

# The Problems of Financial Statement Analysis as a Basis for Evaluation of the Development Opportunities of Enterprises

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*Abstract – The aim of this study is to examine the nature of the financial analysis and research the existing methods of the financial statement analysis conducting to evaluate the opportunities of the development of enterprises. The modern financial analysis differs from the traditional analysis of financial and economic activity.*

Key words – financial analysis, financial condition, Matrix "McKinsey-GE".

## I. Introduction

The aim of this study is to examine the nature of the financial analysis and research the existing methods of the financial statement analysis conducting to evaluate the opportunities of the development of enterprises.

## II. The purpose of the article

If we consider the analysis of the financial condition of the company in terms of the project management, the matrix "McKinsey-GE" can be used.

## III. The main material

The economic crisis that emerged in Ukraine at the end of 2014 requires business participants to adopt quick but the most correct decisions based on the analysis of the current situation of the company and the reasons that influenced on it. Under this difficult economic situation the majority of enterprises face with the problems connected with the improvement of business performance, mobilization of resources to continue its work and future development. A complete solution is impossible without the analysis of the situation. At the enterprise level one of the major analytical instruments is the financial analysis. The urgency of this issue under the crisis led to the development of methods of assessing of the financial situation of enterprises aimed at the rapid assessment of the financial condition of the company, preparation of information for the decision-making, development of the strategy for the financial statement management.

Inasmuch as the existing methods and models for assessing the financial condition of the company are basic and are rarely used in practice in its pure form, the experts suggest using a combined evaluation model to obtain more precise results.

The modern financial analysis differs from the traditional analysis of financial and economic activity. This is especially connected with the growing influence of the environment on the enterprise. Specifically, the dependence of the financial statement of economic entities on inflation, reliability of counterparties (customers and suppliers), organizational and legal forms is observed.

The financial situation is the result of the interaction of all elements of the enterprise and financial relations as determined by a combination of the industrial and economic factors.

The objectives of the financial analysis of the enterprise is achieved as a result of resolving of certain interdependent set of analytical tasks. To accept the managerial decisions in manufacturing, finance, investment spheres the administration requires a constant awareness of the relevant issues arising in the process of selection, analysis, evaluation and concentration of the initial information.

In the financial practice, the following methods of financial analysis of enterprises are used: analysis of absolute indicators; horizontal; vertical; coefficient methods; systematic methods [2]

The task of ensuring of financial stability for the market economy covers all forms of financial activity, optimization of fixed and current assets, the formation and distribution of income, cash transactions, investment policy and so on.

To diagnose the financial condition the company analysts should calculate and consider the certain indicators, summarize them and perform the final analysis. The net result of the financial diagnostics should be the detection of the statement of the researched object and the symptoms of the crisis; identification of the common trends in the financial and economic development of the object; summarizing the results of the diagnostics; preparing of the anti-crisis program; development of the forecast of the object and sequence of the managerial decisions for its implementation. [1]

Matrix "McKinsey-GE" allows the company to classify each of its branches in its share in the company profits concerning to the other ones, its competitiveness, market occupied, the level of economic growth and interest to it sideways the other companies. [3] Using this matrix the company can identify the strategic areas of the industrial activity, that is, to determine the direction of the industry. "McKinsey-GE" is built by comparing the attractiveness of the actual or potential competitive markets and specific activities, highlighting those which are developed the most appropriate [4].

Based on the conducting of the analysis of the financial statement of the company using the methods of probability of its bankruptcy, the analysts and accountants prepare the financial strategy on the future, which provides:

- formation and effective use of the financial resources;
- identification of the effective ways of investing and concentrating of the financial resources in these areas;

- correspondence of the financial actions to the economic statement and opportunities of the enterprise;
- identification of the threats sideways the competitors, the choice of the areas of financial operations and maneuvering to achieve a decisive advantage over the competition.

### Conclusion

Therefore, the main purpose of the financial statement analysis is to determine the results of the economic activities for the certain period and certain date to define and correct the deficiencies in the financial activities and identification of the reserves to improve the financial condition of the company and its ability to pay. Under the today's unstable economy and the impact of the various economic crises, the conducting of the financial analysis is not in the foreground, the comprehensive financial diagnostics of the company that provides more feasible and objective results for the effective project decision-making should be done.

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