

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Financial Analysis of Volkswagen in Russia**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Anvar Chobanov

Business Administration

Thesis title

**Financial Analysis of Volkswagen in Russia**

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### Objectives of thesis

The objective of any analysis, including this financial analysis, is to reduce uncertainty about the future prospects of the enterprise.

This financial analysis will help conducting processes such as:

- assessing and forecast changes in the financial condition of the enterprise,
- identifying trends in specifics of changes in the financial condition,
- identifying the key factors of the financial state at variouls levels of enterprise management,
- identifying the reserves which you can improve the financial condition of the enterprise.

### Methodology

The simplest method is comparison of financial indicators during the reporting period with the planned indicators or with indicators for the previous period (basis). Certain methods of evaluation are used such as a method of grouping and method of chain substitutions. Synthesis and extraction is used as well to proces data. SWOT analysis is conducted also at the end of the thesis to process results.

**The proposed extent of the thesis**

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**Keywords**

Automobile, Industry, Volkswagen, Supply, Demand, Gas Price

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Bailey, Paul, and Pallavi Rai. The Social and Labour Impact of Globalization in the Manufacture of Transport Equipment. Geneva: International Labour Organization, 2000  
Domansky, Leon R. Automobile Industry: Current Issues. N.p.: Nova, 2006.  
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Yang, Xiaohua. Globalization of the Automobile Industry: The United States, Japan, and the People's Republic of China. Santa Barbara: Greenwood Group, 1995



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## Declaration

I declare that I have developed and written the enclosed the thesis “Financial Analysis of Volkswagen in Russia” completely by myself, and have not used sources or means without declaration in the text. Any thoughts from others or literal quotations are clearly marked. The thesis wasn’t used in the same or in a similar version to achieve an academic grading or is being published elsewhere.

In Prague on

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Chobanov Anvar

# Financial Analysis of Volkswagen in Russia

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## Finanční analýza Volkswagen v Rusku

### Summary

Main purpose of this thesis is to get the idea about the content and the significance of the financial analysis. Methods, such as synthesis, comparison and analysis will be conducted throughout the thesis. Various methods and specifics of the financial analysis will be given to the reader for better understanding of the concept. The thesis itself is divided into theoretical part, practical part, conclusion.

Theoretical part covers the study on the financial diagnostics. This term will be discussed in different ways, such as a method of managerial decision making. Financial analysis is broken down into various details, for it to be reader friendly. Additionally, the characteristics of the Volkswagen in Russia are also mentioned in this part.

Practical Part embraces the analysis of the financial statement of the “LLC Volkswagen Group Rus”. All the data is thoroughly used and analyzed. Provided data in thesis comes from personal interviews and links. Development of recommendations for increasing financial stability is an essential detail in this part as well.

Key words: Automobile, Industry, Volkswagen, Supply, Demand, Market, Russia, Analysis.

## Souhrn

Hlavním cílem této práce je získání představy o obsahu a významu finanční analýzy. K provedení analýzy bude v průběhu práce použita metoda syntézy a porovnání, která spolu se specifiky finanční analýzy pomohou k lepšímu porozumnění problematice.

Tato práce je rozdělena do části teoretické, praktické a závěru.

Část teoretická se zabývá studiem finanční diagnostiky. Tímto termínem se bude část zabývat z různých úhlů pohledu, třeba z pohledu manažerského rozhodování. Finanční analýza je rozdělena do dílčích skupin, aby byla lépe srozumitelná. V této kapitole je také zmíněna korporace Volkswagen v Rusku.

Praktická část zahrnuje finanční analýzu prohlášení “LLC Volkswagen Group Rus”. Všechna data jsou důkladně analyzována. Návrh doporučení pro zvýšení finanční stability je zásadním bodem této části. Dále je také k dispozici rozvaha nad tématem a navržené řešení.

Klíčová slova: automobilový, průmysl, Volkswagen, nabídka, poptávka, trh, Rusko, analýza.

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## List of Abbreviations

LLC	Limited Liability Company
VAG	Volkswagen Audi Group
VW	Volkswagen
AG	Audi Group
BMW	Bayerische Motoren Werke
EPA	Environmental Protection Agency
US	United States
NSU	Neckarsulm Strickmaschinen Union
SKD	Semi-Knocked-Down
CKD	Complete Knock-Down
CEO	Chief Executive Officer
BN	Billion
RUB	Russian Ruble
GmbH	Gesellschaft mit beschränkter Haftung (Limited liability company)

## **1. Introduction**

The development of a market economy, the emergence of financial markets, priority of financial resources objectively contributed to the development of such important areas of analytical work like financial diagnostics. Despite the importance of financial diagnosis in modern conditions, this concept is not well developed. It is often associated with the concept of financial analysis. Both analysis and diagnostics are tools for understanding the world in fundamental and applied research.

Analysis as a primarily tool for understanding the world, is universal to all branches of knowledge, it successfully solves the essential tasks where a society is not developed enough for critical evaluation and decision-making. Analysis is represented as a procedure of mental and often a real division of the object into parts. Depending on the nature of the object, the complexity of its structure, level of abstraction used for cognitive procedures and their implementation, the analysis serves in a variety of forms, often being closely associated with research, in both natural and social sciences (chemical analysis, mathematical analysis, financial analysis, etc.). Diagnostics is the process of recognition of the condition, diagnosis and decision-making, it gives an idea on how to maintain the body in working condition (Balabanov, 1998).

However financial diagnosis is very similar to financial analysis (as it is often found, even in specialized literature), it noticeably differs from the analysis.

The subject of this work is relevant because financial diagnosis solves the main problem. It sets necessary and adequate qualitative and quantitative field comparisons and quantitative standards of indicators of study, taking into account the trends in the economic entity, industry, society, tradition for subsequent comparison (estimation) of the current state parameters of the object of study recognized as optimal or dominant (Vasilyeva, 2006).

## **2. Objectives and Methodology**

### **2.1 Objectives**

The objective of any analysis, including this financial analysis, is to reduce uncertainty about the future prospects of the enterprise. This financial analysis will help conducting processes such as assessing and forecasting changes in the financial condition of the enterprise, identifying trends in specifics of changes in the financial condition, identifying the key factors of the financial state at various levels of enterprise management and identifying the reserves which you can improve the financial condition of the enterprise (Helfert, 1996).

The following set of objectives is set in a more specific way, concerning specifically this thesis to examine the nature and content of the financial analysis, to study the methods and tools of financial analysis, users of information. The thesis will also cover financial diagnosis as a method of management decision-making. Characteristics of the company “Volkswagen Group Rus” will be thoroughly analyzed and the analysis of financial statements of LLC “Volkswagen group Rus” will be conducted. To develop strategies on improvement, recommendations will be proposed.

All of these objectives are set according to the hierarchies. There is always a top rank objective, so as the second rank, the third rank and etc. Such hierarchies highlight critical success factors.

Consideration of an analysis such as SWOT analysis is very crucial in the organization of objectives. This analysis should be conducted in the thesis (Fine, 2009).

## 2.2 Methodology

To conduct this financial analysis, certain methods and tools are used. The simplest method is comparison of financial indicators during the reporting period with the planned indicators or with indicators for the previous period (basis). When comparing figures for different periods, it is necessary to get comparability, i.e. the indicators should be recalculated with the homogeneity of the component elements, inflationary processes in the economy, methods of evaluation and etc. Methods of evaluation include method of grouping when indicators are grouped and summarized in the table. This gives the opportunity for analytical calculations, identifying trends in the development of individual phenomena and their interrelationships. Another method of evaluation is the method of chain substitutions or elimination, which is the replacement of a separate report indicator with a basis, while all other parameters remain unchanged. This method allows determining the influence of individual factors on the total financial indicator (Prykina, 2006).

Financial coefficients (ratios) are widely used as tools for financial analysis, which express relations of one absolute financial indicator performance to others. Financial ratios are also used to compare financial indicators of a particular company with the similar indicators of other companies or average industry performance. This is used to identify the dynamics of development indicators and trends in the financial condition of the company. These criteria are the coefficient of current liquidity, coefficient of asset coverage, the recovery factor (loss) of solvency. They are determined by their normal limits. Financial analysis of a company is performed using certain algorithms and formulas. The main information source for this analysis is the balance sheet (Goel, 2015).

*Table 1. Comparative characteristics of types of analysis*

<b>Comparison area</b>	<b>Financial analysis</b>	<b>Management analysis</b>
Information users	Domestic, third party, interested	Managers and their units
Analysis Objects	Organization as a whole	Organization as a whole and its units
Information sources	Forms of financial statements	Complex of economic information
Units for calculating indicators	The monetary form	Natural and monetary form
Periodicity of analysis	In accordance with the reporting dates (quarter, year)	If it is necessary, for internal regulations
Availability of results	Available to all	Strictly confidential (only for managers of the organization)

**Source:** Bakanov, M. (2011). *Teoriya ekonomicheskogo analiza*. 5th ed. Moskva: Finansy i statistika.

In this table, financial analysis and management analysis is broken down into various specifics. It has been done for basic explanation of the difference between the given analyses; it is compared in different fields.

### **3. Theoretical Part**

#### **3.1 The nature and content of the financial analysis**

One of the most important conditions for successful financial management of the enterprise is the analysis of its financial condition. Financial condition of the enterprise is characterized by a set of indicators that reflect the process of development and use of its financial resources (Strazhev, 2003).

In a market economy, the company's financial position in fact reflects the final results of its activities. The final results of the company are of interest to not only employees of the enterprise, but its partners in economic activities, government, financial, and tax authorities (Barilenko, 2009).

All of this determines the importance of conducting financial analysis of a company and increases the role of such analysis in the economic process. Financial analysis is an important element of financial management in the enterprise and its economic relations with partners, the financial-credit system.

There are different points of view of scientists-economists relative to the concepts of financial analysis and financial diagnostics.

Financial analysis is a deep, scientifically based study of the financial relationships and movements of financial resources in a single production- trading process (Taburchak, 2002).

The essence of the financial analysis is known as the process of researching financial situation and main financial results of activity of the enterprise with the purpose of revealing reserves of increase of its market value and ensures its effective development (Bank, 2007).

Financial analysis is a process based on the analysis of data about the financial condition of the company and the results of its activities (Prykina, 2006).

Financial analysis is a research process whose main objective is to develop the most reasonable assumptions and forecasts of changes in the financial conditions of the operation of a business entity (Kanke, 2007).



The process of financial analysis provides small number of key (most informative) parameters which give an objective and accurate picture of the financial condition of the company on the basis of which almost all users of financial statements make decisions on how to improve their interests (Bakanov and Sheremet, 2005).

Financial analysis is a process, which aims at assessing the current and past financial position and results of operations, while the primary goal is the determination of the estimates and predictions about future conditions and activities of the enterprise. Such statements and opinions are not to be disagreed with them being about the nature of financial analysis as a process, whose main objective is the development of forecasts and assumptions (Bernstein and Wild, 1999).

Financial analysis is the research and process that helps to answer the questions raised in the management process. It is constantly used to identify changes in indicators of financial conditions, to identify the ends of financial conditions and to identify factors that affect the financial condition of enterprises. Evaluation of quantitative and qualitative conditions, review of the financial position of enterprises for a specific date and identification of trends of changes in the financial condition of enterprises is the result of a proper analysis.

Financial analysis is necessary for the following groups of its consumers:

- **Managers of enterprises**, specifically finance managers. It is impossible to manage an enterprise and take economic decisions without knowing its financial condition. For managers, it is important: to evaluate the effectiveness of their decisions used in the economic activities of resources and financial results.
- **The owners**, including shareholders. It is important to know what will be the value from investments in enterprise resources, the profitability and enterprise profitability and the level of economic risk and the possibility of losing their capital.
- **Creditors and investors**. They are interested in the possibility of the return of loans, and the ability of the enterprise to implement the investment program.
- **Suppliers**. For them it is important to evaluate payment for products delivered, services performed and work (Helfert, 1996).

Financial analysis of a company involves the consistent implementation of the following types of analysis:

- Preliminary (General) valuation of the financial condition of the company and changes in its financial indicators during the reporting period
- Analysis of the solvency and financial stability of the enterprise;
- Analysis of the creditworthiness of the enterprise and the liquidity of its balance sheet;
- Analysis of financial results of the enterprise;
- Analysis of turnover of current assets;
- Evaluation of potential bankruptcy

Conducted together these analyses build up a strong financial analysis, an analysis which can provide the desired answers to the existing inquiries (Banerjee, 2010).

### 3.2 Users of financial information

Users of financial analysis are various participants of financial processes, which can be classified into two groups:

- A group of internal users is business leaders who use financial analysis to forecast and evaluate their business and make management decisions in the area of financial policy.
- A group of external users is investors, lenders, business partners, product suppliers. For these users, financial analysis allows obtaining information about the state of reliability of the enterprise, the degree of its stability and the prospects for cooperation with this enterprise.

The first group of users is the owners, the management organization, creditors (banks, etc.), suppliers and customers (buyers). The second group of users is the subjects of analysis, who have to defend the interests of the first group of users due to the contract. This is audit firms, consultants, stock exchanges, lawyers, the media, associations and trade unions (Smallbusiness.chron.com, 2017).

Table 2. Users of financial analysis

<b>List of Users</b>	<b>Interests</b>	<b>Information Sources</b>
The owners of the organization (shareholders)	Evaluation of the adequacy of income, the risk rate of the investments made, evaluation of the prospects of dividend payments	Financial reports
Management of the organization	Evaluation of the efficiency of production and financial activities, the making of managerial and financial decisions	Internal reports of the organization, financial statements of the organization
Creditors	Determination of the availability of resources for repayment of loans and interest payments, determination of the availability of resources for payment of supplies	Financial reports, special inquiries
Employees	Evaluation of stability and profitability of the organization's activities in order to determine the prospects for employment, to receive various benefits and payments from the organization	Financial reports
The state	Taxation, acceptance of insolvency and bankruptcy judgment	Financial and tax reports
Statistical bodies	Statistical generalizations	Statistical and financial reports

**Source:** Mckeon, P. (1999). *The Finance Manual for Non-Financial Managers: Become a Confident User of Financial Information (Smarter Solutions: the Finance Pack)*.

**The owners (shareholders)** analyze financial reports to maximize the return of the capital, to ensure stability of the firm. Their goal is to preserve and increase the value of their contribution to the organization.

**Lenders** also must maintain a stable financial status of the company, which allows them to repay the loans in time. This group includes the following entities:

- *Banks* that issue loans of different urgency for specific investment projects or to fill shortage of assets.
- *Suppliers* of the company, which function as creditors in case of lack of payment from the buyer.
- *Buyers* of products that loan company-seller for prepayment amount of its products.

As a rule, the last two lenders do not assess the financial condition of the organization, which is a clear deficiency in the work of financial management, as the risk of not receiving funds for the sold products or loss of prepayments is high enough, which poses a financial threat to the lender.

In addition to the credit, buyers and suppliers have other interests in respect of the organization: preservation of the source of supply or a market. In some cases, the market may be the only one manufacturer (buyer) of the products and if its financial condition worsens, the counterparties of such a monopolist might find themselves in a difficult situation (McKeon, 1999).

**Managers** have an interest in strengthening the financial condition and position of the company in all its activities. Bankruptcy of their company not only leads to a job loss, but it worsens their image as well. In addition, managers, as a rule, are co-owners of the organization, which increases their losses in the event of bankruptcy. Managers have an access to the maximum amount of information on the status of the organization and its activities.

**Employees of the company** undoubtedly, are interested in the financial well-being, sustainability and profitability of the company. Partially their interests are of a credit nature regarding earnings, which has not yet been paid for time worked. However, they

wish to preserve their workplace in the company, increasing the pay package of social benefits – it all depends on the financial condition of the employer.

**The state** represented by local and Federal authorities, whose interest is represented in the preservation and growth of economic potential of the region and the country as a whole, the revenues in the budget, providing the necessary level of employment, production of necessary goods, works and services (McKeon, 1999).

### 3.3 Financial diagnostics

Financial diagnostics is the process of assessing the state of an economic entity relative to those established as the best criteria for the present moment (Berdnikova, 2007).

Financial diagnostics includes five main stages:

- **Selection of a system of financial coefficients.** To assess the financial condition of the enterprise, its stability, a whole system of indicators is used. The number of financial ratios is very high, therefore it is advisable to select only the main, most informative and significant coefficients reflecting the following main aspects of the financial situation: property position; financial stability; solvency; business activity; profitability. The recommended number of financial ratios is no more than three to seven for each aspect of the financial condition. A specific set of indicators can vary depending on the specifics of the industry, the objectives of the activity and other factors. Then there is the preparation of the basis for assessing the performance of the enterprise. As a base, you can use the industry average values of the coefficients for the location of the enterprise. It is desirable that the base values are determined on the same date as the estimated values of the coefficients (Berdnikova, 2007).

- **Express analysis.** The purpose of express analysis is a clear and simple assessment of the financial well-being and development dynamics of an economic entity. In the process of analysis, it is possible to suggest the calculation of various indicators and to supplement it with methods based on the experience and qualifications of the specialist. Express analysis is advisable to perform in three stages: the preparatory phase, the preliminary review of financial statements, economic reading and analysis of reporting. The purpose of the first stage is to decide on the appropriateness of analyzing financial statements and to make sure that it is ready for reading (Berdnikova, 2007).

The first stage is solved by getting acquainted with the audit report. There is a visual and simple counting check of reporting on formal grounds and the presence of all necessary forms and applications, requisites, signatures is determined; verifying the correctness and clarity of the completion of reporting forms; checking the balance currency and all interim results. The purpose of the second stage is to get acquainted with the explanatory note to the balance sheet. This is necessary in order to assess the working conditions in the reporting period, determine the trends of the main performance indicators, as well as qualitative changes in the property and financial position of the business entity. Presenting the first idea about the dynamics of the data presented in the reporting and explanatory note, it is necessary to pay attention to the algorithms for calculating the basic indicators. The third stage is the main one in express analysis; its purpose is a generalized assessment of the results of economic activities and the financial condition of the facility. Such an analysis is carried out with varying degrees of detail in the interests of various users (Berdnikova, 2007).

- **Detailed analysis of financial condition.** Its purpose is a more detailed description of the property and financial position of the economic entity, the results of its activities in the past reporting period, as well as the prospects for the development of the subject. It specifies complements and expands the individual procedures for rapid analysis. The degree of detail depends on the analyst's desire (Berdnikova, 2007).

- **Definition of diagnosis.** The results of the analysis make it possible to accurately assess the current financial position and activity of the enterprise in previous years, identify vulnerabilities requiring special attention, correctly diagnose with the goal of further improving the activities of the enterprise, if required (Berdnikova, 2007).

- **Development of management decisions projects.** Depending on complex assessments of the financial condition and trends of its change based on the financial diagnostics performed, it is necessary not only to draw conclusions about the situation that has arisen, but also to develop management solutions for the further development of the enterprise. Such work at enterprises is carried out through various methods of financial planning (Berdnikova, 2007).

Thus, financial diagnostics suggests to provide conclusions about the existing financial situation of the object of diagnosis, to study the reasons for its change, to conduct the analysis of the prospects for the development of the object of diagnosis, in particular, from the standpoint of the creditworthiness of the enterprise and the organization (Sheremet,1999).

Financial diagnostics allows answering a whole series of questions: on the degree of creditworthiness and the ability of the enterprise (organization) to maintain its creditworthiness, about the "development trajectory" of the enterprise (organization) throughout the crediting period, taking into account its financial position, the availability of financial capacity to maintain creditworthiness and etc.(Vasilyeva, 2006)

### 3.4 Characteristics of the LLC Volkswagen Group Rus

*Volkswagen Konzern* (in English-speaking sources - Volkswagen Group, sometimes VW Group) is a German automobile concern (group of companies). It is headquartered in Wolfsburg, Germany. The name of the company (Volkswagen) is translated as people's car. The parent (parent company) of the concern is the "Volkswagen Aktiengesellschaft", more commonly referred to as Volkswagen AG or simply VAG. Unofficially the abbreviation VAG is deciphered as "Volkswagen Audi Gruppe" (Ruch, 2010).

Volkswagen Group consists of 342 companies involved in the production of cars and related services. As of September 2011, 50.73% of the voting shares of Volkswagen AG belonged to the holding company Porsche SE. In turn, Volkswagen AG owns 100% of the ordinary shares of the intermediate holding Porsche Zwischenholding GmbH, and Porsche Zwischenholding GmbH owns 100% of the shares of the manufacturer of prestigious Porsche AG cars. Negotiations were to merge into a single VW-Porsche structure, which was the result at the end. Until December 2015, Martin Winterkorn was the chairman of the board of Porsche SE and Volkswagen AG. In 9 months of 2009, it became the world's largest car manufacturer. It took the 14th place in the Forthune Global 500 in 2009. The leader of the European car market (more than 25%) (Ruppert, 2011).

The concern derives its origin from the firm created by Ferdinand Porsche in 1937 in Berlin. It took a start from Gesellschaft zur Vorbereitung des Deutschen Volkswagens mbH ("Society for the preparation of the German national car" under the national-social

organization "Power through joy"). In early 1938, the construction of the first Volkswagen plant in Wolfsburg began; On December 16 of the same year the company was renamed into "Volkswagenwerk GmbH". After the Second World War, the factories fell under the administration of the British military administration. On August 22, 1960, the limited liability company "Volkswagen plants" was founded, which, after the founding of the Federal Republic of Germany, became the property of Lower Saxony. By decision of the annual general meeting in 1985, the company's name was changed to "Volkswagen AG". In addition to the automotive and motorcycle industry, the concern provided financial and logistics services and had a small food company. In the early 1990s, the concern was experiencing great difficulties. Assigned by the chairman of the board of the concern in 1993, Ferdinand Piech turned out to be an excellent crisis manager. He practically saved the concern by transferring it to a four-day work week. Until 2015, Piech played in the concern one of the key roles. It was he who achieved outstanding success by choosing an offensive policy and acquiring a whole galaxy of popular automobile brands. From July 1998 to December 2002, the Volkswagen Bentley group produced cars under the Rolls-Royce brand in agreement with BMW, which acquired rights to this brand from the Vickers concern. Since 2003, only BMW can produce cars under the brand Rolls-Royce. In December 2009, the Volkswagen Group entered into an alliance with Japanese Suzuki, exchanging the latest shares (the Germans got a 20% stake in Suzuki) and announcing the joint development of green cars. Less than two years later, in September 2011, it was announced that this alliance would collapse (Ruppert, 2011).

The units of the Volkswagen Group are:

- Volkswagen (cars) - currently part of the concern that produces cars, is not registered as a subsidiary company, but directly under the leadership of Volkswagen AG.
- Audi is the last car brand of the Auto Union group, acquired from Daimler-Benz in 1964.
- NSU Motorenwerke - was acquired in 1969 and entered the Audi Division. It is not used as an independent brand since 1977.
- Seat - a controlling stake in the company (53%) was acquired from the state in 1986. Since 1990, the brand is virtually the property of the Volkswagen Group, which owns 99.99% of the company's shares.



- Škoda - the company was acquired in 1991.

- Volkswagen Commercial Vehicles (Volkswagen Nutzfahrzeuge) - was part of Volkswagen AG, but in 1995, thanks to the efforts of Baird Waidemann, the previous chairman of the group's management, became an independent division within the Volkswagen Group. The subdivision is engaged in the production of commercial vehicles: minibuses, buses and tractors.

- Bentley - the company was acquired in 1998 from the British concern Vickers with Rolls-Royce, but cannot manufacture cars under this brand, as the brand itself was sold to BMW.

- Bugatti - the brand was purchased in 1998.

- Lamborghini - the company was acquired by Audi in 1998.

- Scania AB - a controlling stake in the company (70.94%) was acquired in 2009. Produces truck tractors, trucks and dump trucks, buses and diesel engines.

- MAN AG - a controlling stake in the company (55.9%) was acquired in 2011.

- Ducati Motor Holding - one of the leading manufacturers of premium motorcycles, was acquired by Audi AG (a division of the Volkswagen Group) in April 2012 for \$ 1.1 billion.

- ItalDesign Giugiaro - 90.1% of the shares were bought back in 2010 by the Italian Lamborghini Holding, whose parent company is Audi AG, which in turn is part of the Volkswagen Group. Thus, the owner of the studio actually became Volkswagen. The remaining stake belongs to the family of one of the founders of ItalDesign, Giorgetto Giugiaro.

Volkswagen Group is one of the largest shareholders of the Japanese company Suzuki Motor Corporation.

As of 2013 Volkswagen is the owner of the Russian trade mark "Aleko" (under which "Moskvich" was sold for a time). The right to use the brand and all emblems is reserved for Volkswagen until 2021.

In 2010, the Volkswagen Group's revenue was 57.243 billion euros, net profit - 1.55 billion euros.

In 2009, despite the global crisis and a general decline in car sales, the company managed to increase the sale of cars around the world by 0.6%. This is record sales, which reached a level of 6.23 million cars.

In 2006, the concern sold 5.72 million vehicles worth 104.9 billion euros (net profit for this period was 2.75 billion euros). More than 370 thousand people worked at the enterprises of the Group.

In 2005, the concern produced 5.22 million and sold 5.19 million cars. 7.5% of sales fell to Germany, 44.7% to Europe, 15% to North America, 6.6% to Asia and the Pacific, 4.4% to South America and 1.8% to South America. Africa. Revenues in 2005 amounted to 95.3 billion €, an increase of 7% compared with 2004, Lada's net profit of 1.12 billion € (Ruppert, 2011).

### 3.5 Emission scandal in VW

In September 2015, the US Environmental Protection Agency (EPA) found that the program used in the on-board computer of Volkswagen-produced diesel-powered cars, including the Audi A3, VW Jetta, Beetle, Golf and Passat models, could determine whether the car was operating in Normal mode or is testing it. During testing, automatic switching to an eco-friendly mode occurred. The Environmental Protection Agency reported that for each car that does not meet the US environmental standards, the manufacturer will pay a fine of \$ 37,500. Considering that the number of cars sold since 2008 in the US is 482 thousand, the total amount of a fine can reach \$ 18 billion. Volkswagen recalled half a million of its cars in the US. Chairman of the Board of Directors of Volkswagen Martin Winterkorn apologized, promising to support the investigation, which will be carried out by the German Ministry of Transport (Hotten, 2017).

### 3.6 Volkswagen Group in Russia

29 may 2006 the Volkswagen Group signed an investment agreement with the administration of Kaluga region and the Ministry of economic development on the construction of a car plant near the city of Kaluga in the industrial Park Grabtsevo. At the

end of July 2007, one of the project's lenders has estimated the total project cost, including the costs of organizing the production of components, in 1,042 billion euros (Chobanova, 2016).

Original factory on 28 November 2007 produced Škoda Octavia in an amount of not more than 20 thousand cars a year on technology SKD. In October 2009 the plant was running a full assembly line for cars in CKD (complete car Assembly of finished parts, including body welding). First, the method of the CKD produced Škoda Octavia and Volkswagen Tiguan, in 2010 launched the production of the Škoda Fabia which was specially designed for the Russian market, Volkswagen Polo sedan. It is expected that after the opening of the new production plan, factory will produce up to 150`000 cars a year (including Audi A4, A5, Q5, A6 and Q7 — all by SKD). The number of employees at the plant in 2010 increased to 3 thousand (Chobanova, 2016).

On 12 January 2009, there was reorganization in form of merger of two Russian subsidiaries. LLC "Volkswagen group Rus" joined the company "Volkswagen". The first was registered in Moscow in 1999. The second was established in 2006 in Kaluga, to manage the new plant, which assembles Volkswagen and Škoda vehicles. According to the company, the merger will simplify the coordination between Kaluga and Moscow.

In October 2009 at the plant in Kaluga carried out SKD Assembly of the following models: Skoda Octavia, Octavia Combi, Octavia Tour, Octavia RS, Octavia Scout, Škoda Superb, Škoda Roomster, Škoda Fabia, Škoda Fabia estate, Škoda Yeti, Volkswagen Passat, Volkswagen Passat CC, Volkswagen Tiguan, Volkswagen Golf, Volkswagen Touareg, Volkswagen Jetta, Volkswagen T5, Volkswagen T5, Volkswagen Caddy and Volkswagen Caddy. Since 2012, Volkswagen began producing cars and the GAZ plant in Nizhny Novgorod. A cooperation agreement with the Russian "GAZ Group" was signed on 14 June 2011. At the beginning of 2013 in Nizhny Novgorod, there was the full cycle production of Skoda Yeti.

In 2015 the group opened a plant manufacturing gasoline engines "VW" in Kaluga (Chobanova, 2016).

## 4. Financial analysis of LLC “Volkswagen Group Rus”

### 4.1 Analysis of financial statements of the company “Volkswagen Group Rus” for 2014-2015

The following table represents the both vertical and horizontal analysis of the balance sheet by identifying of the following items for a company's financial statements over a series of reporting periods

Table 3. Vertical and horizontal analysis of the balance sheet for 2014-2015(A)

Indicators	31.12.2014		30.12.2015		Changes		
	bn.RUB	%	bn.RUB	%	bn.RUB	%	Growth
<b>Assets</b>							
<b>1. Non-Current Assets</b>	25, 722	20%	18, 700	13%	-7, 022	-7%	73%
Intangible Assets	208	0%	146	0%	-62	0%	70%
Fixed Assets	11, 354	9%	13, 516	9%	2, 162	0%	119%
Construction in progress	0	0%	0	0%	0	0%	0%
Profitable investments	9, 212	7%	392	0%	-8, 820	-7%	4%
Financial investments	4, 685	4%	4, 595	3%	-90	0%	98%
Deferred tax assets	263	0%	51	0%	-212	0%	19%
Other non-current assets	0	0%	0	0%	0	0%	0%
<b>2. Current Assets</b>	101, 511	80%	125, 150	87%	23, 639	7%	123%
Stock	9, 116	7%	15, 376	11%	6, 260	4%	169%
VAT on purchased goods	6	0%	6	0%	0	0%	100%
Receivables	5, 376	4%	17, 292	12%	11, 916	8%	322%
Financial investments (excluding cash equivalent)	50, 000	39%	52, 000	36%	2, 000	-3%	104%
Financial investments and cash equivalents	29, 802	23%	33, 549	23%	3, 747	0%	113%
Other current assets	7, 211	6%	6, 926	5%	-285	-1%	96%
<b>Balance</b>	<b>127, 235</b>	<b>100%</b>	<b>143, 850</b>	<b>100%</b>	<b>16, 615</b>	<b>0%</b>	<b>113%</b>

Source: own computation, data from Chobanova, D. (2016)

During this period the company's assets increased from 16,615 billion. RUB. to 143,850 billion. RUB. It is worth noting the fact that accounts receivable increased. The growth of the company's assets is associated with the growth of inventories, fixed assets and an increase in accounts receivable.

*Table 4. Vertical and horizontal analysis of the balance sheet for 2014-2015(B)*

<b>3. Capital and Reserves</b>	87, 569	69%	98, 638	69%	11, 069	0%	113%
Authorized capital	65, 700	52%	65, 700	46%	0	-6%	100%
Extra capital	0	0%	0	0%	0	0%	0%
Reserve capital	435	0%	810	1%	375	0%	186%
Retained earnings	21, 434	17%	32, 128	22%	10, 694	5%	150%
<b>4.Long term liabilities</b>	172	0%	307	0%	135	0%	178%
Loans	0	0%	0	0%	0	0%	0%
Other long-term liabilities	0	0%	0	0%	0	0%	0%
Deferred tax liabilities	172	0%	307	0%	135	0%	178%
<b>5.Short-term liabilities</b>	39, 494	31%	44, 905	31%	5, 411	0%	114%
Loans	0	0%	0	0%	0	0%	0%
Debt	38, 189	30%	44, 663	31%	6, 474	1%	117%
Debt to participants	0	0%	0	0%	0	0%	0%
Revenues of future	0	0%	0	0%	0	0%	0%
Provisions for liabilities	0	0%	0	0%	0	0%	0%
Provisions	1, 305	1%	242	0%	-1, 063	-1%	19%
Other short-term liabilities	0	0%	0	0%	0	0%	0%
<b>Balance</b>	<b>127, 235</b>	<b>100%</b>	<b>143, 850</b>	<b>100%</b>	<b>16, 615</b>	<b>0%</b>	<b>113%</b>

**Source:** own computation, data from Chobanova, D. (2016)

Liabilities are also showing an increase (16,615 billion. RUB.) in liabilities due to an increase in retained earnings and accounts payable. Excess of accounts receivable is a positive factor.

Table 5. Dynamics of indicators of net profit for 2014-2015

	Index	January-December 2014	January- December 2015	Changes	
		bn.RUB	%	bn.RUB	Growth %
<b>Assets and Liabilities</b>					
1	Revenue from the sale of goods, works, services (net of value added tax, excises and similar compulsory payments)	49, 430	31, 658	-17, 772	64%
2	Cost of goods sold, products, works, services	84	1, 731	1, 647	2061%
3	<b>Gross profit</b>	49, 346	29,927	-19, 419	61%
4	Commercial expenses	0	0	0	0%
5	Managerial expenses	44, 482	19, 807	-24, 675	0%
6	<b>Profit (loss) from sales</b>	4, 864	10, 120	5,256	208%
<b>Other Assets and Liabilities</b>					
7	Interest income	0	0	0	0%
8	Interest payable	0	0	0	0%
9	Income from participation in other organizations	0	0	0	0%
10	Other income	3, 049	4, 360	1, 311	143%
11	Other expenses	720	643	-77	89%
12	<b>Profit (loss) before taxation</b>	7, 193	13, 837	6, 644	192%
13	Current income tax	1, 625	2, 420	795	0%
14	Other	0	1	1	0%
15	<b>Net Profit</b>	5, 754	11, 069	5, 315	192%

Source: own computation, data from Chobanova, D. (2016)

Revenue in January-December 2015 shows a decrease compared to the same period in 2014 (17,772 billion. RUB.). This is due to a large amount of sales in Q1, 2014. Cost of services for January-December 2015 compared to the same period last year

increased. Other revenues are growing and other costs are reduced. Net profit for the 3rd quarter of 2015 amounted to 11,069 billion. RUB, which is higher than the same period by 5,315 billion. RUB.

Table 6. Analysis of the company's assets for 2014-2015

	Placing Assets	31.12.2014		30.09.2015		Changes	
		bn.RUB	%	bn.RUB	%	bn.RUB	% Growth
1	<i>Non-current assets, total</i>	<i>25 722</i>	<i>20%</i>	<i>18 700</i>	<i>13%</i>	<i>-7 022</i>	<i>73%</i>
2	Inventory	9 116	7%	15 376	11%	6 260	169%
3	Settlements and accounts receivable	12 593	10%	24 224	17%	11 631	192%
4	Cash and short-term financial investments	79 802	63%	85 549	59%	5 747	107%
5	<i>Current assets, total</i>	<i>101 511</i>	<i>80%</i>	<i>125 150</i>	<i>87%</i>	<i>23 639</i>	<i>123%</i>
6	<b>Total property</b>	<b>127 235</b>	<b>100%</b>	<b>143 850</b>	<b>100%</b>	<b>16 615</b>	<b>113%</b>

Source: own computation, data from Chobanova, D. (2016)

At the end of the test period, the company's current assets increased, as a decrease in non-current assets. At the beginning and the end of the study period the largest share of current assets is the cash and short-term investments.

Table 7. Analysis of the company's financing sources for 2014-2015

	Accommodation of property	31.12.2014		30.09.2015		Changes	
		bn.RUB	%	bn.RUB	%	bn.RUB	% Growth
1	Sources of own and equated funds	87, 741	69%	98, 945	69%	11, 204	113%
2	Borrowed funds	39, 494	31%	44, 905	31%	5, 411	114%
3	<b>Total sources</b>	<b>127, 235</b>	<b>100%</b>	<b>143, 850</b>	<b>100%</b>	<b>16, 615</b>	<b>113%</b>

**Source:** own computation, data from Chobanova, D. (2016)

There is an increase of current assets and a decrease of non-current assets at the end of the investigated period. Company's own funding sources and equivalents exceed 50% at the end of the analyzed period in the structure of financing sources. In the structure of financing sources, borrowed funds at the start of the period are at 31% and at 31% in the end. Thus, at the end of researched period current assets exceed borrowed funds.

## 4.2 Analysis of Liquidity

Liquidity is the level at which an asset can be quickly purchased or sold without price change. Many sales transactions on the market indirectly establish the liquidity of the asset. That is the reason why the assets, which can be easily purchased or sold, are called liquid assets (Staff, 2017).



Table 8. Analysis of the liquidity of the balance for 2014-2015

	Absolute value		Change
	at the beginning	at the end	thous. RUB
<b>Assets</b>	thous. RUB		
A1	79,802	85,549	5,747
A2	12,587	24,218	11,631
A3	9,122	15,382	6,260
A4	25,722	18,700	-7,022
	thous. RUB		
<b>Liabilities</b>			
P1	39,494	44,905	5,411
P2	0	0	0
P3	172	307	135
P4	87,569	98,638	11,069

Source: own computation, data from Chobanova, D. (2016)

The fulfillment of the inequality  $A1 > \Pi1$  indicates the solvency of the organization at the time of drawing up the balance sheet. The organization has enough to cover the most urgent obligations of absolutely and most liquid assets. Fulfillment of inequality  $A2 > P2$  - quickly realized assets exceed short-term liabilities and the organization can be solvent in the near future, taking into account timely settlements with creditors, receiving funds from selling products on credit. Fulfillment of inequality  $A3 > P3$  - in the future with timely receipt of cash from sales and payments, the organization may be solvent for a period equal to the average duration of one turnover of working capital after the balance sheet date. The fulfillment of the first three conditions leads to the following condition:  $A4 \leq \Pi4$ . The fulfillment of this condition indicates compliance with the minimum conditions for the financial stability of the organization, the availability of its own working capital (Goel, 2015).

### 4.3 Evaluation of the Liquidity

Table 9. Evaluation of the liquidity and solvency of 2014-2015

Index	Optimum value	Indicator value	
		31.12.2014	31.12.2015
Coefficient of current liquidity	$\geq 2$	2,66	2,80
Coefficient of quick liquidity	$\geq 1$	2,42	2,46
Absolute liquidity ratio	$\geq 0,2$	2,09	1,92

**Source:** own computation, data from Chobanova, D. (2016)

When there is no opportunity to sell stocks, the current liquidity ratio helps to assess the possibility of repayment by the company short-term liabilities in the case of emergency. The standard value of the coefficient is from 1.5 to 2.5, depending on the industry. A value below 1 indicates high financial risks associated with the fact that the company is unable to consistently pay current bills. Value over 3 may signal unsustainable capital structure.

Quick ratio is the ratio of liquid current assets to current liabilities (current liabilities). Standard index is in the range of 0.7-1.5. Ratio reflects the company's ability to pay its current obligations in case of difficulties with the implementation of products (services). At the beginning and the end of the reporting period, the figure exceeds the standard value. In January-December 2014 the value is 2.42 and in January-February 2015 are 2.46.

Absolute liquidity ratio is the most stringent measure of solvency and indicates which part of short-term debt a company can pay off in the near future. Its value should be below 0.2. Throughout the test period, the absolute value of liquidity ratios corresponds to their standard values, which indicates the company's ability to repay its short-term debt in the near future.

After analyzing the company's liquidity ratios on 31.12.2014 and 31.12.2015, it can be concluded that the above parameters are optimum values. The value of the current liquidity ratio shows that the company has enough money to pay off its short-term liabilities during the year. The value of the quick ratio indicates the organization's ability to

repay its short-term liabilities by selling liquid assets. The value of the absolute liquidity indicates the company's ability to meet its short-term obligations (Goel, 2015).

*Table 10. Analysis of profitability indicators for 2014-2015*

	Index	Index value		Changes bn.RUB
		31.12.2014 bn.RUB	30.09.2005 bn.RUB	
<b>Profitability indicators</b>				
1	Profitability of core business	0,2228	0,4699	0,2471
2	Profitability of sales	0,1822	0,3197	0,1375
<b>Indicators of profitability of assets</b>				
3	Profitability of non-current capital	0,2224	0,5919	0,3695
4	Return on working capital	0,0564	0,0884	0,0321
5	Profitability of total assets	0,0450	0,0769	0,0320
6	Profitability of equity capital	0,0653	0,1122	0,0469
7	Return on invested capital	0,0652	0,1119	0,0467

**Source:** own computation, data from Chobanova, D. (2016)

Profitability comprehensively reflects the degree of efficiency of use of material, labor and financial resources. Profitability indicators of activity in January-December 2015 compared with the values for the same period in 2014 increased slightly. Increasing these rates indicates an increase of efficiency of economic activities of the enterprise. The indicators of return on assets for January-December 2015 compared to the same period in 2014 also slightly increased, indicating the rational structure of the company's capital.

Table 11. The dynamics of financial soundness indicators for 2014-2015

Index	Optimal value	Index value		Changes
		31.12.2014	30.09.2015	
<b>I Baseline data for analysis</b>				
Fixed assets	-	25, 722	18, 700	-7, 022
Current assets	-	101, 511	125, 150	23, 639
Balance currency	-	127, 235	143, 850	16, 615
Equity	-	87, 569	98, 638	11, 069
Long-term liabilities	-	172	307	135
Borrowed capital	-	39, 666	45, 212	5, 546
<b>II Indicators of financial stability of the company</b>				
Own working capital	>=10% of the value of current assets	61, 847	79, 938	18, 091
Coefficient of autonomy	>=0,5	0,69	0,69	0,00
Coefficient of financial stability	0,8-0,9	0,69	0,69	0,00
Coefficient of maneuverability of equity capital	0,2-0,5	0,71	0,81	0,10
Concentration factor of borrowed capital	<=0,5	0,31	0,31	0,00
Coefficient of own circulating assets	>=0,1	0,61	0,64	0,03
The ratio of debt to equity (financial leverage)	<=1	0,45	0,46	0,01
Permanent Asset Index	<1	0,29	0,19	-0,10

Source: own computation, data from Chobanova, D. (2016)

The value of its own working capital at the end of the period under review is positive and corresponds to the optimum value. A positive value indicates a healthy financial state of the company, as in this case, the company is able to pay off their current obligations to creditors through the sale of current assets.

Solvency ratio, concentration ratio of borrowed capital, the rate of coverage of current assets, the ratio of debt and equity capital correspond to its normative values and show that the organization has sufficient own funds to finance ongoing operations. However, the coefficient of financial stability and maneuverability ratio of equity capital falls short of the standard values, and alarming for the stability of the company (Goel, 2015).

*Table 12. Analysis of business activity for 2014-2015*

	<b>Index</b>	<b>January-December 2014</b>	<b>January-December 2015</b>	<b>Changes</b>
1	Turnover of accounts payable, turns	0,59	0,76	0,17
2	Turnover of accounts receivable, turns	6,48	2,79	-3,69
3	Duration of accounts payable, days	614,79	477,62	-137,17
4	Duration of repayment of receivables, days	56,34	130,68	74,34
5	Return on equity, turns	0,75	0,34	-0,41

**Source:** own computation, data from Chobanova, D. (2016)

Increasing the index of accounts payable turnover shows the acceleration of the process of payment of accounts. The values of accounts receivable turnover indicator show low efficiency of the organization ability to collect payment for their products. Reducing the duration of repayment of debt on the one hand, it may be advantageous for the organization, on the other hand, it may indicate a delay in payments to suppliers, and as a consequence, loss of business reputation. The tendency to increase of collection of receivables evidenced by a decrease in liquidity. A low turnover ratio of equity capital means the omission of part of its own funds.

#### 4.4 Analysis of net assets for 2014-2015

To assess the financial stability and solvency of the organization, modern economic analysis has developed numerous criteria, among which a special place is given to the indicator of net assets (Schmuck, 2013).

Table 13. Analysis of net assets for 2014-2015

Index	Index Value				Changes	
	bn.RUB		In % to balance currency		bn.RUB	( +/- )
	31.12.2014	30.09.2015	31.12.2014	30.09.2015		
1	2	3	4	5	6	7
1. Net assets	87,569	98,638	68,82%	68,57%	11,069	growth
2. Authorized capital	65,700	65,700	51,64%	45,67%	0	0
3. Excess of net assets over authorized capital (1-2)	21,869	32,938	-	-	11,069	growth
4. Balance currency	127,235	143,850	-	-	16,615	growth

**Source:** own computation, data from Chobanova, D. (2016)

As of 09/09/2015, Net assets of the company's amount was to 98 638 billion rubles, which was higher than the indicator of December 31, 2014. At the point of 11 069 billion rubles, the growth of net assets in dynamics was seen as a favorable trend.

## 5. Results and Discussion

### 5.1 Results

The financial analysis of the enterprise showed that at the end of the period under review, the company's current assets are increasing, as well as a decrease in non-current assets. At the beginning and at the end of the analyzed period, the largest share in the structure of current assets is cash and short-term financial investments. In the structure of the sources of financing of the society, the own sources and equivalent means at the end of the analyzed period occupy more than 50%. In the structure of sources of financing of the society borrowed funds at the beginning of the period occupy 31%, at the end of the analyzed period, 31% are occupied. At the end of the analyzed period, own funds exceed borrowed funds.

The fulfillment of the inequality  $A1 > \Pi1$  indicates the solvency of the organization at the time of drawing up the balance sheet. The organization has enough to cover the most urgent obligations of absolutely and most liquid assets. Fulfillment of inequality  $A2 > P2$  - quickly realized assets exceed short-term liabilities and the organization can be solvent in the near future, taking into account timely settlements with creditors, receiving funds from selling products on credit. Fulfillment of inequality  $A3 > P3$  - in the future with timely receipt of cash from sales and payments, the organization may be solvent for a period equal to the average duration of one turnover of working capital after the balance sheet date. The fulfillment of the first three conditions leads to the following condition:  $A4 \leq \Pi4$ . The fulfillment of this condition indicates compliance with the minimum conditions for the financial stability of the organization, the availability of its own working capital.

Having analyzed the liquidity ratios of the company from 31.12.2014 to 31.12.2015, we can conclude that the indicators above are the optimal values. The value of the current liquidity indicator shows that the company has sufficient funds that can be used to repay its short-term obligations within a year. The value of the fast liquidity indicator indicates the ability of the organization to repay its short-term obligations through the sale of liquid assets. The value of the absolute liquidity ratio corresponds to its normative value, which indicates the company's ability to meet its short-term obligations. On the other hand, a high ratio of fast and absolute liquidity ratios may indicate an unsustainable capital

structure, a too high share of non-performing assets in the form of cash and funds on accounts.

The profitability comprehensively reflects the degree of efficiency of the use of material, labor and monetary resources. The indicators of profitability of activities for January-December 2015 compared with the values for the same period in 2014 show slightly increase. An increase in these indicators indicates an increase in the efficiency of the economic activity of the enterprise. The indicators of profitability of assets for January-December 2015 compared with the figures for the same period in 2014 also indicates slightly increase, which shows the rational structure of the company's capital.

## 5.2 SWOT Analysis

SWOT analysis is one of the most effective tools in strategical management. The idea behind this analysis is based on the analysis of the internal and external factors of the company, the risk evaluation and the competitiveness of the product in the market. The advantage of SWOT analysis is that it gives a simple clear perception on the situation of a company, the product or the service in the market. This is the reason why this tool is one of the most popular in risk management and decision making (Fine, 2009).

The letters of the name of it stand for strengths, weaknesses, opportunities and threats. Strengths provides a competitive advantage in the market or a better position in comparison with competitors. Weaknesses are internal characteristics of the company that hamper business growth, prevent the goods from leading in the market and are uncompetitive in the market. They hinder the growth of sales and profits, pull the company back. Due to weaknesses, the company may lose market share in the long term and lose its competitiveness. Opportunities are favorable environmental factors that can influence the growth of business in the future. Threats are negative factors of the external environment that can weaken the company's competitiveness in the market in the future and lead to a decrease in sales and loss of market share. They also pose possible risks of the company in the future (Fine, 2009).



Figure 1. SWOT Analysis

Strengths	Weaknesses
<p>The widest brand portfolio among all automotive companies</p> <p>Diversification strategy</p> <p>Synergy between brands</p> <p>Joint ventures with local Chinese automakers</p>	<p>Negative publicity weakening the whole Volkswagen brand</p> <p>The highest recall rate in the U.S. market</p> <p>Low market share in the U.S. automotive market</p> <p>Little expertise and no competence in making battery driven vehicles</p>
Opportunities	Threats
<p>Fuel prices are expected to rise in the near future</p> <p>Acquire skills and competences through acquisitions</p> <p>Demand for autonomous vehicles Weakening euro exchange rate</p> <p>Focus on significantly improving sustainability policies to remedy damaged brand reputation</p>	<p>Intense competition</p> <p>Further fines and damages that will have to be paid</p> <p>Increasing government regulations</p>

**Source:** Jurevicius, O. (2017). *Volkswagen SWOT analysis - Strategic Management Insight*. [online] Strategic Management Insight. Available at: <https://www.strategicmanagementinsight.com/swot-analyses/volkswagen-swot-analysis.html> [Accessed 14 Mar. 2017].

As it is given in the table, the reader has a clear perception of all four essential factors concerning Volkswagen’s activity. From the ‘strengths’ section, the reader can distinguish the joint ventures with Chinese automakers. A weakness such as low market shares is essential as well. Expectation of the rise in fuel prices represents a potential successful opportunity. Additionally, the threat as increased government regulation can affect the company as well.

## **6. Conclusion**

Financial management as a science has a complex structure. One of its component parts is a financial analysis based on accounting data and probabilistic estimates of future factors of economic life. The relationship of accounting with management is obvious. To rule is to make decisions. To manage means to foresee, and for this it is necessary to have worthy information.

The analysis of the financial situation is not only the heads and relevant services of the enterprise, but also its founders, investors - in order to study the effectiveness of resource use; Banks - to assess credit conditions and determine the degree of risk; Suppliers - for timely receipt of payments; Tax inspections - to implement the plan of receipt of funds in the budget, etc. In accordance with this, the analysis is divided into internal and external.

The main goal of a manufacturing enterprise in modern conditions is to obtain maximum profit, which is impossible without efficient management of capital. The search for reserves to increase the profitability of the enterprise is the main task of the manager.

In the first chapter of this work, the theoretical foundations of the financial analysis of an enterprise are studied.

In chapter two, the operating enterprise and its financial position were examined. In the course of the work, the real state of affairs in the enterprise was established; Revealed changes in the financial condition and factors that caused these changes, a forecast was made for some of the main trends in the company's development. Also, recommendations have been developed to improve the financial condition of the enterprise.

Based on the results of the analysis, we can conclude that the positive result of the company's activity is the net profit from financial and economic activity for January-December 2015, amounting to 11,069 bn. RUB.

## 6. 1 Recommendations

The company is a quite large and stable; the analysis showed that the financial stability is also stable. For this the company should produce a comprehensive financial recovery system. It is not only to restore the solvency of the company, but also to find ways to reduce variable costs, as well as strive to achieve break even at the expense of improving the quality and competitiveness of services provided, the rational use of material, labor and financial resources.

The main activities on the financial recovery of the company are:

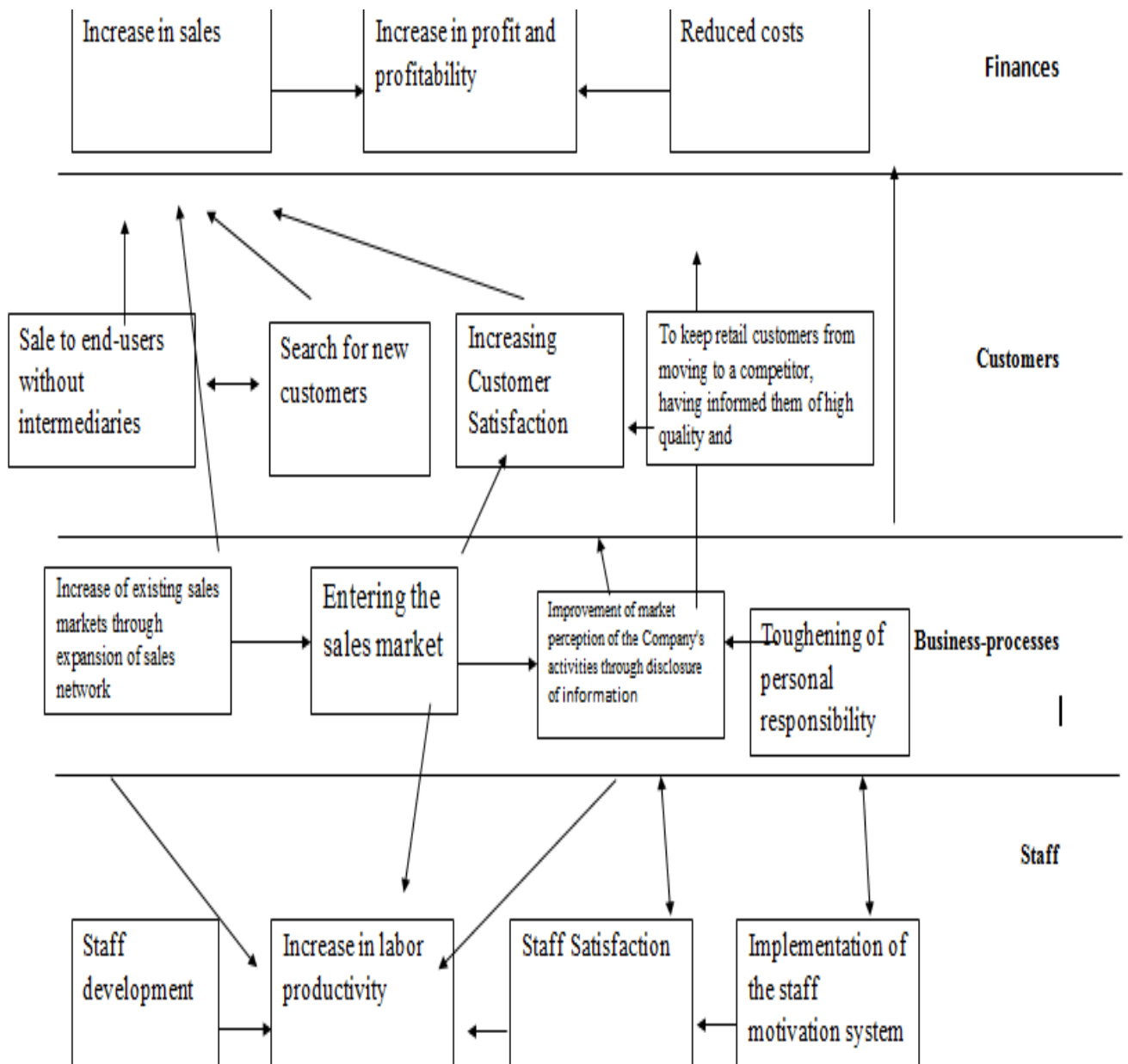
- increasing productivity
- establishing interest of the staff in the results of their work
- minimization of variable costs
- decreasing payables

In order to achieve financial improvement of the company, there are certain objectives:

- Increase customer base by increasing the covered area
- Getting profits by increasing customer base

Develop a strategy tree of goals of the company “Volkswagen Group Rus”. The long-term goal of “Volkswagen Group Rus” is a large-scale formation of a balanced vertically integrated company with growing production, increasing profits and profitability of production. Figure 1 shows the tree's strategic business objectives.

Figure 2. The strategic objectives tree



**Source:** Helfert, E. (1996). *Techniques of Financial Analysis: A Practical Guide to Measuring Business Performance*. 9th ed. McGraw-Hill.

The most important step in the development of an effective strategy of the firm is a strategic analysis, which should give a realistic assessment of their own resources and capacity in relation to the state of the environment in which the company operates.

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