FINANCIAL STATEMENTS OF COMMERCIAL ORGANIZATIONS AS THE BASIS FOR FINANCIAL MANAGEMENT DECISION MAKING

ლიუდმილა ადამაიტისი,
ეკონომიკურ მეცნიერებათა კანდიდატი, ასოცირებული პროფესორი, ვიატკის სახელმწიფო უნივერსიტეტის ჰუმანიტარულ მეცნიერებათა ფაკულტეტი, რუსეთი

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Abstract

The financial management of the company, making the right decisions to external stakeholders is determined by the quality of information support of the analysis, in which special role is played by the accounting (financial) statements. From the perspective of content and analysis of the accounting reporting of the Russian Federation in article the main areas of decision-making as the formation of the target capital structure, liquidity management of assets and liquidity of the balance sheet, the profit and re-investment (dividend) policies, accounting policies are generalized and included, the role of forecasting and preparation of forward-looking statements in making managerial decisions is discussed.

Keywords: *Accounting (financial) reporting, regulatory reporting in the Russian Federation, management decisions, target capital structure, financing sources.*

კომერციული ორგანიზაციების ფინანსური ანგარიშგება, როგორც ფინანსურ მენეჯმენტში გადაწყვეტილების მიღების საფუძველი

ანოტაცია

კომპანიის ფინანსური მართვა, გარე დაინტერესებული მხარეებისთვის სწორი გადაწყვეტილებების მიღება განისაზღვრება ინფორმაციული უზრუნველყოფის ხარისხით, რომელშიც განსაკუთრებულ როლს თამაშობს საბუღალტრო (ფინანსური) ანგარიშგება. რუსეთის ფედერაციის საბუღალტრო ანგარიშგების შინაარსისა და ანალიზის თვალსაზრისით, სტატიაში განხილულია გადაწყვეტილების მიღების ძირითადი მიმართულებები, როგორიცაა სამიზნე კაპიტალის სტრუქტურის ფორმირება, აქტივების ლიკვიდობის მართვა და ბალანსის ლიკვიდურობა, მოგებისა და დივიდენდის პოლიტიკა, რომელიც მოიცავს აღრიცხვის პოლიტიკასა და მმართველობით გადაწყვეტილებებში მომავალზე ორიენტირებული ანგარიშგების მომზადებას.

საკვანძო სიტყვები: *ბუღალტერია, (ფინანსური) ანგარიშგება, რეგულაციები რუსეთის ფედერაციაში, მართვის გადაწყვეტილებები, კაპიტალის სტრუქტურა, დაფინანსების წყაროები*

The rationality of the company management is largely determined by the quality of information support of the analysis of the financial activities of the organization, in which special role is played by the accounting (financial) statements. Objective analysis allows forming an opinion about the current financial situation of the organization, its prospects, and responding to negative phenomena and tendencies through appropriate management decisions.

The structure and content of the accounting reports of commercial organizations in the Russian Federation is currently regulated by the following main legislative and normative documents:

1. Federal law of the Russian Federation of 06.12.2011, No. 402-FL “On accounting”;

2. RAS 4/99 “Organization Accounting” approved by order of the Ministry of Finance of the Russian Federation of 6 July 1999 No. 43n (amended),

3. The order of the Ministry of Finance “On forms of accounting statements of organizations” № 66n of 02 July 2010. (as amended by the Order MF RF from 05.10.2011 №124 n)

4. RAS 23/11 “The statement of cash flows” approved by order of Ministry of Finance dated 2 February 2011 No. 11n.

Financial statements of commercial organizations of the Russian Federation (except for banks and other financial-credit organizations) presents:

1. Balance sheet
2. The report on financial results
3. Applications to the balance sheet and the report on financial results :

– report of changes in equity
– report on movement of funds
– explanations to the accounting balance sheet and report on financial results

4. The final part of the audit report confirming reliability of accounting statements (if organization is in compliance with the requirements of the legislation subject to mandatory audit).

Small businesses have the right reporting in a simplified format, and only two form of accounting balance and report on financial results (Order of MF of the Russian Federation dated 17.08.2012 No. 113n).

Decisions based on the analysis of statements depend on many factors: industry sector organizations, credit conditions and prices of borrowed sources, the current patterns of sources and the rationality of their placement in assets, the scale of ongoing investment projects, turnover and profitability, management of money turnover, and from the identity of the decision makers (the management company or third-party users of the financial statements). The results of the analysis for management decision making should be primarily in identifying the degree of balance of financial resources, providing balance sheet liquidity, in the diagnosis and prognosis of the financial condition of the organization.

1. Management decisions regarding the structure of balance should be aimed at the substantiation and formation of the target capital structure. Target capital structure is the internal financial regulations, in accordance with which is formed the ratio of own and borrowed capital specific for each organization. It is built taking into account the combined effect of all internal factors and external business environment of the organization, its targets concerning the future business:

– accelerated growth of business generally requires the involvement of equity capital (strategic or financial investor in the share);

– acquisition of long-term assets without one-time diversion of own funds - debt capital (long-term Bank loans, leasing, bonds);

– financing of current needs, eliminating seasonality - short-term Bank loans, including overdraft lending, maximize free external sources through proper management of payables;

– financing of projects, the disclosure of which renders the company competitive advantages of financing through internal (own) sources, the private (closed) placement of shares;

– generating additional financial flows at the expense of internal sources requires, as a rule, the sale of non-core assets, “cutting” spending, etc.

Of course, any management decision to attract the appropriate funding source is associated with certain risks and limitations.

Decisions regarding the structure of balance should be aimed at eliminating disparities in the growth rates of individual items of assets and liabilities, in the ratio of borrowed and own sources. Imbalances can lead to lack of security with own current assets and the decrease in the level of liquidity. Lack of working capital, net working capital (negative value) for dangerous enterprises, and with the view that, if necessary, urgent repayment of indebtedness will require a forced sale of assets or freezing of debts to creditors.

In their actions to manage the financial capital structure the financial manager of the organization should also take into account the generally recognised rule that must be followed by businesses of all types in the formation of target capital structure: business owners prefer a reasonable increase in the share of borrowed funds, and lenders prefer companies with a high share of equity, which reduces the risk to lenders.

Of course, the actions of the financial manager should not be limited to the above-mentioned solutions. Every business is different, and in each case a course of action and its optimal form and extent of attracting equity and debt capital are possible.

2. Liquidity management involves the adoption of certain decisions in respect of individual groups (species) of current assets. The increase in the degree of liquidity of current assets, the decline in the share of illiquid species play an important role in improving the solvency of the organization.

When making decisions in respect of tangible current assets are:

– assets involved in the production process, the lack of which can lead to problems in the core business;

– assets, the implementation of which is problematic (illiquid assets). If possible, you should get rid of this part of the assets at dumping prices;

– assets that can be implemented without compromising core activities (unnecessary, excessive).

Accounts receivable - main tasks in this part of the management decisions are in the control of refunds and acceleration of collection of receivables to minimize losses and to enhancing its liquidity.

Cash and short-term investments - many companies lack the available funds. But if the needs of the current activity are sufficiently covered by cash and there is a certain “reserve”, that the most rational decision is the placement of their monetary equivalents are short – term, highly liquid investments that are readily convertible to cash and subject to an insignificant risk of changes in value.

When making management decisions regarding liquidity of balance and solvency of the enterprise it is necessary to estimate the size and structure of short-term liabilities. The growth is especially dangerous when there is a significant increase in the share of the most expensive sources, including overdue debts on taxes, duties and deductions in unappropriated funds. In this situation, you should take steps for release of current assets by all possible means to optimize them and to repay the most urgent (expired), and then the most expensive obligations.

Assessing the liquidity of balance, financial manager should take into account that a high level of current liquidity means the excess of current assets over short-term liabilities only formally and characterizes only the theoretical ability to repay the obligations. If this calculation is possible in fact, actually depends on the optimization of the operating cycle and the rational organization of money turnover.

3. Profit (as the main purpose of any business and the source of dividend payments) and profitability have traditionally been the objects of particular attention.

Of course, that the analysis and development of management decisions in this part are particularly important for unprofitable companies that require the identification of the causes of the loss and substantiation of possible reserves for its elimination or minimization. The person who takes management decisions, you must assess the nature of the loss is short-term or long-term. If the loss is due to some force majeure and is short-term, it is necessary to evaluate the probability of occurrence of these circumstances in the future and if possible to eliminate them. If the loss ratio is observed over an extended period, it is necessary to apply drastic influence, in particular, to implement anti-crisis measures.

Optimal proportions in the distribution of net profit should be considered in the development of re-investment and dividend policy, i.e. the justification of the most rational ratio of capitalized profit allocated for the development of business and increase the market value of the company, and consumed by the profit (dividends), providing current income and welfare of the owners and managers. With the problematic financial situation of the organization to ensure the exit from the crisis we need the option of capitalization of profits (up to a full waiver of dividend payments).

4. Important and needed in the modern world the question that should be addressed in the analysis of the accounting (financial) statements is the preparation of forward-looking statements. If you make management decisions in advance you will be advised in the forecast period the amount of income, expenses, cash flows, assets and sources of financing;

It allows:

– on the basis of forecast revenue and financial results to assess the sustainability of income and profit in the main activity and the dependence of future financial results from non-core activities, to determine the possible value of net profit as a source of replenishment of own capital and payment of dividends;

– on the basis of cash flow forecast (the forecast statement of cash flows) to determine the size and appearance of the periods of cash shortages and consider the options to overcome them;

– on the basis of the forecast balance to prevailing rate in the forecast period the balance of assets and funding sources. The projected deficit raises the question on attraction of additional external resources (through equity and debt financing), or replenishment of own capital (at the expense of internal reserves), or sell unnecessary assets or finding other solutions. The excess of the "secured" sources of the forecast balance over assets (which is much rarer) gives the basis to make decisions about increasing investment or reducing debt to banks and creditors.

– finally, these forward-looking statements to assess the level and dynamics of indicators of financial stability and solvency in the forecast period.

5. Management actions of the financial manager in respect of both balance sheet structure and financial results should be related to the optimization of decisions in the field of financial accounting policies (with the understanding of the relationship between accounting and the value of many metrics reporting). The justification of tax accounting policies and development of optimal tax schemes under current legislation are directly connected with this issue.

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