SYSTEMATIC APPROACH TO STRATEGIC ANALYSIS OF COSTS, REVENUES AND FINANCIAL PERFORMANCE OF A COMPANY

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The article emphasizes the need for a systematic approach to conduct strategic analysis of costs, revenues and financial performance of the company. Analyzed financial chain "expenses – income – income". Used the method of factor analysis of profit. The role of strategic analysis of costs, revenues, financial results of the assessment system of the company. The basic negative changes in the enterprise for the period.

Keywords: strategic analysis, system approach, dynamics, revenues, expenses, income, factor models.

Formulation of the problem. At this stage the development of Ukraine's economy is characterized by different types of ownership, abrupt changes in the economic environment caused by economic crises. These factors increased the role of the systematic approach of strategic cost analysis, revenue and financial results.

Analysis of recent research and publications. Strategic analysis is a tool of an enterprise to achieve the intended results; the strategy defines the ways to achieve them. In order to define a strategy, it is necessary to study and analyze the internal state of the company and external factors affecting it.

Taking into account the above mentioned, the current research is devoted to the tasks for achieving the goals, strengthening the position in the industry, preserve and enhance long-term competitive position on the market.

It should be noted that the analysis of the problems that have developed in the strategic analysis of costs, revenues and financial results, has attracted the attention of many foreign scholars, namely – Hovindaradzhan V., Porter M., Strickland A., Thompson A., Shank J, etc. In Soviet literature, these issues have been considered by such scholars as Volodkin M., Golovko T., Kravchenko O., Lyehostavetskaya A., Mishchenko A., Sogova S., Shubina S.

Remaining part of the problem. Ukrainian scientists have different highlight and explore issues related to the strategic analysis of financial results, which often leads to a blurring of subject boundaries. The lack of a clearly defined place for strategic analysis among other tools and features of management system slows the research. The common and problematic issues are:

– some scientists believe the strategic analysis to be the first stage of strategic management, while the other argue that it can be used at any stage of the latter;
– other researchers consider strategic analysis as a part of economic analysis, often equating it with promising or preliminary economic analysis.

So; strategic analysis of costs, revenues, financial results can be defined as components of the strategic analysis of the company.

The aim is to ground a systematic approach to the strategic analysis of the financial performance of the company. It is also advisable to pay attention to the analysis of the financial chain "expenses – income – income" as a component of the complex structure of the company.

The main results of the study. Strategic analysis is a tool that enables company managers to formulate strategies to achieve their goals, such as improving financial performance and financial statement. To use the tool efficiently it is necessary to study and analyze the place of the company on the market taking into consideration its features and internal and external influences.

Table 1
The analysis of the income («Kharkiv brush Networks»), Th. UAH

<table>
<thead>
<tr>
<th>Index</th>
<th>2011</th>
<th>%</th>
<th>2012</th>
<th>%</th>
<th>Absolute</th>
<th>Relative, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sales</td>
<td>2459,6</td>
<td>84,8</td>
<td>2615,3</td>
<td>84,9</td>
<td>+155,7</td>
<td>106,3</td>
</tr>
<tr>
<td>Other operating income</td>
<td>437,8</td>
<td>15,2</td>
<td>463,8</td>
<td>15,1</td>
<td>+26</td>
<td>105,9</td>
</tr>
<tr>
<td>Total</td>
<td>2897,4</td>
<td>100</td>
<td>3079,1</td>
<td>100</td>
<td>+181,7</td>
<td>X</td>
</tr>
</tbody>
</table>

Source: authors' elaboration

Table 2
The analysis of the cost structure («Kharkiv brush Networks»), Th. UAH

<table>
<thead>
<tr>
<th>Index</th>
<th>2011 p.</th>
<th>%</th>
<th>2012 p.</th>
<th>%</th>
<th>Absolute</th>
<th>Relative, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>1506,8</td>
<td>58,2</td>
<td>1322,4</td>
<td>50,5</td>
<td>-174,4</td>
<td>88,4</td>
</tr>
<tr>
<td>Other expenses</td>
<td>-</td>
<td>-</td>
<td>3,8</td>
<td>0,1</td>
<td>3,8</td>
<td>100</td>
</tr>
<tr>
<td>Other operations. costs</td>
<td>1035,0</td>
<td>40</td>
<td>1286,4</td>
<td>48,8</td>
<td>251,4</td>
<td>124,3</td>
</tr>
<tr>
<td>Income tax</td>
<td>45,3</td>
<td>1,8</td>
<td>15,7</td>
<td>0,6</td>
<td>-31,6</td>
<td>30,2</td>
</tr>
<tr>
<td>Total expenses and deductions</td>
<td>2587,1</td>
<td>100</td>
<td>2636,3</td>
<td>100</td>
<td>49,2</td>
<td>X</td>
</tr>
</tbody>
</table>

Source: authors' elaboration
Evaluation of financial performance traditionally begins with the analysis of the dynamics and structure of income and expenses, which allows to obtain the most general idea of the factors that had an impact on their formation. Next step is to analyze the dynamics of business income. The analysis is performed by comparing the actual data for the reporting period from the data reported for the previous period (Table 1).

The data in Table 1 show that the income received from operating activities, including revenue from sales is 84.8 and 84.9%, takes the largest share in the previous and reporting years. In the reporting year we can observe the tendency of increasing total revenues to UAH 1817 thousand. The revenue increase to UAH 155.7 thousand. can be the main reason. The analysis also showed an increase in other operational income.

The next stage of the analysis is to study the dynamics and structure of expenses (Table 2).

As can be seen from Table 2, the cost value of the sold goods has the largest specific gravity. Its amount decreased by UAH. 174.4 thousand. But it can not be considered a positive tendency because the cost value reduce caused the decline in sales. Other operating expenses increased by UAH 251.4 thousand.

Return ratios are fundamental in evaluating the profitability of a business functioning in every field: industrial, commercial, financial and investment. In other words profit accumulates production and sales of products (works, services), their quality and range, efficiency of production and financial resources, the results of business partnership and production and financial management [8, p. 13]. So the next step in the analysis is the study of profit and profitability.

The calculated returns on equity ratios that show the performance of the enterprise as a whole and its ability to cover expenditure are presented below.

Return on equity (assets) by net income:

\[
R_A = \frac{\text{Net income}}{\text{production assets}} \quad (1)
\]

\[
R_{A,2011} = \frac{-99}{1895,2} = -0,05
\]

\[
R_{A,2012} = \frac{7,2}{1902,7} = 0,003
\]

This ratio shows the net profit per unit of the investment. This ratio is rising so the company efficient use its assets efficiently.

Return on equity:

\[
R_e = \frac{\text{Net Income}}{\text{Shareholders' equity}} \quad (2)
\]

\[
R_{e,2011} = \frac{-99}{1591,9} = -0,06
\]

\[
R_{e,2012} = \frac{7,2}{1611,0} = 0,004
\]

Ratio shows the net profit is falling per unit of equity. At this company, the figure tends to decrease in 2012 compared with the previous year, that means the inefficient use of equity as a main source of forming enterprise assets.

Return on sales for the net profit:

\[
R_n = \frac{\text{Net Income}}{\text{Cost of sales}} \quad (3)
\]

\[
R_{n,2011} = \frac{-99}{2459,6} = -0,04
\]

\[
R_{n,2012} = \frac{7,2}{2615,3} = 0,002
\]

Ratio shows the net profit per unit of revenue is falling. In this case, the figure dropped that took place due to decrease in net profit of the enterprise.

Return on assets:

\[
R_a = \frac{\text{Net income}}{\text{production assets}} \quad (4)
\]

\[
R_{a,2011} = \frac{-99}{99,2} = -0,99
\]

\[
R_{a,2012} = \frac{7,2}{95,8} = 0,07
\]

Ratio shows the net profit is falling per unit of assets. It was nearly 0,07 net income per unit of assets in 2012, that means there have been positive changes in production facilities.

Factor analysis of the net profit we will choose a method of elimination i.e. chain substitutions. The indicators' relationship can be shown with a formula below:

\[
\text{NP} = \Delta P \times CA \times r_{CA} \times P \times \text{net} \times As \times A \times Pr
\]

\[
\Delta as = \frac{As_{2012} - As_{2011}}{As_{2011}} \quad (5)
\]

\[
\Delta P = \frac{P_{net2012} - P_{net2011}}{P_{net2011}} \quad (6)
\]

\[
\Delta r_{CA} = \frac{r_{CA_{2012}} - r_{CA_{2011}}}{r_{CA_{2011}}} \quad (7)
\]

\[
\Delta Pr = \frac{Pr_{2012} - Pr_{2011}}{Pr_{2011}} \quad (8)
\]

\[
\Delta A = \frac{A_{2012} - A_{2011}}{A_{2011}} \quad (9)
\]

For factor analysis of the net profit we will choose a method of elimination i.e. chain substitutions. The indicators' relationship can be shown with a formula below:

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\Delta P = \frac{P_{net2012} - P_{net2011}}{P_{net2011}} \quad (6)
\]

\[
\Delta r_{CA} = \frac{r_{CA_{2012}} - r_{CA_{2011}}}{r_{CA_{2011}}} \quad (7)
\]

\[
\Delta Pr = \frac{Pr_{2012} - Pr_{2011}}{Pr_{2011}} \quad (8)
\]

\[
\Delta A = \frac{A_{2012} - A_{2011}}{A_{2011}} \quad (9)
\]

Table 3

| Indicator calculation for the «Kharkov brush Networks» for the years 2011-2012 |
|---|---|---|
| Index | Formula | Calculation | Result |
| CA0 | Net proceeds from sales / average assets | (949,5+891,1)/360 | 5,11 |
| CA1 | (891,4+906,1)/360 | 4,99 |
| rca0 | Net proceeds from sales / value of current assets | 1506,8/5,11 | 294,87 |
| rca1 | 1332,4/4,99 | 267,01 |
| Pnet0 | Net profit / net sales | (-99/2459,6)* 100 | -4,02 |
| Pnet1 | (7,2/2615,3)*100 | 0,27 |
| As0 | Value of output in value of fixed assets | 2050,3/991,8 | 2,06 |
| As1 | 2179,7/971 | 2,86 |
Using the method of chain substitutions one can determine the impact of each factor on the level of net income in the general form:

\[
\Delta P = ((CA \times r_{CA} \times P_{net} \times AS_{0} \times A_{0})/Pr) - ((CA_{0} \times r_{CA_{0}} \times P_{net_{0}} \times AS_{0} \times A_{0})/Pr_{0})
\]

The above model allows to explore the influence of the indicators describing: the economic potential of the company (average balances of current assets), efficient use of resources (capital productivity and labour productivity), business activity (reversibility current assets), return on financial and economic activities (net return), qualitative state of assets (fund providing) on the enterprise’s net profit. Thus, the most significant positive factor of this model is pure profitability (the ratio of income to net income); the negative factors are: changes in such parameters as fund providing (the ratio of fixed assets to the average number of employees) and labor productivity (the ratio of output to the average number of employees). These negative factors are the sources for the net income increase in the future.

Conclusions and suggestions. Any enterprise is a complex system with a "cost – income – income," chain. The analysis of such a chain is impossible without a systematic approach using the factor analysis, which further helps the company to improve its financial position and foothold on the market.

Almost all the indicators of the financial condition of the company (profitability of its operations, efficiency) were examined that made possible to quantify qualitative assessment of the relationship between them as elements of a system. This model can be considered adaptive to the current requirements of the strategic analysis of the company, the main principles of which are systemic and integrated approach.

References:


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СИСТЕМНИЙ ПІДХІД В СТРАТЕГІЧНОМУ АНАЛІЗІ ВИТРАТ, ДОХОДІВ ТА ФІНАНСОВИХ РЕЗУЛЬТАТИВ ДІЯЛЬНОСТІ ПІДПРИЄМСТВА

Анотація
У статті обґрунтовано необхідність використання системного підходу щодо проведення стратегічного аналізу витрат, доходів та фінансових результатів діяльності підприємства. Проаналізовано фінансовий ланцюжок «витрати – доходи – фінансові результати». Використано методику факторного аналізу прибутку. Визначено роль стратегічного аналізу витрат, доходів, фінансових результатів в системі оцінки діяльності підприємства. Виявлено основні негативні зміни в діяльності підприємства за певний період.  

Ключові слова: стратегічний аналіз, системний підхід, динаміка змін, доходи, витрати, фінансові результати, факторна модель.

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СИСТЕМНЫЙ ПОДХОД В СТРАТЕГИЧЕСКОМ АНАЛИЗЕ РАСХОДОВ, ДОХОДОВ И ФИНАНСОВЫХ РЕЗУЛЬТАТОВ ДЕЯТЕЛЬНОСТИ ПРЕДПРИЯТИЯ

Аннотация
В статье обоснована необходимость использования системного подхода к проведению стратегического анализа затрат, доходов и финансовых результатов деятельности предприятия. Проанализировано финансовую цепочку «расходы – доходы – финансовые результаты». Использована методика факторного анализа прибыли. Определена роль стратегического анализа затрат, доходов, финансовых результатов в системе оценки деятельности предприятия. Выявлены основные негативные изменения в деятельности предприятия за определенный период.

Ключевые слова: стратегический анализ, системный подход, динамика изменений, доходы, расходы, финансовые результаты, факторная модель.