

Technologies of Management of Financial Result of Enterprise in Modern Conditions



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Abstract: *The article is concerned with the development of approaches to the management of an enterprise's financial results in modern conditions. It was established that financial results are characteristic of the integral application of methods and approaches that are seen in the use of general and specialized analysis systems designed to determine whether an enterprise's financial results are managed efficiently. As a result, this makes it possible to study the problem comprehensively taking into account the current state, performance and structures of components used during various periods to analyze financial results. The review of general trends of corporate development through the assessment of their financial results gives the authors reason to say that positive financial results provide profitable enterprises with a leading role. The authors justified changes in trends in the output/cost ratio, which is marked by the uneven growth of these indicators, thus influencing financial results.*

Index Terms: *management, financial results, enterprise, products, sales, revenue, expenses.*

I. INTRODUCTION

The development of market relations requires closer attention to the management of a modern enterprise. When doing so, to make well-thought-out managerial decisions it is necessary to have reliable information on operating results, with information compiled taking into account specific features of economics activities carried out by enterprises and their organizational structure. This is so because a primary goal of every enterprise is to deliver stable financial results that reflect all sides of operations carried out by any company. At the same time, in modern conditions it has become more important to determine financial results, their significance for

corporate development owing to amendments to the laws that regulate entrepreneurial and investment activities, and the tax policy, which influence various operating indicators that are the basis for the generation of financial results. On top of this, over the past few years, unprofitable enterprises have accounted for at least 30%.

In this regard, issues related to information on expenses and income as determinative components of financial results become of importance. The priority area of solving these problems is to keep records of individual functions to manage key components of financial results to coordinate an enterprise's activities. For this reason, the core of solving this problem should include not only organizational principles, effective methods of keeping records of and generating financial results, but also methodical support to analyze individual components. Problems related to the management of an enterprise's financial results in modern conditions were studied in the papers compiled by A.N. Guseynov [1], Yu.A. Kustov [2], S.A. Lavrenchenko [3], I.A. Lysov [4], T.Yu. Semenova [5], L.Yu. Filobokova [6] and others. Generalization and analysis of the papers devoted to this problem allowed the authors to conclude that problems related to the development of methodical support for better management of an enterprise's financial results have not been sufficiently solved both scientifically and practically. The objective need of further research relates above all to measures required to determine the content of financial result management, to generalize the procedure for analyzing corporate activities with positive and negative financial results, to develop a model designed to analyze financial results in order to study their possible changes depending on initial management conditions.

II. METHODS

a. General description

During the study the authors used the following methods: the method of logical generalization in order to reveal the essence of the notion "financial results" and the content of a process to manage financial results; the grapho-analytical method to analyze and compare statistical data on financial results posted by enterprises under analysis; statistical analysis methods to generalize factors which influence financial results of enterprises; system and complex approaches to substantiate the procedure for analyzing enterprises

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with positive and negative financial results; and formalization methods to generalize a model of financial results analysis and to reveal the content of the methodical approach to assess and forecast their numbers. The study's information base includes legislative, statutory and legal acts on corporate operations, regulations for the generation and distribution of financial results, and statistical reports compiled by individual enterprises.

The study's theoretical base included articles written by Russian and foreign scientists and specialists about problems related to the management of corporate income and expenses, analysis, conditions for the generation and distribution of financial results [7, 8, 9].

b. Algorithm

During the study, the authors plan to elaborate approaches to managing an enterprise's financial results in modern conditions and to substantiate methodical approaches towards an enterprise's financial analysis. Moreover, a task has been set to substantiate approaches to assess factors related to an enterprise's financial development, determine and formulate main areas of efforts to make the use of an enterprise's financial resources more efficient.

c. Process flow diagram

It is planned to carry out study according to the following scheme, in which the the financial result of the enterprise is considered as a dynamic process arising from a set of factors of the economic environment (Fig. 1).

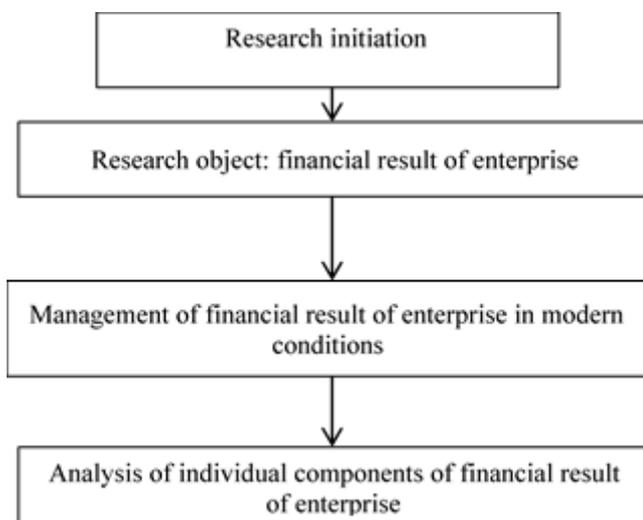


Figure 1. Flow diagram reflecting research on financial result of enterprise

III. RESULTS

Nowadays, an enterprise constitutes a responsible center of society's most important economic activities. Financial issues related to general problems in a modern enterprise's operations play an important role in these processes. Meanwhile, special attention is paid to financial results, which are generalized to form an enterprise's stability and its ability to develop. However, despite broad interpretation of financial results upon review of such relevant components as income and expenses, the broader substantiation of this notion has been on the agenda until now. For this reason, when

considering financial result contents an overwhelming majority of researchers tends to determine the structure of relevant components more thoroughly, focusing above all on financial result generation processes. At the same time, analysis results showed that one of the most popular approaches applied to determine the notion "financial results" is economic, accounting and managerial.

At the same time, the review of financial result management as a component of an enterprise's general management allowed the authors to form its key functions as follows: to keep records of financial result components, to generate, distribute and control use of financial results, to analyze financial results and coordinate actions to manage individual components. At the same time, the informative analysis of financial result management components allowed the authors to specify the relevant notion that differs from the current ones as it emphasizes the importance of the coordinative function of management and the reverse influence of financial results in an enterprise's general management system.

The analysis of development trends at enterprises allows the authors to say that stability of financial results provides profitable enterprises with a key role. In addition, the authors also revealed a trend that generated financial results produce an ambiguous impact on a company's general financial results as a whole. Such signs of ambiguity include the different pace of changes in losses and trends in the output/sales ratio. Various trends in financial results generated at individual enterprises also influence absolute changes in equity capital numbers (Table 1).

Table 1: Absolute changes in equity capital numbers at enterprises under analysis, RUB th

Enterprise	2014	2015	2016	2017
Consi Engineering	6,768.5	36,460.3	47,293.8	29,999.4
Universal-Technika	-6,110.2	-1,359.7	-175.2	-2,335.3
Tekhno-NDT	771.3	1,081.4	877.4	-1,835.5
Grain Ingradient	-14,312.8	-900.6	-4,486.9	-71.6
Soyuz Production Association	36.6	20.3	-11.3	18.9
Monolit-City1	38.8	-269.4	-561.8	-664.8
Eurasian Industrial Group	-27,735	-8,014	-4,268	-14,038
Don-Composit	5,446.3	882.9	-3,728.2	12,755.2
Promresursservis	-1,338	-2,314	-2,974.6	-1,943.4

At the same time, the generalization of actual and statistical data allowed the authors to name the following factors that produce the most substantial impact on stability of an enterprise's financial results: prices, the output/sales ratio, changes in the breakdown of sales, the cost of products manufactured, the pace of changes in accounts payable and receivable.

Specifically, it was proved that enterprises carried out operations amid the ongoing and substantial growth of raw material prices. Moreover, it can be pointed out that products manufactured by the enterprises under analysis are for either investment or durable goods, which takes a lot of time for production.

Upon review of statistical data, individual enterprises can be positioned in the phase space “the production cost growth rate – the production cost in sales income”.

Specifically, enterprises that deliver stable positive financial results stand along the Pace of Cost Growth line at $105\% \pm 15\%$ and post more measured cost numbers in sales income compared with other enterprises. Enterprises that permanently report negative financial results have higher production cost ratios in sales income and stand higher and lower than the Pace of Cost Growth line for enterprises that post positive financial results only.

The analysis of corporate expenses, a component of the quantitative assessment of financial results, made it possible to study the impact of the breakdown of costs on the stability of costs. In addition to the peculiarity of generating steadily positive results, the authors, therefore, differentiated a general proportion for the growth rate of various items of operating expenses. When doing so, the maximum deviation from the average of operating expense items for enterprises, which steadily deliver positive financial results, is under 5%. On top of this, these enterprises tend to show growth in all items of operating expenses and the substantial growth rate of such components in the breakdown of operating costs as material costs and payroll expenses.

The study of production cost growth (Table 2) and the proportionality of the cost breakdown helped the authors substantiate procedures designed to analyze operations at enterprises that report positive and negative financial results. The main point of this procedure is primarily to determine permissible values for changes in the positions of the enterprises under analysis in the phase space “the production cost growth rate – the production cost in sales income” and to study the influence of the proportional cost breakdown on their financial results.

Table 2: Production cost growth rates at enterprises under analysis, %

Enterprise	2014	2015	2016	2017
Consi Engineering	103.18	174.58	104.56	103.18
Universal-Technika	149.26	115.17	121.85	120.85
Tekhno-NDT	94.33	120.18	105.25	95.92
Grain Ingradient	131.61	99.48	133.18	96.04
Soyuz Production Association	96.38	124.32	118.91	134.87
Monolit-City1	85.67	139.19	116.32	122.71
Eurasian Industrial Group	69.38	100.03	95.17	103.24
Don-Composit	286.04	234.57	133.14	76.97
Promresursservis	126.17	239.44	76.43	46.16

Stages of the proposed procedure lead to the following: the production cost growth rate and the weighted cost-to-income ratio are determined. The procedure shows positions held by

the enterprises under analysis in the given space; allowed values are set for changes in the positions held by the enterprises in the phase space “the production cost growth rate – the production cost in sales income”; the general breakdown of costs at the enterprises under analysis is determined and relevant allowed values are established; the general breakdown of operating expenses and the growth rate of changes in relevant costs during a definite period under analysis are determined, so relevant allowed values are also determined on this basis; the enterprises under analysis are positioned given various means used to generate financial results.

For making a model to analyze financial results, the authors proved that it is important to apply analytical approach tools by using the following formula:

$$\frac{(D_x - D_o)^2}{D^2} + \frac{(Z_y - Z_o)^2}{Z^2} = 1, \tag{1}$$

where D means an enterprise’s actual income from operations at a certain point in time t (based on the current year’s results) (RUB); D_o means an enterprise’s income generated during the previous period of time (e.g. based on last year’s results) (RUB); D_x means current changes in income during the period under analysis (RUB); Z means an enterprise’s real operating expenses at a certain point in time t (based on the current year’s results) (RUB); Z_o means an enterprise’s expenses for the previous period of time (e.g. based on last year’s results) (RUB); and Z_y means current changes in expenses during the period under analysis (RUB).

IV. DISCUSSION

The reliability of the proposed approaches is confirmed by the fact that the proposed model makes it possible to analyze simultaneously individual components of financial results based on semi-axes of the ellipsis; to analyze general changes in financial results by changes in the form of the ellipsis [10-14]. This model also takes account of previous and current values of financial result components for some time intervals. Proceeding from the assumption that financial results as a generalized indicator of an enterprise’s current standing can activate its activities, it is feasible to determine potential values of these results in advance. The basis for values to be determined is to generalize components of financial results as limiting boundaries, which was reflected in the methodical approach developed. The approach’s main point is to apply graphical interpretation to determine financial results by considering the aggregate of financial result components, which form a plain in space for changes in the components, and this, in turn, determines the assessment of financial result values. A supplement to interpret the proposed approach is to establish formal generalizations for changes in individual financial result components by making regression equations. These equations reflect changes in financial result values taking into account the time factor. Consequently,



analyzing values of individual financial result components makes it possible to determine on their basis the direction of influence of the respective limitations on final financial results. Specifically, any changes in operating profit at the enterprises under analysis have a limited impact on gross profit because the amount of other operating expenses is higher than the amount of other operating income. If other operating expenses are negative, then an enterprise's financial results should be managed by reducing other operating expenses and production costs or by increasing sales income and other operating income, respectively, to the previous period's values. Otherwise, a decrease in the difference between other operating income and other operating expenses will be substantial. That is, the management of financial results largely comes to the application of internal factors to develop production. If other operating expenses are positive, then the management of financial results can be considered appropriate.

V. CONCLUSION

It can be pointed out in conclusion that the consideration of financial result management as a key component in an enterprise's general management system contributed to revealing the content of such management, which differs from the current approaches by differentiating the coordinative function of such management and the importance of generalizing the total impact of financial results on the operation of an enterprise's management system as a whole. It was established that financial results are characterized by the integrity of applying methods and approaches that lead to the use of general and specific analysis systems to determine the efficiency of an enterprise's financial result management. As a result, this makes it possible to analyze this problem on a comprehensive basis taking into account the current state, changes, and the breakdown of applied components to analyze financial results during different periods. The consideration of an enterprise's general development trends by analyzing their financial results allows the authors to say that positive financial results provide profitable companies with a leading role, with their number ranging from 50% to 70%. At the same time, it was found out that growth rates in financial results have changed. The authors also substantiated changes in the output/cost ratio. The changes point to unequal growth rates in these indicators, thereby influencing financial results. By determining various factors, which influence an enterprise's financial results, it was established that currently, production tends to decrease against sales primarily due to price conditions. At the same time, it was proved that in terms of positive financial results it is of no less importance to consider the breakdown of product sales, with durable goods becoming a priority for enterprises.

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