

**ANALYSIS OF FINANCIAL AND ECONOMIC ACTIVITY OF THE  
ENTERPRISE**

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**Annotation:** The work presents the problems and methods of analysis of financial and economic activity of the enterprise, the system of analysis is disclosed and its effectiveness is assessed.

**Key words:** Analysis of financial and economic activity, evaluation of efficiency, methods of analysis

The analysis of financial and economic activity plays an important role in increase of economic efficiency of activity of the Organization, in its management, in strengthening of its financial condition. It is an economic science that studies the economics of organizations, their activities in terms of evaluating their work on the implementation of business plans, assessing their property and financial status and to identify unused reserves Improve the efficiency of organizations.

In the course of the analysis the identification of reserves to increase the efficiency of organizations and ways of mobilization, i.e. use of the revealed reserves is carried out. These reserves are the basis for the development of organizational and technical activities to be carried out to bring the identified reserves into effect. The developed measures, being optimum managerial decisions, allow managing effectively the activity of objects of analysis.

Therefore, the analysis of financial and economic activity of the enterprise can be considered as one of the most important functions of management or as the basic method of substantiation of decisions on management of organizations. In the conditions of market relations in economy the analysis of activity is intended to provide high profitability and competitiveness of organizations both in the nearest, and in the far term.

The analysis of the activity which has arisen as balance analysis as balance-keeping, continues as the main direction of the study to consider exactly the analysis of the financial condition of the Organization on balance (using, of course, other sources Information). In conditions of transition to market relations in economy the role of analysis of the financial state of the organization considerably increases, though, certainly, the value of analysis and other parties of their work is not diminished.

Analysis of financial and economic activity of the enterprise implies the necessity to solve a number of the following tasks [1]:

- Assessment of the organization's property status assessment of liquidity and solvency
- Assessment of Financial Stability
- Analysis of financial Results
- Analysis of Business Activity complex assessment of the financial state of the enterprise recommendations, Improve financial results, etc.
- The following reporting forms are used in the analysis process:
  - Accounting balance;
  - Report on financial results;
  - Report on changes in capital;
  - Statement of cash flows.

However, this list is not complete.

Analysis of financial and economic activity as a method includes a whole system of methods and techniques that give the possibility of scientific research of economic phenomena and processes that make up the economic activity of the Organization. At the same time, any of the methods and techniques used in economic analysis can be called a method in the narrow sense of the word, as a synonym of the notions of "method" and "acceptance". The analysis of economic activity uses also methods and receptions, characteristic for other sciences, especially statistics and mathematics.

The method of analysis is a set of methods and techniques providing a systematic, complex study of the influence of certain factors on the change of economic indicators and the identification of reserves to improve organizations.

For the method of analysis of financial and economic activity as a way of studying the subject of this science are characterized by the following features:

1. Use of tasks of business-plans (taking into account their validity), and also normative values of separate indicators as the basic criterion of estimation of activity of organizations, and their financial condition;
2. The transition from the evaluation of the Organization's activities to the overall results of the business plans to detail these results on spatial and temporal grounds;
3. Calculation of the influence of individual factors on financial and economic indicators (where possible);
4. Comparison of indicators of the given organization with indicators of other organizations;
5. Integrated use of all available sources of information;
6. Generalization of the results of the conducted analysis and summary calculation of the revealed reserves of improvement of the organization.

In the process of analysis of economic activity is used a large number of special methods and techniques in which there is a systemic, complex nature of analysis. The systemic nature of financial analysis is manifested in the fact that all economic phenomena and processes, which constitute the activity of the Organization, are considered as certain aggregates consisting of separate components, connected with each other and in general with the system, which is the economic activity of the Organization. During the analysis, there is a study of the relationships between the individual constituent parts of these aggregates, as well as these parts and the aggregate as a whole, and finally, between the individual aggregates and the activities of the Organization as a whole. The latter is considered as a system, and all its components are described as subsystems of different levels. For example, an organization as a system includes a number of workshops, i.e. subsystems, which are

aggregates consisting of separate production sites and workplaces, i.e. subsystems of the second and higher orders. Economic analysis examines the relationship between the system and subsystems of different levels, as well as the latter among themselves.

The analysis of financial and economic activity of the enterprise gives an opportunity to estimate efficiency of business that is to establish degree of efficiency of functioning of this enterprise.

The basic principle of efficiency of management is achievement of the greatest results at the least expenses. If we detail this situation, we can say that effective activity of the enterprise takes place at minimization of expenses on manufacturing of a unit of production in conditions of exact observance of technology and manufacture and maintenance of high quality and Competitiveness of manufactured products.

Profitability and profitability are the most generalized indicators of efficiency. There are private indicators characterizing the effectiveness of individual Parties to the operation of the enterprise.

These indicators include [2]:

- The efficiency of the use of production resources available to the organization:
- The main production funds (here are the results of the Fund, fondocapacity);
- Labor resources (indicators – staff profitability, labor productivity);
- Material resources (indicators – material capacity, material consumption, profit per one ruble material costs);
- Efficiency of investment activity of the Organization (indicators – payback period of capital investments, profit per one ruble of capital investments);
- Efficiency of the use of assets of the Organization (indicators-turnover of circulating assets, profit per one ruble value of assets, including negotiable and non-current assets, etc.);
- Efficiency of the use of capital (indicators-net profit per share, dividends per share, etc.)

As a generalizing indicator of efficiency of financial and economic activity of the enterprise the level of profitability is used as the ratio of net profit to the sum of main and circulating production means. This indicator combines a number of private performance indicators. Therefore, the change in profitability reflects the dynamics of efficiency of all aspects of the organization. In the example we considered, the level of profitability in the previous year amounted to 21 percent, and in the reporting year 22.8%. Consequently, the increase in profitability at 1.8 points indicates an increase in business efficiency, which is expressed in the comprehensive intensification of financial and economic activities of the enterprise.

The level of profitability can be considered as generalizing, integral indicator of business efficiency. Profitability expresses the measure of profitability, profitability of the enterprise. Profitability is a relative indicator; It is much less than the absolute profit index, is influenced by inflationary processes and, therefore, more accurately shows the effectiveness of the Organization. Profitability characterizes the profit received by the enterprise from each ruble of funds invested in the formation of assets. In addition to the profitability indicator, there are others, which are covered in detail in the article "Analysis of profit and profitability" of this site.

The effectiveness of the Organization is greatly influenced by factors of different levels. These factors are [3]:

- General economic factors. These include: tendencies and regularities of economic development, achievements of scientific and technical progress, tax, investment, depreciation policy of the state, etc.
- Natural-Geographical factors: location of the organization, climatic peculiarities of the given locality, etc.
- Regional factors: Economic potential of the region, investment policy in the region, etc.
- Sectoral factors: the place of the given branch as a part of the national economic complex, conjuncture of the market in this branch, etc.
- Factors caused by the functioning of the analyzed organization-the degree of utilization of production resources, compliance with the regime of cost

savings in production and sale of products, the rationality of the organization of Supply and marketing activity, investment and price policy, the most complete identification and use of internal reserves, etc.

Improving the use of production resources is very important for improving the efficiency of the enterprise. Any of the indicators that we have mentioned that reflect their use (funding, productivity, material capacity) is a synthetic, generalizing indicator that is influenced by more detailed indicators (factors). Each of these two factors, in turn, is influenced by even more detailed factors. Therefore, any of the generalizing indicators of the use of production resources (for example, funding) characterizes the effectiveness of their use only in general.

A more detailed factor analysis of these indicators is needed to identify the true effectiveness.

The main private indicators characterizing the efficiency of the enterprise's functioning should be considered as the fund-raising, labour productivity, material capacity and turnover of circulating assets. In this case, the last indicator compared to the previous one is more generalized, directly emerging to such performance indicators as profitability, profitability, profitability. The faster the revolving funds are wrapped, the more effective the organization is, and the more profit and profitability level.

Acceleration of turnover characterizes the improvement of both industrial and economic aspects of the Organization.

Thus, the main indicators reflecting the effectiveness of the Organization are profitability, profitability, profitability level.

In addition, there is a system of private indicators characterizing the effectiveness of various aspects of the organization's functioning. Among the private indicators the most important is turnover of circulating assets.

The system approach to the analysis of financial and economic activity of the enterprise presupposes its studying as a certain aggregate, as a single system. The system approach also assumes that an enterprise or other object to be analyzed should include a system of different elements that are in certain relationships among

themselves, as well as with other systems. Consequently, the analysis of these elements, which are part of the system, should be carried out taking into account both inside and external relations.

Thus, any system (in this case the analyzed organization or other object of analysis) consists of a number of subsystems related to each other. However, the same system as an integral part of the subsystem is part of another higher-level system, where the first system is interconnected and interacting with other subsystems. For example, the analyzed organization as a system includes a number of workshops and management services (subsystems). At the same time, this organization as a subsystem is part of a branch of the national economy or industry, i.e. higher-level systems, where it interacts with other subsystems (other organizations in this system) , as well as with subsystems of other systems, i.e. with organizations of other branches. Thus, the analysis of the activities of individual structural subdivisions of the Organization, as well as the individual Parties of the latter (supply, production, financial, investment, etc.) should be carried out not in isolation, but with Based on the relationships available in the analyzed system.

In these circumstances, economic analysis must be of course systemic in nature, complex and multifaceted.

The concepts of "system analysis" and "complex analysis" are considered in the economic literature. These categories are closely interrelated. In many ways, systematically and complexity analysis are synonymous concepts. However, there are differences between them. The systemic approach to economic analysis involves the interrelated consideration of the functioning of separate structural subdivisions of the Organization, the Organization as a whole, and their interaction with the external environment, that is with other systems. At the same time, the system approach means the interrelated consideration of different aspects of the activity of the analyzed organization (supply, production, financial, investment, socio-economic, economic-ecological etc.) The system of analysis is a broader concept than its complexity. Complexity includes the study of individual aspects of the Organization's activities in their unity and mutual connection. As a result, complex analysis should

be considered as one of the fundamental parts of system analysis. The commonality of complexity and consistency of analysis of financial and economic activity is reflected in the unity of study of different aspects of activity of the given organization, and also in the interrelated study of activity of the Organization as a whole and its separate Units, and, in addition, in the application of a common set of economic indicators, and finally in the integrated use of all types of information support economic analysis. [4]

In the process of conducting a systematic, complex analysis of the company's financial and economic activities, the following stages can be identified. The first step is to explode the analyzed system into separate subsystems. It should be borne in mind that in each case the main subsystems may be different, or the same, but have far from identical content. Thus, in the organization manufacturing industrial products, the most important subsystem will be its production activity, which is absent from the trade Organization. The organizations rendering services to the population have so-called production activity, sharply differing in its essence from industrial activity of industry organizations.

Thus, all functions carried out by this organization are performed through the activity of its separate subsystems, which are allocated in the first stage of the system, complex analysis.

The second stage is the development of a system of economic indicators, which reflects the functioning of both separate subsystems of the organization, that is, the system and the Organization as a whole. At the same stage, criteria for estimating the values of these economic indicators are being developed using their normative and critical values. Finally, in the third stage of the implementation of the systemic, integrated analysis, there is a correlation between the functioning of individual subsystems of the organization and the Organization as a whole, the definition of economic indicators that express. These relationships are under their influence. For example, analyze how the functioning of the Labor and Social Affairs Department of the Organization will affect the value of the output, or how the investment activity of the organization affected the amount of Balance sheet profit.



The system approach enables the most complete and objective study of the operation of a particular enterprise.

It should take into account the materiality, the importance of each type of identified relationships, the proportion of their impact on the overall value of the change in the economic indicator. In compliance with this condition, the system approach to economic analysis provides opportunities to develop and implement optimal management decisions.

In carrying out the systematic, complex analysis it is necessary to take into account that economic and political factors are interrelated and have a joint influence on the activity of any organization and on its result. Political decisions taken by legislative bodies must be in accordance with the legislative acts regulating the development of the economy. The truth at the micro level, that is at the level of individual organizations, to give a reasoned assessment of the impact of political factors on the performance of the organization, to measure their impact seems very problematic. As for the macro level, that is the national economic aspect of the functioning of the economy, here to designate the influence of political factors seems more real.

In addition to the unity of economic and political factors, the coherence of economic and social factors must also be taken into account in the conduct of systemic analysis. Achieving an optimal level of economic indicators is now largely due to activities to improve the socio-cultural level of employees of the Organization, improving the quality of their lives. In the course of the analysis, it is necessary to study the degree of implementation of socio-economic indicators plans and their relationship with other indicators of organizations.

The unity of economic and environmental factors should also be taken into account in the conduct of systemic, integrated economic analysis. In modern conditions of activity of the enterprises the environmental side of this activity has become very important. It should be borne in mind that the costs of implementing environmental measures cannot be considered only from the standpoint of momentary benefits, as biological damage caused by the nature of the activities of

metallurgical, chemical, food and other Organizations may in the future acquire irreversible, irreplaceable character. Therefore, in the process of analysis it is necessary to check how the plans for the construction of treatment facilities, the transition to non-waste production technologies, the useful use or the implementation of planned return waste. It is also necessary to calculate the reasonable values of damage caused to the natural environment by the activity of this organization and its separate structural subdivisions. The environmental activities of the Organization and its units should be analysed in conjunction with other parties, with plans and the dynamics of key economic indicators. At the same time, the cost savings for environmental measures, where it is caused by the incomplete implementation of the plans of these activities and not by more economical expenditure of material, labour and financial resources, should be recognized as unjustified [5].

Further, in carrying out the systematic, complex analysis it is necessary to take into account that it is possible to get a holistic view of the organization's activity only as a result of studying all the parties of its activity (and its structural Relations, as well as their interaction with the external environment. Thus, in the analysis we make the fragmentation of the whole concept — the activity of the Organization — into separate components; Then, in order to test the objectivity of analytical calculations, we perform algebraic addition of the results of analysis, i.e. separate parts, which together should form a holistic picture of the activity of this organization.

Systematic and complex nature of analysis of financial and economic activity are reflected in the fact that in the process of its implementation there is the creation and direct application of a certain system of economic indicators, characterizing the activity of the enterprise, its separate parties, and the interrelations between them.

Finally, the systemic and complex nature of economic analysis finds its expression in the fact that in the process of its implementation there is a complex use of all sources of information.

The main content of the system approach in economic analysis is to study the influence of the whole system of factors on economic indicators based on the internal and external relations of these factors and indicators. Thus the analyzed organization

that is the certain system is subdivided on a number of subsystems representing separate structural subdivisions and separate parties of activity of the Organization. In the course of the analysis the complex use of the whole system of sources of economic information is carried out.

All indicators expressing financial and economic activity of the organization are interrelated. For any indicator, the change of its value is influenced by certain factors. For example, the volume of sales (realization) is influenced by two main factors (they can be called factors of the First Order): volume of output of marketable products and change during the reporting period of the remains of unsold products. In turn, factors of the second order, i.e. more detailed factors, influence on values of the named factors. The volume of output is influenced by three main groups of factors: factors related to the availability and use of labour resources, factors related to the availability and use of fixed assets, factors related to the availability and using material resources [6].

In the process of analysis of financial and economic activity it is possible to allocate even more detailed factors of the third, fourth, and also higher orders. Any of the economic indicators can be a factor influencing another, more generalized indicator.

Currently, the analysis of financial and economic activity occupies an important place among the economic sciences. It is regarded as one of the functions of production management. It is known that the main functions of the management system-planning, organization, control and regulation of activities in accordance with the objectives of the enterprise [7, 8].

The role of analysis of financial and economic activity in the management of the enterprise increases due to the fact that the mechanism of management changes, principles and methods of administration change. Resource constraints and the need for choice are forcing enterprise managers to continually conduct research in the areas of markets, raw materials, demand studies, pricing, which should ensure efficiency gains.

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