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**METHODOLOGICAL BASICS OF CONSTRUCTION OF SYSTEM  
OF FINANCIAL ANALYSIS AT COMMERCIAL ENTERPRISES**

*Methodological basics of constructing a system of financial analysis within the process approach to financial planning are summarized in the Paper. Principles of its formation, subsystems, objects and objectives of financial analysis are determined. Content of analytical procedures within each of its subsystems is interpreted.*

**Keywords:** *financial analysis, financial planning, business process, financial status, financial policy.*

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**Problem statement.** Current business conditions, which are characterized by high competitive level, dynamism of environmental changes, complication of financial activity, problems with financial assurance, which escalate at crisis and post-crisis periods, require high professional level of financial managers, and improvement of system of financial management. Financial planning, in the course of which future financial status of the enterprise is being modelled and most rational way for its development is being chosen, is the important constituent part of such management. Justification of qualitative financial plan is impossible without formation of system of financial analysis at the enterprise, the availability of which allows evaluating its financial status, strong and weak sides, threats and opportunities of its financial development, efficiency enhancement potential and provision of balanced financial development of the enterprise.

Implementation of new approaches to the financial planning requires construction of relevant system of financial analysis, justification of methodological basics of its formation that determines applicability and practical implication of the chosen study direction.

**Analysis of recent studies and publications.** Significant number of works of both national and foreign researchers deals with study of theoretical and methodological basics of financial analysis. Therefore, in works of J. Schumpeter [1], P. Samuelson [2], I. Rima [3] financial analysis is studied within economic analysis, which takes broad interpretation and in fact is considered as “generalizable characteristics of complex of analytical actions in economics in general or in its certain subdiscipline” [4, p. 23]. Authors highlight historic aspects of its development and wide spectrum of mathematical and analytical tool of economic history. Therefore, in 1970 P. Samuelson was awarded with the Nobel Prize for his contribution to the improvement of general level of analysis in economics area. At the same time, in national (and post-soviet area) theory and practice economic and financial analysis are considered in narrow perspective and require to highlight methods and techniques of financial analytical calculations at the enterprise (its microeconomic part). Therefore, Ye.V. Mnykh [5] fundamentally studies theoretical and methodological basics and practical toolkit of the financial

analysis. In works of V.V. Kovalev [4], L.A. Bernstein [6], R.C. Higgins [7], V.P. Savchuk [8], I.O. Blank [9] they focus on applicable aspects of the financial analysis, its methodical tool and technology of implementation.

Despite numerous studies, their considerable contribution to the theory of the financial analysis, the consistency and coordination of analytical and plan subsystems within financial management, features in context of implementation of the process-based approach are neglected by authors and are not relevantly represented in publications.

**Purpose statement.** Taking this into consideration, the purpose of the study is to justify methodological basics of construction of system of financial analysis of the commercial enterprise, relevant to the process-based financial planning.

**Presentation of main material of the study.** Financial analysis, being an important constituent part of the economic analysis, is characterized by wide range of tasks and powerful methodical tool. It is specified by complexity of financial activity of the enterprise in modern conditions on one hand, and quite wide area of application of the financial analysis on the other hand. Therefore, specialists [4, p. 44-57] fairly distinguish features of the financial analysis in work of accountant, financial analytic, financial manager, auditor, anti-crisis manager, which are determined by specific objectives of their activity and cause choice of methodical toolkit and procedure of its performance.

Financial analysis has important significance in system of financial planning. Being starting step of its performance, on the grounds of study of cause-and-effect relations of financial development of the enterprise, financial analysis reveals stock of improvement of financial status, provides basis for choice of the best from financial point of view variant of development of the enterprise and its adaptation to the environmental conditions.

Development of process-based approach to management, implementation of the financial planning on its basics requires construction of relevant system of financial analysis at the enterprise.

By system of the financial planning on the basis of process-based approach we shall basically understand complex of interrelated and consisted elements, which provide the process of development and implementation of the financial plans, relevant to the development requirements of the enterprise on the grounds of regulation and improvement of financial productivity of its business processes. Such system provides organization of strategic, operating and operational levels of the financial planning, within of which strategic planned financial results and financial parameters that provide their accomplishment and concretize the objectives for their performance are justified. In the system of financial planning, which is organized by principles of the process-based approach, important place has justification of financial results of business processes of the enterprise, providence of which in course of implementation of the financial plan contributes to achievement of strategic financial objectives. Formation of such results, previous evaluation of status of business processes and their subsequent analysis cause cycle of improvement of business processes in the system of financial planning: enterprise is in constant search of ways for their optimization for provision of balanced financial development, implementation of strategy and the best variant of adaptation to the environmental conditions.

Analytical treatments that have precedence before procedure of development of the financial plan and thread the whole plan process require relevant organization.

Certainly, financial analysis in system of process-based planning is based on basic principles, which are widely represented in special publications [4, 5, 8, 9]. But at the same time specific nature of the financial planning demand number of additional requirements (principles) for formation of the system of financial analysis at the enterprise, namely:

1. Principle of consistency of subsystems of the financial analysis and planning by scale of target objectives and terms of implementation;
2. Principle of integration of certain subsystems of the financial analysis;
3. Principle of study of financial productivity of business processes and factors that determine it;
4. Principle of choice of the most relevant methods of the financial analysis for necessities of the financial planning;
5. Principle of sufficient (but not excessive) detalization of financial analytical calculations.

Following understanding of the process-based system of financial planning, the essence and content of the financial analysis [4-9], basic and abovementioned principles of its organization, the system of financial analysis at the enterprise in context of process-based approach to the financial planning can be represented with help of the Table 1.

Strategic financial analysis connotes the study process of impact of the factors of internal and external environment on efficiency of financial activity in order to highlight special features and possible ways of development in long range period [10, p. 43]. It is the most complex subsystem of the financial analysis, in course of which it is necessary to highlight strategic financial possibilities of development of the enterprise, identify advance drivers of its value and strategic parameters of financial potential.

Complexity and importance of this stage of analytical study provide the necessity of complex determination and systematization of the objects of such analysis in order to structure the process of its performance. In current publications on strategic management issues unified approach for separation of the objects of strategic financial analysis is absent. Therefore, modern theory of strategic management distinguish two basic elements that determine strategic possibilities of the enterprise – resources and competencies [11, p. 141-145; 12, p. 39-40], which are considered as main objects of strategic analysis and classified on narrower segments in scope of types of resources and key competencies.

**Table 1. System of Financial Analysis within Process-Based Approach to the Financial Planning (Done by Author)**

<i>Elements of System</i>	<i>Characteristic of Elements</i>		
Subsystems	Strategic Financial Analysis	Operating Financial Analysis	Operational Financial Analysis
Object	Financial potential of enterprise; Strategic financial plan	Operating financial plan; Financial plan of enterprise; Financial policy of enterprise; Financial parameters	Operational financial plans (budgets); System of cash settlements of enterprise.

## Business economics, finance, accounting and auditing

		of business processes.	
Objectives	Evaluation of financial potential of enterprise, identification of advance drivers of value of enterprise, factors of its balanced financial development, balance of strategic financial plan and its compliance with strategic financial position of enterprise.	Evaluation of consistency of operating and strategic financial plans, evaluation of financial status of enterprise, resources for its improvement through streamlining of financial policy and business processes.	Evaluation of consistency of operational and operating financial plans, evaluation of status of cash settlements, operating solvency of enterprise, search of ways for optimization of cash flows of enterprise.

Found on such approach H.V. Blakyta [13, p. 131-132] suggests performing strategic financial analysis by three basic structural elements: resources for performance of the financial activity, financial structure of the enterprise, competencies on performance of the financial activity. Generally, positively evaluating such approach, nonsufficient appliance of the term financial structure of the enterprise, which the author understands as structure ratios of capital, cash flows and assets, should be noted. Instead of this in modern practice of monitoring of financial management this term got mass consumption and has kind of other meaning, characterizing structure of centres of financial responsibility at the enterprise.

For the requirements of strategic financial analysis I.O. Blank distinguishes so called dominant areas (directions) of strategic financial development of the enterprise: potential of formation of financial resources, level of allocative efficiency, level of financial safety, level of quality of financial activity management [10, p. 32-35].

Positively evaluating the abovementioned approaches, synthesizing their main provisions and virtues, taking into consideration special features of the financial planning on the grounds of process-based approach, we suggest distinguishing the following objects and segments of strategic financial analysis (Table 2).

**Table 2. Segmentation of Objects of Strategic Financial Analysis of Enterprise (Developed and amended under [10, 13])**

<i>Objects of Strategic Financial Analysis</i>	<i>Segments of Strategic Financial Analysis</i>
1. Financial resources of enterprise	<ul style="list-style-type: none"> <li>• In-house financial resources;</li> <li>• Borrowed financial resources.</li> </ul>
2. Assets of enterprise	<ul style="list-style-type: none"> <li>• Fixed assets of enterprise;</li> <li>• Floating assets of enterprise.</li> </ul>
3. Financial balance of enterprise	<ul style="list-style-type: none"> <li>• Structure of capital;</li> <li>• Structure of assets;</li> <li>• Balance of cash flows;</li> <li>• Balance of risk-position.</li> </ul>
4. Financial parameters of business processes	<ul style="list-style-type: none"> <li>• Financial parameters of main business processes;</li> <li>• Financial parameters of auxiliary business processes;</li> <li>• Financial parameters of management business processes;</li> </ul>

Suggested approach provides complex evaluation of the financial potential of the enterprise, its compliance with strategic requirements of development, allows identification of key factors of balanced financial development of the enterprise, advance of its value.

Study of impact on activity of the enterprise of certain factors of its business environment is the basis for performance of strategic financial analysis. Depending on the sources of origin of these factors and possibilities of impact of the enterprise on them, they are traditionally distinguished on factors of internal and external financial environment. Fond on remark of J. Galbraith and K. Roberts on lack of definition of boundaries of external and internal environment due to interpenetration of management and relationship elements [14, p. 44], approach of the authors that distinguish external financial environment of direct and indirect impact and internal financial environment is reasonable [10, p. 44-46].

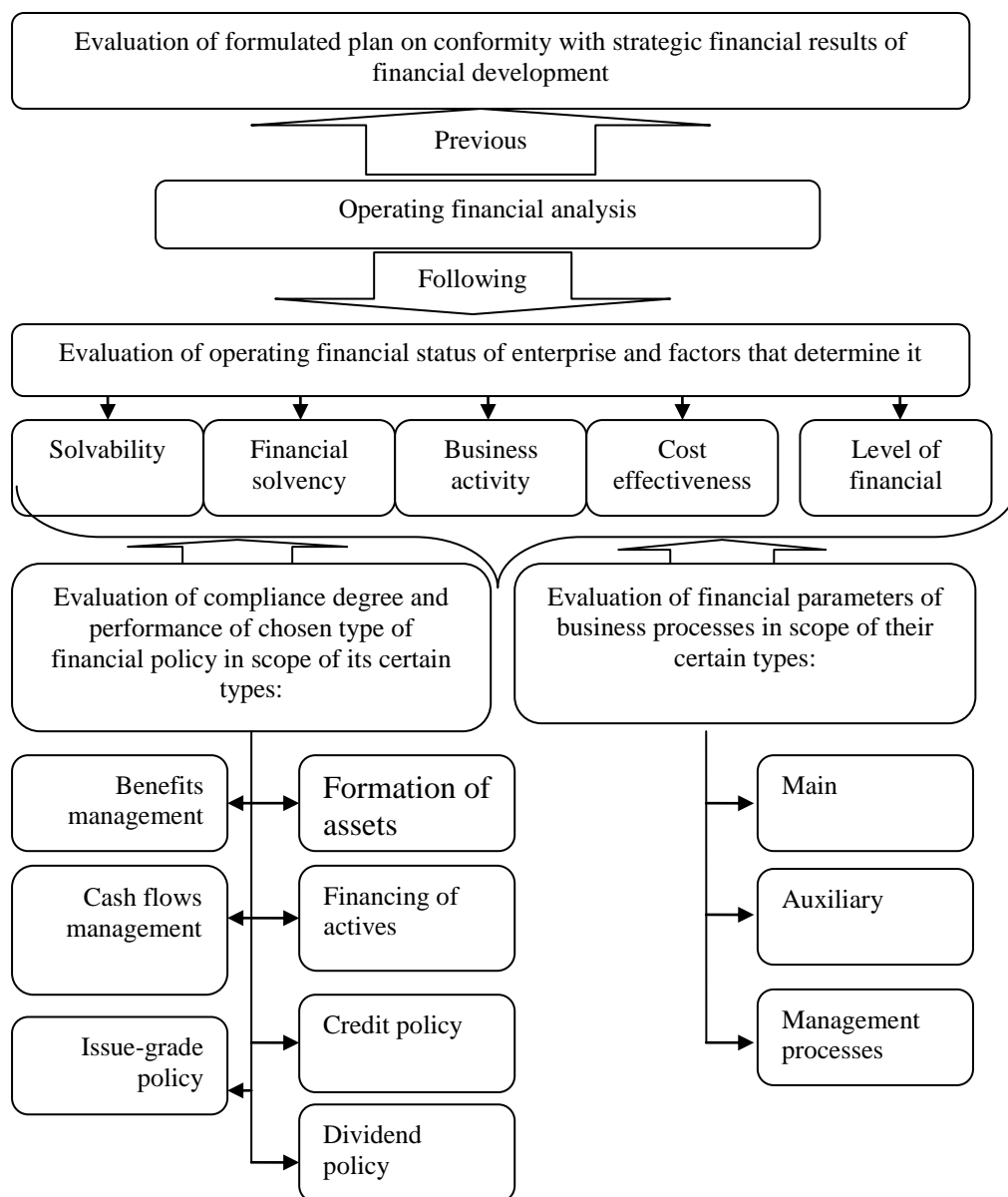
Therefore, strategic financial analysis provides gradual evaluation of the factors of certain types of financial environment in scope of the objects and segments of the financial analysis, as well as generalization of results of such analysis in matrix form, which characterize strategic financial position of the enterprise. Within such analysis quite wide spectrum of methods is applied (Table 3).

**Table 3. Methods of Strategic Financial Analysis and Area of Their Appliance (amended by Blank I.O. [10]).**

Methods of Strategic Financial Analysis	Are of Appliance		
	Analysis of Factors of External Environment of Indirect Impact	Analysis of Factors of External Environment of Direct Impact	Analysis of Factors of Internal Environment
SWOT-analysis	+	+	+
PEST-analysis	+		
SNW-analysis			+
GAP-analysis			+
LOTS-analysis			+
PIMS-analysis			+
Scenario analysis	+	+	+
Comparison analysis			+
Ratio analysis			+
Factor analysis			+
Expert analysis	+	+	+

Equally important constituent part of strategic financial analysis is the evaluation of level of balance of strategic financial plan, during performance of which degree of consistency of financial objectives in strategic map, certain planned financial results within balanced system of results, its compliance with strategic financial position of the enterprise, tendencies of development of external financial environment are being studied.

Within operating financial analysis there are two forms of analytical study, which are being implemented: previous and following financial analysis (Picture 1).



**Picture 1. Model of operating financial analysis within financial planning on the basis of process-based approach (done by Author).**

Previous financial analysis is contained in evaluation of operating financial plan, its relevance to strategic part, by results of which operating financial plan either is approved or amendments are made both in operating and strategic financial plans.

The following financial analysis provides evaluation of the operating financial status and includes:

1. Study of the implemented type of financial policy in scope of its certain types (credit, formation of assets, financing of assets, dividends etc.) and its impact on the financial status of the enterprise. Compliance degree of financial parameters of the enterprise with its chosen type is being evaluated.

2. Study of financial parameters of business processes and their impact on financial status of the enterprise.

Identified resources of improvement of financial status in part of improvement of financial policy of the enterprise and improvement of its business processes are the results of operating financial analysis.

On one hand, operational financial analysis provides evaluation of formulated budgets from the positions of their compliance with planned financial documents of higher level (operating and strategic), as well as study of status of cash flows, in flow of which the amounts of income and outcome of cash, their balance and synchronism are being analyzed budgets of certain business processes are being studied. Choice of directions of cash flow optimization, financial resources economy, which contributes to growth of solvability and performance activity of the enterprise, is the result of such analysis.

Methods of horizontal, vertical, coefficient and integral analysis, essence and procedure of implementation of which are widely represented in publications [4-9], are being used in course of operating and operational financial analysis.

**Summary.** Formulated approach to construction of the system of financial analysis provides to the process of development and implementation of the financial plan the necessary analytical toolkit, and allows evaluating compliance of the financial plans of different levels, financial potential of the enterprise and strategic possibilities of its development, identifying the resources of improvement of financial status and increase of performance and efficiency of financial activity by the improvement of financial policy, development of business processes, studying level of dynamic solvability, identifying directions of cash flows optimization. Justification of methodological basics of construction of the system of financial analysis in context of process-based approach to planning requires improvement of methodological toolkit of the financial analysis and planning, which will be the subject of the Author's following studies.

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