

# Basic requirements for assessing the financial condition of auto transport enterprise

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*This article analyses the problems and prospects of development of transport enterprise and its significance for the development of a modern economy. There are defined the main indicators of financial condition of transport enterprise as important factor of economic development.*

Key words – auto transport enterprise, automobile industry transportation of passengers and cargo, commercial calculation, foreign and domestic trade, the index of passenger transportation, the index of freight.

## I. Introduction

Over the last decades the global economy began to evolve rapidly. In conditions of globalization the importance of labor division began to increase. As a result, the international trade has evolved. Transport services became an important element for the development of trade as such. That's why both, international and domestic transportations, are very important for the effective development of economic system. Research and evaluation of the financial condition of transport enterprise will help to eliminate deficiencies in its operations and speed up the development of economic processes.

## II. Results

In conditions of market relations auto transport enterprise is in constant interaction with other market subjects. All elements of the market are linked and influence to each other in one way or another, feeling the impact of environment. Formation of market makes the role of auto transport enterprises more important [3].

The importance of auto transport enterprises in the market conditions is especially great because they provide direct transportation of passengers and cargo. In the cost of transportation a significant share constitute the wage of drivers. Significant drawback of automobile transport is the low labor productivity of workers due to the small capacity of rolling stock of automobile transport in comparison with rail and water transport. Also, high cost of automotive industry is due to high fuel costs and high engine power. Automobile transport requires larger capital investments for transportation per unit of transport work than rail and water because its rolling stock is more expensive.

Financial activity of transport enterprise should be aimed at providing of regular income and effective using

of financial resources, achievement of efficient ratio of own and borrowed funds, financial stability for the effective operation of the business. This is due to the necessity and practical importance of systematic assessment of the financial condition of the company, that owns a significant role in providing its stable financial status [4].

Purpose of assessing the financial condition of the company is searching of stocks to improve profitability and strengthen of commercial calculation as a basis for the stable operation of the company and fulfilment of obligations to the Bank and other financial institutions.

In our opinion, while evaluating the financial condition of transport enterprise it is important to consider the influence of transport enterprise on the determining factors of economic security. During the analyses of financial state of enterprise it is advisable to use the system of financial ratios that characterize the structure of the sources of formation transport's enterprise capital and its accommodation, the balance between assets and liabilities of transport enterprise, efficiency and intensity of its capital, liquidity and asset quality, its investment attractiveness and others. For this purpose, we determine the dynamics by each indicator and its growth.

Considering the above, the analysis of the financial condition of auto transport enterprise can be represented as follows:

1. asset structure - an analysis of assets of transport enterprise.
  2. profit and profitability - has calculated coefficients that show profitability of the transport enterprise.
  3. state of assets - an analysis of the movement and technical condition of fixed assets.
  4. risk indicators – analysis the degree of influence of risk on performance results and level of economic security of transport enterprise.
  5. risk indicators - analysis degree of risk influence on performance results and level of economic security of transport enterprise.
  6. the ratio between assets and sources of their formation (indicators: availability of working capital and share in shaping of current assets, own and borrowed capital, the ratio of accounts receivable and accounts payable).
  7. indicators of liquidity.
  8. provision of services (are calculating indicators: utilization rate of production capacity, the level of the residual assets and the initial cost of fixed assets, annual output per worker, the total consumption of materials) [2].
- In our opinion, the calculation of comprehensive assessment of the financial condition of transport enterprise allows to consider the specificity of transport enterprise in analyzing performance of its activity. This analysis is carried out by analysts and it is based on the general information and operational base. The main purpose of this analysis is to identify ways of improving the enterprise.

In modern conditions the role of auto transport transportations is very important, despite the fact that

their cost is relatively high. The main advantages of auto transport transportations compared to air and water transportations are:

1. The relatively lower amount of time for carrying passengers and cargo.
2. High efficiency of transportation fulfilment over short distances.
3. Comparatively higher flexibility of this type of transportation.
4. Rhythmicity during the transportation of passengers and cargo.

Level of development of transport enterprise affects the level of both, foreign and domestic trade. Especially important function of transport enterprise is the implementation of international transportation of passengers and cargo.

A prerequisite for effective development of auto transport enterprise is maintaining roads in good condition. In Ukraine the state of most of the existing roads is unsatisfactory and new roads are not building. It should be noted that the average speed of movement on motorways of Ukraine twice less than in Europe. This factor contributes to the slow development of trucking companies.

Let us analyze the changes in passenger and cargo transportations by automobile industry in Lviv region during 2008-2012. The dynamics is represented in Table 1.

TABLE 1  
DYNAMICS OF CHANGES IN PASSENGER AND CARGO  
TRANSPORTATION IN THE LVIV REGION DURING  
2008-2012 YEARS (PREVIOUS YEAR = 100%) [1]

Year	Index of passenger transportation	Index of cargo transportation
2008	105,1	106,5
2009	96,5	77,8
2010	98,0	108,6
2011	97,7	114,0
2012	94,4	105,7

Thus, the index of passenger transportation during 2008-2012 is constantly falling because as a result of certain circumstances passengers prefer other types of transport. During the last few years have seen a slight increase of the index of freight. It should be noted that the main factor of the slow development of road transport in Lviv region is unsatisfactory state of roads.

The development of auto transport companies in Europe is significantly faster than in Ukraine. That is why we need to use the European experience to improve certain economic processes that directly or indirectly influence the development of road transport industry.

Using European experience, we can offer the following ways of improving of transport enterprise:

1. Increasing the number of funds invested in the trucking industry.
2. Improving the quality of highways.
3. The introduction of technologies which minimize fuel consumption.
4. The economy of scale due to the optimal quantity of luggage, which is transported.
5. Using economic-mathematical models for optimization of the enterprise.

## Conclusions

Effective development of auto transport enterprise is essential for the development of the national economy and the implementation of international and domestic trade. The main criteria for improving of financial activity of auto transport enterprise are strengthening of commercial calculation and improvement of profitability.

The importance of road transport consists in the fact that they have several advantages over other types of traffic. In the current economic conditions transport enterprise is developing very slowly, but its development is essential for the economic stability of the state. With the help of investment increase, improving of highways and a number of other measures we can achieve a higher level of development of transport enterprise.

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