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PECULIARITIES OF EVALUATION OF FINANCIAL ACTIVITY OF JOINT STOCK COMPANIES

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Abstract. The article analyses the joint stock company as a form of entrepreneurial activity, reveals the features of the use of the joint stock companies finance. The peculiarities of the financial activity of the joint - stock company are characterized, it is offered to estimate efficiency of financial activity by means of a system method of the analysis of the financial reporting with use of a DuPont method. The existing models for diagnosing the bankruptcy of a joint-stock company are analysed.

Keywords: *financial activity, joint-stock company, financial analysis, business activity, liquidity, solvency, bankruptcy diagnosis.*

The research topic relevance. In the economy of Ukraine, joint-stock companies have the largest share among the non-state-owned enterprises. Their share in the total number of collectively owned enterprises is more than 48% and they account for more than 60% of the output of the private sector. Thereby, there is a need to study the peculiarities of the organization and functioning of joint stock companies, to determine the optimal cost structure of capital, to justify the financial strategy of their activities.

An important role in ensuring efficient management of enterprises is played by the analysis of the financial condition of enterprises, which is the basis for the formation of financial, economic and other data and which influence the process of financial and investment decisions. At this stage of economic development of our country, the question of analysing the financial condition of the enterprise is very important, because it depends on almost all the activities of the enterprise. Management staff needs to be able to analyse and evaluate first the financial condition of their company, and only then the financial condition of competitors, if they want their company to be financially stable and profitable, not unprofitable.

Literature review on the research topic. Theoretical and methodological foundations of assessing the financial condition of the enterprise have repeatedly become a key point of many scientific studies and practical developments. Among the scientists who pay much attention in their works to the study of the financial condition of the enterprise, it is necessary to distinguish such as I.T. Balabanov, I. O. Blank, J. Brigham, L. Gapenski, K.V. Izmailova, T.R. Karlin, V.V. Kovalev, M. Kreinina, L. A. Lakhtionova, O. M. Podderogin, G.V. Savitskaya, V.T. Savchuk, R.S. Saifulin, O.S. Stoianova, O.O. Tereshchenko, A.D. Sheremet and others. However, the experience gained in the development and use of methods for assessing the financial condition of the enterprise, in particular, a joint stock company, requires their detailed classification depending on the purpose of its implementation based on the requirements of modern management.

The purpose of the article is to identify the features of the analysis of the financial activities of the company.

Presentation of the main material. Traditionally, a joint stock company is a company that has a share capital divided into a certain number of shares of equal nominal value, and shareholders are liable for its obligations only within the shares owned by them. From the definite essence of the joint-stock company follow its features that determine the specifics of its legal status: the joint-stock company is a business organization of the corporate type, a kind of business company; a joint-stock company belongs to capital associations in which property elements dominate over personal ones (to participate in a joint-stock company it is enough to make a property contribution - to pay a share, and personal participation - labor, in the management of the company - is usually optional); the authorized capital of the company has a joint-stock nature, is formed by issuing and selling shares to individuals and / or legal entities; a joint-stock company has the public status of an issuer of securities (shares, bonds), it is a legal entity that issues shares on its own behalf and undertakes to timely fulfill the obligations arising from the terms of their issue; natural and legal persons who have acquired shares acquire the status of shareholders, whose rights and obligations are determined by law; there are restrictions on the liability of shareholders - they are liable for the obligations of the company only within the shares owned by them; depending on the method of issuing shares, there are public and private joint stock companies [1].

The joint stock companies have become a fairly common form of business organization all over the world, due to the following advantages:

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- ease of significant capital formation;
- limited shareholder risk in the amount of funds paid for shares, which contributed to attracting a significant number of shareholders and the large capital concentration;
- stability of the property phase of the joint-stock company, as it is usually not affected by the exit of the shareholder from the company (this is done by alienating the shares to others, which does not reduce the property base of the company);
- non-obligatory personal participation of shareholders in the activities of the joint-stock company, which facilitates participation and, accordingly, allows to attract new shareholders and their funds;
- the possibility of involving broad sections of the population in public joint-stock companies and, accordingly, the distribution of the joint-stock company's profits between them;
- the possibility of application in various spheres and types of economic activity (banking, insurance, investment, industry, etc.) and in all sectors of the economy - public, municipal, private, as well as the creation of joint stock companies;
- use of joint stock companies in the process of privatization;
- the ability to exercise control over the company by owning a controlling stake (for a strategic investor), without buying all the shares [2].

However, joint-stock companies also have many negative features, which necessitate state regulation in order to reduce their dangerous manifestations for society. Such negative features include:

- complexity and duration of their creation (especially public);
- significant requirements for the minimum size of the authorized capital and the complexity of registration of its change;
- ignoring the interests of the minority;
- separation of shareholders from the management of joint-stock companies due to the possibility of forming an executive body of employees and the optional personal participation of shareholders;
- the complexity of management of joint stock companies and control over its executive body from the eyes of shareholders, which is caused by the presence of the following system of bodies: general meeting of shareholders, board, supervisory board, audit committee;
- the possibility of abuse by the founders due to the ease of accumulation of funds;
- the tendency to monopoly;
- the possibility of exercising control over joint-stock companies due to the possession of a controlling stake, if such control is exercised to the detriment of the companies and its shareholders;

- a significant (often excessive) degree of the company state regulation [3].

The finances of a joint-stock company are regulated by the law on combining the contributions of founders and participants in the statutory fund of the company as the collective property of shareholders, issue and circulation of shares, income, distribution of property and profits in the company's funds, dividends on shares [4].

The general rule for all companies is the voluntary association of the property of the founders and members for the establishment and operation of the company. Thus, one of the legal grounds for the emergence of collective property rights is the terms of the relevant agreements, according to which the statutory fund of the company is formed (founders make their contributions under the articles of association, other shareholders - on the terms of purchase and sale of shares).

The system of management of financial resources of joint-stock companies can be presented in the form of the scheme (fig. 1).

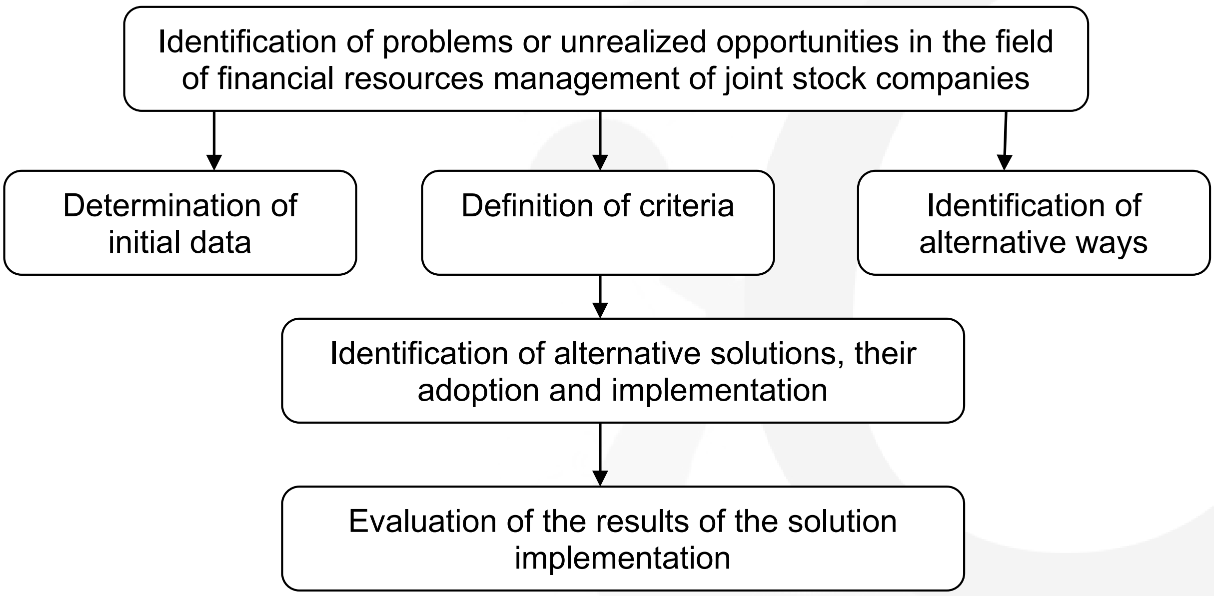

Fig. 1. **Management system of financial resources of a joint-stock company** [5]

Among the efficiency criteria, priority should be given to the following parameters of the financial resources management system of joint-stock companies, such as [6]:

- determination of the actual amount of available funds of financial resources;

- substantiation of the optimal size of funds of monetary resources, their distribution and use, taking into account the needs of enterprises, economic feasibility of expenditures, as well as their impact on the final results of production and economic activities of the company;

- control over the rational use of resources, production assets, implementation of planned tasks, continuity of calculations, increasing the profitability of production;

- organization of timely economic settlements with the financial and credit system, other enterprises, organizations, employees;

- analysis of financial and economic activities of the enterprise in terms of efficiency of its work as a basis for making sound management decisions.

Analysis and control of financial activity of the company is a diagnosis of its financial condition, which makes it possible to identify shortcomings and miscalculations, determine and mobilize internal reserves, increase revenues and profits, reduce production costs, increase profitability, improve financial and economic activities of the enterprise as a whole. Analysis materials are used in the process of financial planning and forecasting. Control over the financial and economic activities of the board of a joint-stock company is carried out by an audit commission, which is appointed from among the shareholders [7].

The organization of financial and economic activities in the form of joint stock companies is the most acceptable in terms of raising capital, including equity. This is because of the following factors:

- distribution of the authorized capital on a certain number of shares of equal nominal value, which may be quite small that allows to attract both small and large investors;

- high level of mobility of corporate rights (shares), especially if they are listed on the stock exchange, and hence the minimum cost of transfer of ownership;

- simplified procedure for exercising the right to succession;

- the possibility of placing the issue among a huge number of investors who do not claim control over the enterprise;

- quite detailed regulatory regulation of the joint-stock company, what creates conditions for the protection of the interests of shareholders, including from "erosion" of capital;

- shareholders are liable for the company's obligations only within the limits of their shares;

- payment for the value of shares can be made both in cash and in kind;

- relatively low level of information asymmetry, as joint stock companies must publish their reports in the media, provide detailed information when issuing securities, which generally reduces the risks caused by the principal-agent conflict [8].

The guidelines for the preparation of the auditor's report during the audit of joint stock companies state that on the basis of the received accounting data the auditor analyses the financial condition of the joint stock company, namely: absolute liquidity ratio, total liquidity ratio, financial stability ratio (independence or autonomy), coverage ratio equity liabilities.

When calculating the indicators, it is recommended to provide in the audit report both the results and the procedure for calculating the indicators of financial condition.

The analysis of the company's liquidity is carried out according to the balance sheet and allows you to determine the company's ability to pay its current liabilities. This analysis is carried out by calculating the following indicators (ratios): coverage, quick liquidity, absolute liquidity and net working capital.

Analysis of the solvency (financial stability) of the company is carried out according to the balance sheet, characterizes the structure of sources of resources, the degree of financial stability and independence from external sources of financing. The analysis of solvency is carried out by calculating the following indicators: solvency (autonomy), financing, security of own-working capital and maneuverability of equity.

Other indicators are calculated and included in the conclusion if necessary by the decision of the auditor.

When disclosing financial statements commissioned by shareholders and other interested parties, information on earnings per share is provided. Besides this, the assessment of changes in the composition and structure of assets over the past three years, assessment of prospective liquidity of assets, analysis of profitability of the joint stock company, in the case of foreign economic activity of the joint stock company - the percentage of income from expert agreements of the company to total income from all agreements of the company in a year.

The vast majority of experts suggest using a systematic method of analysing the financial statements of Dupont corporations to assess the financial performance of joint stock companies. The method is based on the hypothesis that the success of joint-stock business depends on the decisions made by its governing bodies in three areas: production activities; investment activity; financial activities [9].

The Dupont method is based on the analysis of ratios, which creates a return on equity (Return of Equity or *ROE*):

$$ROE = NI / CE,$$

where *NI* (Net Income) - net profit;

CE (Common Equity) - share capital.

There are several versions of the method, which differ in the degree of detail.

1. Two-member version.

$$ROE = NI / CE = NI \cdot TA / TA \cdot CE,$$

where *TA* (Total Assets) - total assets of joint stock.

Otherwise you can write:

$$ROE = ROA \cdot LR,$$

where *ROA* (Return of Assets) - return on assets;

LR (Leverage Ratio) - the ratio of financial leverage.

2. Three-member version:

$$ROE = NI / CE = NI \cdot TA \cdot NS / TA \cdot CE \cdot NS,$$

where - *NS* (Net Sales) - net (excluding VAT, sales taxes and sales taxes) sales volume.

Otherwise:

$$ROE = NPM \cdot AT \cdot LR,$$

where *NPM* (Net Profit Margin) - profitability;

AT (Asset Turnover) - asset turnover.

3. Five-member version.

$$ROE = NI / CE = NI \cdot TA \cdot NS \cdot EBT \cdot EBIT / TA \cdot CE \cdot EBT \cdot EBIT \cdot NS,$$

where *EBT* (Earning befour Taxes) - profit before taxes;

EBIT (Earning without Interest and Taxes) - earnings before interest and taxes.

Otherwise you can write:

$$ROE = TB \cdot IB \cdot OM \cdot AT \cdot LR,$$

where *TB* (Tax Burden) - tax burden;

IB (Interest Burden) - interest burden;

OM (Operating Margin) - operating profitability.

When analysing the financial condition of joint stock companies, considerable attention should be paid to the method of predicting bankruptcy. Bankruptcy prediction techniques began to be used to predict risks in crisis management, and then to diagnose strategic problems. Each technique has its positive and negative features that need to be considered when choosing them to solve diagnostic problems.

The founder of bankruptcy forecasting is Edward Altman, who gained worldwide recognition after creating a mathematical formula that measures the degree of risk of bankruptcy of each individual company (Z scoremodel). Based on the survey of bankrupt enterprises, Altman determined the coefficients of significance of individual factors in the

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integrated assessment of the possibility of bankruptcy. The accuracy of the forecast in this model on the horizon of one year is 95%, and two years - 83%. The disadvantage of this model is that it can be considered only in relation to large companies that have placed their shares on the stock market.

Gordon L.V. Springgate in 1978, based on the Altman model and step-by-step discriminant analysis, developed his own model for predicting the probability of bankruptcy.

In the process of testing the Springgate model on the basis of data from 40 companies, the accuracy of predicting insolvency for the year ahead was set at 92.5%.

The advantages of this model are that in general the forecasting error does not exceed 10%; also does not take into account the market capitalization of enterprises (not limited to joint stock companies). However, the Springgate model has significant drawbacks: forecasting accuracy decreases over time; the model is a modification of the Z Altman account of the 1968 version (the latter is obsolete and unsuitable for modern use). Ukrainian companies can use the Springgate model as an additional one, as it does not take into account non-economic factors.

Among domestic models it is necessary to pay attention to the discriminant model O.O. Tereshchenko. The peculiarity of this technique is that it has somewhat biased estimates. It emphasizes the reduction of erroneous assignment of financially insolvent enterprises to the group of sustainable. Such asymmetry aims to protect the investor from risky investment, but reduces the accuracy of the forecast as a whole [10]. The disadvantages of this model of Tereshchenko are insufficient justification of the critical points of individual indicators, which leads to inaccurate fixing of financial indicators, as well as the fact that it has a wide range of uncertainty.

It is worth paying attention to the model A.V. Matviychuk, which was developed for Ukrainian enterprises taking into account the specifics of the transition economy and the functioning of economic entities in such conditions, and therefore it most adequately characterizes the existing financial and economic condition of the enterprise. The disadvantage of the model is that it is created taking into account the specifics of the functioning of banks, which may not be objective enough for industrial enterprises. The allocation of only two classes of the state of the enterprise in the construction of a discriminant model is not always sufficient to assess the real financial situation.

Conclusion (and suggestions). Thus, the analysis of financial activities of joint stock companies involves the selection of optimal forms of financing, structure of funds, capital and reserves of the company and areas of their use to ensure high profitability, balancing the time of receipts and expenditures; maintaining proper liquidity and timeliness of settlements.

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ОСОБЛИВОСТІ ОЦІНКИ ФІНАНСОВОЇ ДІЯЛЬНОСТІ АКЦІОНЕРНИХ ТОВАРИСТВ

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УКРАЇНА

Анотація. У статті проведено аналіз акціонерного товариства як форми підприємницької діяльності, розкрито особливості використання фінансів акціонерними товариствами. Охарактеризовано особливості фінансової діяльності акціонерного товариства, запропоновано оцінювати ефективність фінансової діяльності за допомогою системного методу аналізу фінансової звітності з використанням методу Дюпон. Проаналізовано існуючі моделі щодо діагностики банкрутства акціонерного товариства.

Ключові слова: *фінансова діяльність, акціонерне товариство, фінансовий аналіз, ділова активність, ліквідність, платоспроможність, діагностика банкрутства.*