

**MONITORING OF THE FINANCIAL STATE OF THE COMPANY AS BASIS OF  
MANAGEMENT OF THE ENTERPRISE**

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Financial analysis is the main tool to obtain information about all aspects of the enterprise, evaluate its competitive position and understand its strengths and weaknesses.

Nowadays, when there is a strong impact of the external environment on operations of enterprises and with the economic, social and political changes affecting their activities both in a positive and negative way, enterprise performance analysis, effective action and decision-taking is necessary for an enterprise to avoid insolvency.

The aim of the article is to present the task of monitoring the financial situation of the company and directions for further research in this area.

Monitoring of a financial situation of enterprises is highly significant, what was proved by the latest world financial crisis. Monitoring will allow early identification of a threat, and thus undertaking preventive actions, which will protect from losses that may lead to a bankruptcy.

Therefore, it is so significant to employ the verified analytical tools. As part of the presents the essence of indicator analysis, with the release of its application to the quintessential area, namely financial liquidity.

Enterprise performance analysis plays an important role in enterprise management. The objective of analysis, on the one hand, is to determine the efficiency of performance of an enterprise for the reporting period and against set goals, and, on the other hand, to establish the potential areas for the activities of an enterprise for the current period and in the perspective by considering the necessary material, financial and labour resources. Therefore, targeted analysis has to be carried out in order to find out such opportunities and reserves of an enterprise that would ensure optimal use of the existing resources. Analysis of enterprise performance is not solely one of the management functions, but also a way of thinking for which a certain database is required. Furthermore the quality of analysis depends on the overall enterprise level of financial accounting and the quality of reporting, and the extent to which the figures included therein are true and fair. The actual position of an enterprise in relation to the environment in which it operates is reflected in the portfolio analysis and the basic strategy the enterprise has chosen for its concept. Portfolio analysis shows the competitiveness of an enterprise (the position of its production) in comparison with the situation in the market.

The financial monitoring enables creation of new information, financial and decision resources. Features of the financial monitoring include concentration on key areas of financial functioning of an enterprise, as well as, on other field of operation. Purpose of the monitoring is to specify the most significant phenomena and factors that exert direct influence on the enterprise's results. The system of financial monitoring poses an element of early warning against a threat, it enables assessment and early response to those threats and risks.

The financial monitoring is based on ratios, which pose a relationship between the size of the resources, flows, or a resource–flow mix, where the property, income, costs and the results of the economic entity can be listed. An empirical value of the ratio is manifested through the possibility of comparing them, classify the researched processes, phenomena and objectives adopted by an enterprise, according to which the phenomena will be examined. The empirical value of the ratios is also manifested in creation of a whole structure of connections between financial and economic phenomena, and development of such ratios that can examine a given situation – a financial and economic process – with different levels of details. The main and the most important feature of the ratios within a financial monitoring system is the possibility to systematize the level of standards, necessary to estimate and determine deviations. These standards provide information on potential financial problems. Standards of financial ratios can be determined on the basis of the following criteria [Skowronek–Mielczarek A., Leszczyński 2008, p. 242] [1]:

- determination of the levels of indexes in prior reporting periods;
- comparison of data with planned values;
- comparison of ratios with data from other units;
- comparison of data with criteria determined externally and internally.

The process of examining and verifying financial phenomena adopts various types of dynamics indexes for estimation of phenomena in a specific time. Within the monitoring system, a significant place in terms of assessment of financial phenomena that take place in the enterprise, is occupied by processes in absolute terms, such as costs, income or a financial result. The financial phenomena and processes are evaluated on the basis of profitability, debt and liquidity. In case of the financial monitoring, key ratios are selected and verified empirically [2].

The correlated values pose a basis for evaluation of the enterprise's financial condition, its results, and at the same time point to negative phenomena that take place within an economic entity, allowing to undertake proper decisions on repair transformations [3].

Purpose of the article is to demonstrate methods for monitoring of the financial situation of an enterprise, and direction of further research in that scope. In order to achieve the assumed objective, the essence of index analysis was presented, together with its application to the most significant area, namely financial liquidity. Further part of the paper demonstrates directions for new methods of monitoring the financial situation of economic entities, which require further research [4].

Methods for monitoring of a financial condition of enterprises require further research and development, in order to improve them and lead to greater universality, i.e. the possibility to apply for a

greater group of economic entities. Monitoring of a financial situation of enterprises is highly significant, what was proved by the latests world financial crisis. Such a monitoring will allow early identification of a threat, and thus undertaking preventive actions, which will protect from losses that may lead to a bankruptcy [5]. Therefore, it is so significant to employ the verified analytical tools, which as can be seen in this work, are being shaped and developed. Other directions of research over the monitoring methods for the financial condition require detailed works, what is a highly interesting starting point for further research [6].

### **List of sources of literature**

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