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FINANCIAL STATUS ASSESSMENT INDICATORS OF THE ENTERPRISE

The key element of the economic management system in market conditions is the quality of the development and adoption of management decisions aimed at ensuring the profitability and financial stability of the enterprise. A comprehensive analysis of financial indicators allows for an objective evaluation of the level of financial stability, timely detection of bankruptcy threats, and improvement of the efficiency of financial resource utilization, which contributes to the long-term stability and development of the business entity. [3, p.25]

The analysis of an enterprise's financial status is a crucial tool in financial management. It enables managers, investors, and other stakeholders to gain a deeper understanding of the company's financial health, which helps them make informed decisions. The purpose of this analysis is to evaluate how effectively the enterprise's resources are being utilized and whether it is financially stable. The indicators and methods used vary depending on the specific goals of the analysis.

The classification of key indicators used to evaluate the financial health of an enterprise includes the following categories: Indicators for assessing the property status of the enterprise.

1. Profitability indicators.
2. Liquidity and solvency indicators.
3. Financial stability and sustainability indicators.
4. Profitability indicators.
5. Business activity indicators.
6. Shareholder capital indicators. [1]

Each of these categories offers important in sights into the enterprise's performance and future prospects. Below is a more detailed discussion of each group of indicators and their contribution to understanding the financial health of the enterprise.

Indicators for Assessing the Property Status of the Enterprise

The property status of an enterprise reflects there sources available to it. Understanding the property structure is crucial formanaging and planning the enterprise's operations.

The primary indicators reflecting the property status of an enterprise are:

– the total amount of assets at the disposal of the enterprise, which defines the total value of assets on the balance sheet. This value provides a snaps hot of the size and scale of the enterprise.

– the depreciation ratio of fixed assets shows the portion of fixed assets that have become worn out. This indicator gives insight into the condition of long-term assets, such as machinery, equipment, and buildings.

– the renewal ratio of fixed assets reflects the proportion of new fixed assets relative to the total value of fixed assets at the end of the reporting period. Itisanimportantmeasureforassessinghowthecompanyismodernizingitsinfrastructureandequipment.

– the disposal ratio of fixed assets reveals the portion of fixed assets that have been sold or disposed of during the period, indicating the turn over or replacement of assets.

This set of indicators allows determining how effectively the enterprise's assets are used. The amount of assets is one of the most important measures of the size and scale of the enterprise. Fixed assets, which include buildings, machinery, and equipment, are a critical part of the enterprise's property. The depreciation ratio provides insights into the condition and age of these assets, indicating the potential need for future investments in new equipment or infrastructure.

Profitability Indicators of the Enterprise

Profitability is a key aspect of an enterprise's financial health. Profitability indicators are used to asses show effectively the enterprise generates profitfromits resources, as well as to identify potential areas for improvement and growth.

The main profitability indicators include:

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– the return on investment in ordinary shares, which evaluates the profitability of investments made in the enterprise's shares;

– the return on investment in the enterprise, which reflects the overall level of profit received from investments in the enterprise;

– the return on assets, which shows how much profit each unit of the enterprise's assets generates;

– the turnover of material assets, which determines the efficiency of using material assets to generate profit;

– the profitability of sales, which characterizes the ability of the enterprise to earn profit from its core activities.

These profitability indicators provide a comprehensive evaluation of the enterprise's financial health and its ability to generate profits relative to invested capital, total assets, and operational resources. They also help assess the efficiency with which the enterprise utilize sits assets and generates revenue.

Liquidity and Solvency Assessment Indicators

The assessment of liquidity and solvency is critical for determining the financial stability of the enterprise and its ability to meet obligations.

Liquidity refers to the enterprise's ability to quickly convert its assets into cash and pay off liabilities. It is determined by the ratio of highly liquid assets to short-term liabilities. The liquidity analysis helps predict future changes in liquidity and assess the structure of accounts payable, which is essential for operational planning and managing cash flow.

Solvency refers to the enterprise's ability to meet its financial obligations on time. Solvency is assessed both for the current period and based on forecasts. Current solvency can be assessed based on the reported balance by comparing available funds with urgent liabilities through a payment calendar. The main indicator of solvency is the ratio of cash inflows to fixed expenses.

The assessment of liquidity and solvency includes calculating the following indicators:

– The amount of working capital reflects the portion of the enterprise’s equity that is used to cover current assets, as shown in the equity report.

– The coverage ratio (Kp) reflects the ratio of current assets to the enterprise's current liabilities. For proper functioning, this indicator should exceed 1.0. An increase in this indicator indicates a positive trend. The target value is determined by the enterprise independently and depends on daily needs for free financial resources to cover current liabilities.

– In addition to the coverage ratio, the quick and absolute liquidity ratios are calculated to assess liquidity levels.

– The quick liquidity ratio (Kshl) is calculated as the ratio of the most liquid assets (cash and accounts receivable) to current liabilities. It reflects the enterprise's ability to cover its short-term liabilities with assets that can be quickly realized or converted into cash. The average value of this ratio is 0.5–0.6.

– The absolute liquidity ratio (Ka) (solvency) reflects the enterprise's ability to immediately pay off part of its short-term liabilities with the most liquid assets. The recommended lower limit for this indicator is 0.2.

– The portion of own working capital in covering inventories is the value of inventories financed by the enterprise's own working capital. The recommended lower limit for this indicator is 50%.

These liquidity and solvency indicators are crucial for assessing the enterprise's financial flexibility and resilience. By ensuring that the enterprise can quickly meet its obligations and maintain solvency, these ratios help mitigate potential financial risks.

Financial Stability Indicators

The financial stability of an enterpriser eflects its ability to maintain operations without excessive reliance on borrowed funds. Financial stability is crucial for long-term success, as enterprises that rely heavily on debt are at greater risk of financial in stability.

The main indicators of financial stability include:

– The equity provision ratio, which determines the level of the enterprise's provision with its own funds. It is calculated as the ratio of the actual available sources of own and equivalent funds (excluding debts related to settlements with participants, future income, reserves for future expenses, and payments, and restructured debt) to the total available current assets of the enterprise.

– The financial dependence ratio is the inverse of the equity provision ratio. It defines the share of borrowed funds in the total funding of the enterprise and indicates the level of risk associated with attracting external financial resources.[2. p. 103]

Financial stability also involves assessing the enterprise's financial leverage, which considers long-term obligations and the enterprise's reliance on borrowed capital. Maintaining a good balance between equity and debt is critical for long-term financial health.

A balanced approach to managing debt and equity is essential for maintaining financial stability. Enterprises that maintain a strong equity base and use debt prudently are better positioned for long-term growth and financial health.

Profitability Indicators

Profitability indicators are used to assess the relative profitability of an enterprise from various perspectives. They are essential for comparing profit with the factors influencing it, forming a diverse set of profitability indicators that may vary in content and calculation objectives.

Profitabilityindicatorshelpassesshowefficientlytheenterprisegeneratesprofitsinrelatio ntosales, assets, equity, and invested capital. Profitability is a key metric for evaluating business performance, helping stakeholders understand the effectiveness of operational strategies and financial management.

Key profitability indicators include:

– Return on equity (ROE), which evaluates how effectively the company uses its equity capital to generate profits.

– Return on assets (ROA), which reflects the ability of the company to generate profit from its assets.

– Gross profit margin, which measures the percentage of revenue remaining after the cost of goods sold, indicating operational efficiency.

These profitability measures provide a comprehensive picture of the enterprise's financial health, helping stakeholders make informed decisions about future investments and business strategies.

The financial status of an enterpriseis a multifaceted concept, encompassing various indicators such as property status, profitability, liquidity, solvency, financial stability, and share holder equity. By assessing these indicators, managers, investors, and other stakeholders can gain a comprehensive understanding of the enterprise’s financial health and identify potential areas for improvement. Regular monitoring of these indicators is essential for ensuring that the enterprisere mains financially stable and capable of achieving its long-termgoals.

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