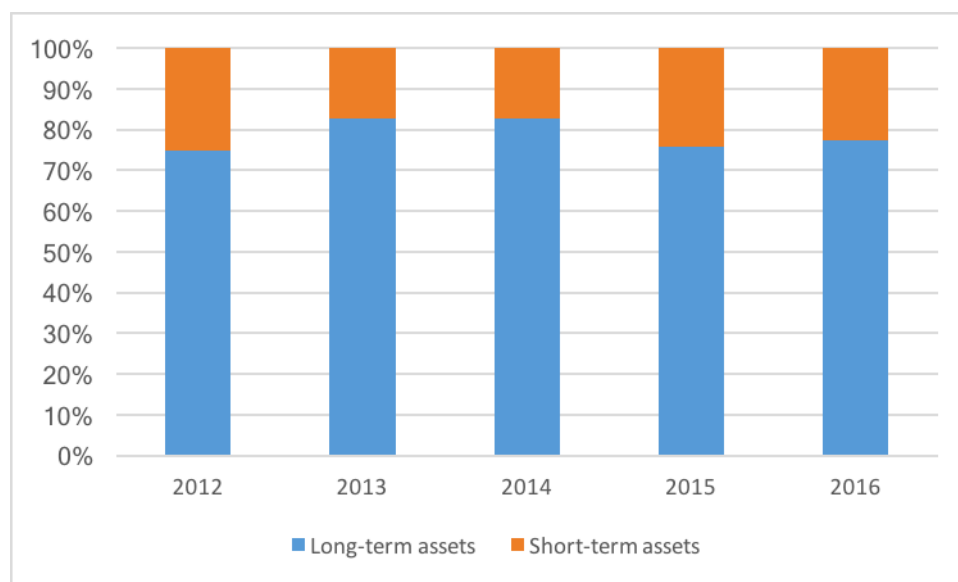
4.2.2 Vertical analysis

Vertical analysis is also divided into two parts; the vertical analysis of assets and the vertical analysis of liabilities. The vertical analysis is concerned with years 2012 – 2016.

4.2.2.1 Vertical analysis of assets

It deals with the percentage proportion of assets between 2012 – 2016. The Graph 6 describes the proportion of the items long-term assets and short-term assets.

Graph 6 Vertical analysis of assets



Source: CSBS, own data processing, 2018

Table 8 Vertical analysis of assets (percentage)

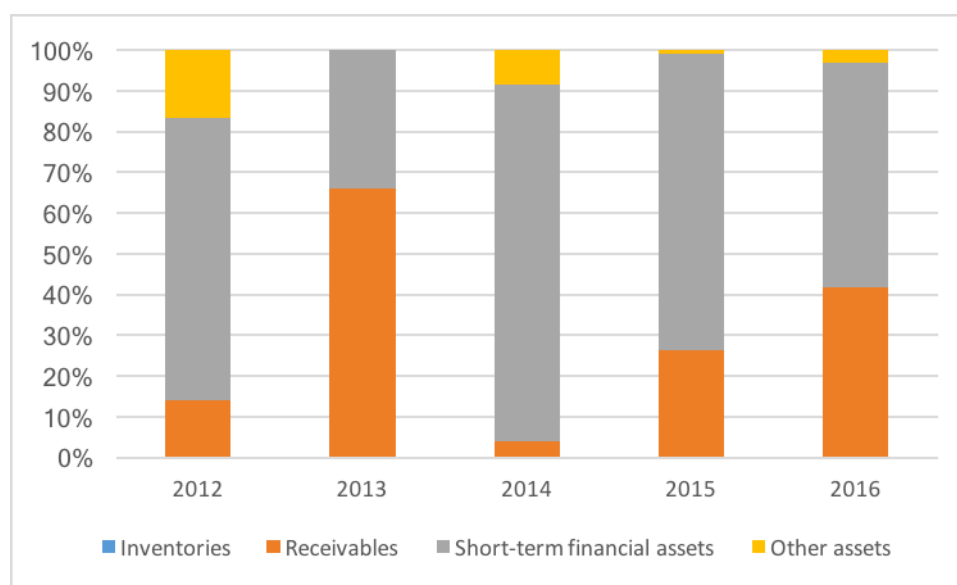
	2012	2013	2014	2015	2016
Assets	100	100	100	100	100
Long-term assets	0,75	0,83	0,83	0,76	0,77
Short-term assets	0,25	0,17	0,17	0,24	0,23
Receivables	0,04	0,11	0,01	0,06	0,09
Other receivables	0,03	0,10	0,01	0,06	0,03
Short-term financial assets	0,18	0,06	0,15	0,18	0,12
Other assets	0,04	0,00	0,01	0,00	0,01

Source: CSBS, own data processing, 2018

The item assets is the essential item in the vertical analysis of assets. The item long-term assets seems to be the most important one in the whole period. It made up minimum 75% of the assets in 2012. It reached its maximum with 83% in 2013 and 2014. Therefore it is

considered to be the most stable item of the assets. The proportion of short-term assets is much lower than the proportion of long-term assets. It was on average 21,2%. The item short-term financial assets makes the biggest part of the short-term assets, except the year 2013; when its proportion highly decreased. However, the proportion of receivables increased. To sum up, the proportion of short-term financial assets was 13,8% on average except the year 2013 when it was only 6% of the assets Total.

Graph 7 Vertical Analysis of short-term assets

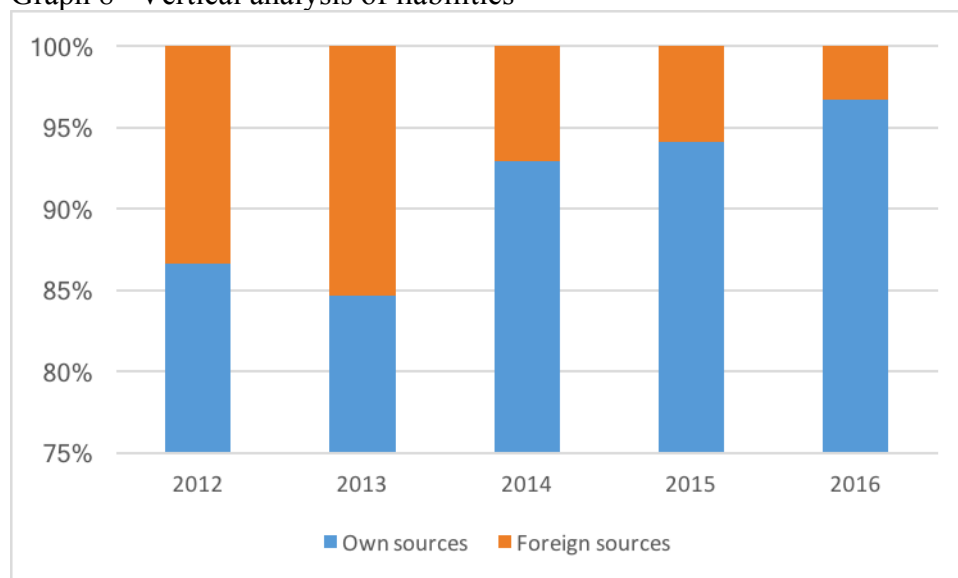


Source: CSBS, own data processing, 2018

As we can see from the above Graph 7, the proportion of items of the short-term assets was considerably different. Short-term financial assets formed their biggest part in 2012 and from 2014 to 2016. It was even more than 80% in 2014. The item inventories was at zero level during the whole period. It results from the characteristics of the company itself; in this case of the sports federation.

4.2.2.2 Vertical analysis of liabilities

Graph 8 Vertical analysis of liabilities



Source: CSBS, own data processing, 2018

The item own resources constituted the biggest part of liabilities during the whole period. Although there was a slight decrease in 2012 and 2013, from that time we can notice an increasing tendency up to 95% of the liabilities in 2016.

Table 9 Vertical analysis of liabilities (percentage)

	2012	2013	2014	2015	2016
Liabilities	100	100	100	100	100
Own sources	0,87	0,85	0,93	0,94	0,97
Trading income	0,03	0,15	0,10	0,07	0,02
Foreign sources	0,13	0,15	0,07	0,06	0,03
Long-term payables	0,00	0,00	0,00	0,00	0,00
Short-term payables	0,12	0,10	0,07	0,05	0,03
Other liabilities	0,02	0,05	0,00	0,01	0,00

Source: CSBS, own data processing, 2018

The above Table 9 sums up the graph results. At least 85% of liabilities during the whole period is made up by the item own resources. Long-term payables are at zero level for the

whole period whereas short-term payables decrease through this period. In 2012 they formed 12% of liabilities, however, in 2016 it was only 3%.

4.3 Analysis of ratio indicators

Ratio indicators are considered to be one of the most significant indicators of financial analysis. Ratio indicators of liquidity and indebtedness are to be described in details in this bachelor thesis.

Profitability and activity ratio are other examples. However, the author does not discuss them because the items earnings and profit are used for their calculation. These indicators are at zero level during the whole period in questions, the reason is the characteristics of the federation itself. Its main purpose is not profit and sale of goods. That is why these indicators would not leave any validity.

4.3.1 Liquidity Ratios

Liquidity is the ability of a company to pay off its obligations. Current ratio, quick asset ratio and cash position ratio are explained in the following paragraphs.

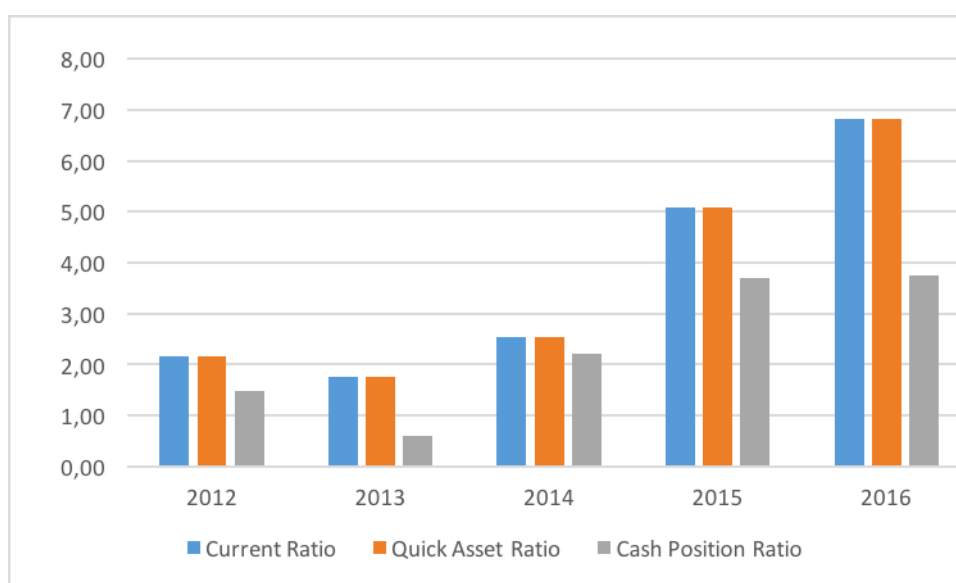
The calculation formulas can be found in the theoretical part in chapter Liquidity indicators.

Table 10 Ratios of liquidity

	2012	2013	2014	2015	2016
Current Ratio	2,16	1,76	2,54	5,09	6,81
Quick Asset Ratio	2,16	1,76	2,54	5,09	6,81
Cash Position Ratio	1,49	0,59	2,22	3,71	3,75

Source: CSBS, own data processing, 2018

Graph 9 Ratios of liquidity



Source: CSBS, own data processing, 2018

4.3.1.1 Current ratio

The federation meets the recommended values of current ratio between 2012-2014. The value is not less than 1 in none of these years. Otherwise it would indicate that current liabilities cannot be paid off from active capital but from long-term resources of financing or even from the sale of long-term assets.

4.3.1.2 Quick asset ratio

Quick asset ratio exclude inventories from the calculation. It is because it is an necessary item for running a company. It is also an item which is not possible to change into financial means. That is why quick asset ratio is often identical to current ratio with companies dealing with services. The discussed federation seems to be a great example of such a company. Its values of inventories were at zero level through the whole period.

4.3.1.3 Cash position ratio

The federation reached the ideal indicators of cash position ratio in 2013 only. In the other years it was far away from them, in 2016 it was even 3,75. It indicates that the federation does not use its short-term assets effectively.

4.3.2 Indebtedness indicators

Following indebtedness indicators measure financial stability of a company. Banks and grantors of credits are usually concerned with them. Total indebtedness and rate of indebtedness are discussed.

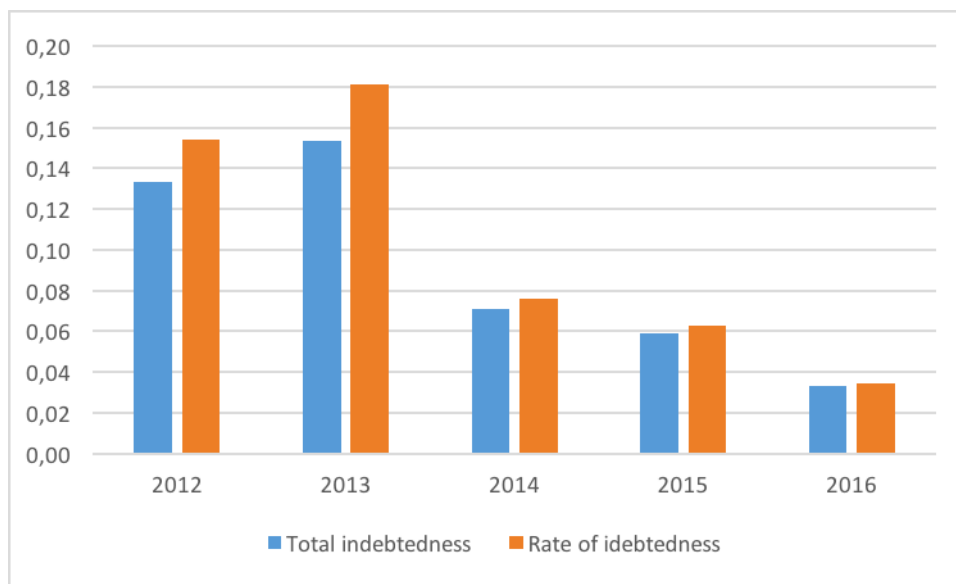
The calculation formulas can be found in the literature review in chapter indebtedness indicators.

Table 11 Indebtedness indicators

	2012	2013	2014	2015	2016
Total indebtedness	0,13	0,15	0,07	0,06	0,03
Rate of indebtedness	0,15	0,18	0,08	0,06	0,03

Source: CSBS, own data processing, 2018

Graph 10 Indebtedness indicators



Source: CSBS, own data processing, 2018

4.3.2.1 Total indebtedness

The federation total indebtedness was quite low during the whole period, 8,8% on average. The highest fluctuation in 2012 and 2013 was caused by bank borrowings for the new material purchase. Nevertheless, the total indebtedness indicates stable financing of the federation and its no-risky behaviour. These indicators of indebtedness seem to be important and beneficial especially for creditors.

4.3.2.2 Rate of indebtedness

The course of the rate of indebtedness is very similar to the total indebtedness. It seems to be the most important issue for the companies; the fact that the value of foreign resources is not higher than the value of own resources. This condition was fulfilled through the whole period. These indicators are significant and essential for banks when deciding whether to grant a loan or not. The federation did not have any problems in this area.

5 Conclusion

The aim of this bachelor thesis is to analyse the financial situation of the Czech Federation of Bobsled and Skeleton from 2012 to 2016 by means of financial analysis.

As we can see from the assets analysis it is not possible to define their definite trend; it was downward as well as upward. Long-term assets seem to be the most important part of assets during the whole period. Their rate ran from 75% in 2012 to 83% in 2013, 2014. Long-term assets and fixed tangible assets belong to the most stable parts of assets. There were even no year-on-year changes in fixed tangible assets in between 2015 and 2016. On the other hand, the item receivables turned out to be the item with the biggest year-on-year change; it reached 850% between 2014 and 2015. The item inventories was at zero level during the whole period; the reason is the characteristics of the federation itself. Its main purpose is not profit and sale of goods.

The analysis of liabilities has the same course as the analysis of assets, which the author expected thanks to the balance structure of accounting. The items short-term payables and foreign sources had decreasing tendency during the whole period. The item own resources forms the biggest part of liabilities; their rate ran from 85% in 2013 to 97% in 2016. The biggest year-on-year change can be observed with the item trading income; its change between 2012 and 2013 was 543,79%, however, negative.

Ratio indicators were at positive values throughout the years, which suggests the conservative strategy of the federation. The values are even higher during the whole period than the optimum interval. It is believed to be good information for creditors because it means that the federation is able to pay off its obligations and does not have any problems with that.

Total indebtedness is 8,8% on average throughout the period. This is considered to be a low value of indebtedness. This is again positive information for creditors because these values mean low risk of financial insolvency. The highest fluctuation in 2012 and 2013 was caused by bank borrowings for the new material purchase. The federation can be regarded as very stable and no-risky in financing. Thanks to low values of indebtedness the federation can consider to make use of credit.

The federation gives the impression of being a well-run business with careful strategies. Therefore the federation is not in debt and does not have any problems with paying off its obligations.

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