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THE ROLE OF FINANCIAL ANALYSIS IN ASSESSING THE BUSINESS ACTIVITY OF AN ENTERPRISE

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Abstract. This article examines the role of financial analysis in assessing the business activity of an enterprise and its importance in improving the efficiency of financial and economic management. The study considers the theoretical and methodological foundations of financial analysis and identifies the key indicators used to evaluate business activity, including asset turnover, accounts receivable and payable turnover, inventory turnover, capital efficiency, profitability, liquidity, and financial stability. Particular attention is paid to the relationship between financial performance and the level of business activity of an enterprise. The article highlights the importance of financial analysis in identifying internal reserves, detecting negative trends, evaluating the efficiency of resource utilization, and supporting managerial decision-making.

The study also discusses modern analytical approaches aimed at improving the accuracy and objectivity of business activity assessment. It is concluded that the systematic application of financial analysis contributes to strengthening financial stability, increasing resource efficiency, improving competitiveness, and ensuring the sustainable development of an enterprise in a changing economic environment.

Keywords: financial analysis, business activity, enterprise, financial performance, asset turnover, capital efficiency, profitability, liquidity, financial stability, resource utilization, management decisions, efficiency, competitiveness, sustainable development.

In the modern conditions of economic development, the effectiveness and sustainability of an enterprise largely depend on its ability to use financial, material, and labor resources rationally and efficiently. Increasing competition, instability in financial markets, inflationary pressures, technological changes, and growing uncertainty in the business environment require enterprises to continuously monitor their financial position and operational performance. In this context, financial analysis plays a particularly important role as one of the key instruments for assessing the business activity of an enterprise and supporting effective managerial decision-making.

Business activity is an important characteristic of the economic performance of an enterprise. It reflects the intensity of its operations, the efficiency of resource utilization, the speed of capital turnover, and the ability to generate revenue and profit. A high level of business activity generally indicates that an enterprise effectively uses its assets and capital, accelerates the circulation of financial resources, strengthens its market position, and creates favorable conditions for sustainable development. At the same time, a decline in business activity may indicate inefficient asset utilization, excessive inventories, slow collection of receivables, insufficient sales growth, or other financial and operational problems.

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Financial analysis provides a systematic basis for identifying and evaluating these processes. By examining financial statements and calculating relevant indicators, it allows managers and other stakeholders to assess the current financial condition of an enterprise, identify changes in its business activity, determine the causes of deviations, and reveal potential reserves for improving efficiency.

Financial analysis is therefore not limited to evaluating past performance; it also serves as an important instrument for planning, forecasting, controlling, and developing future business strategies.

A significant role in assessing business activity belongs to turnover indicators. Asset turnover, current asset turnover, inventory turnover, accounts receivable turnover, accounts payable turnover, and equity turnover provide valuable information about how efficiently enterprise resources participate in the operating cycle. The acceleration of turnover can contribute to increased sales volumes, reduced demand for additional working capital, improved liquidity, and higher profitability. Conversely, slower turnover may result in the immobilization of financial resources and deterioration of the overall financial position.

However, an objective assessment of business activity requires a comprehensive approach. Turnover ratios should be analyzed together with profitability, liquidity, solvency, financial stability, and cash flow indicators. Such an integrated approach makes it possible to identify relationships between different aspects of enterprise performance and to determine how changes in the efficiency of resource utilization influence financial results. Comparative, horizontal, vertical, ratio, factor, and trend analysis can therefore be applied to obtain a more complete picture of the dynamics and factors affecting business activity.

The relevance of financial analysis is further increasing due to the digital transformation of business processes. Modern accounting systems, digital financial platforms, automated analytical tools, and information technologies make it possible to process large volumes of financial data and monitor key performance indicators more efficiently. This creates new opportunities for improving the accuracy and timeliness of business activity assessment and allows management to respond more rapidly to changes in the internal and external business environment.

The importance of the research topic is also determined by the fact that the results of financial analysis are relevant not only to enterprise managers but also to owners, investors, creditors, suppliers, and other stakeholders. Each group is interested in reliable information about the enterprise’s ability to efficiently use its resources, meet its financial obligations, maintain profitability, and ensure sustainable growth. Consequently, an effective system of financial analysis contributes to greater transparency of enterprise activities and improves the quality of economic and managerial decisions.

Therefore, financial analysis should be considered as an essential component of the mechanism for assessing enterprise business activity. Its systematic application makes it possible to identify strengths and weaknesses in financial and economic activities, evaluate resource utilization efficiency, determine internal growth reserves, minimize financial risks, and develop measures aimed at increasing profitability, financial stability, and competitiveness.

The organization's cash flow management mechanism should be built in such a way as to, on the one hand, minimize the amount of cash outflow, and on the other hand, create conditions for maximizing cash inflow to the enterprise. From a methodological point of view, liquidity in its simplest form is the rate of transformation of assets into their most liquid form, that is, into money. How high the level of liquidity of the organization's assets depends on how quickly it can pay off its debts, that is, liquidity determines the rate of solvency of the enterprise. Liquidity indicators

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characterize the financial condition of the organization. If an organization has high liquidity, then it has priority over other organizations that are engaged in the same activity, in obtaining loans, in selecting suppliers, and so on. The organization pays wages to workers on time, pays taxes to the budget, repays loans on time.

The stable financial position of an enterprise in a market economy is determined to a large extent by its business activity.

The business activity of an enterprise depends on many internal and external factors, which include:

- demand factors;
- price factor;
- production, scientific, technical and macroeconomic factors (monetary, price, depreciation policy and other measures of state regulation).

The decline in business activity in various sectors of the economy, in particular, in manufacturing, indicates the crisis state of a significant part of enterprises and the need to overcome the crisis. Various methods and technologies are used to bring organizations out of a crisis state. In the practice of anti-crisis management, in accordance with the Law "On Insolvency (Bankruptcy)", the following procedures are applied:

1) observation;
2) financial recovery external management;
3) bankruptcy proceedings amicable agreement.

In many cases, these procedures do not lead to the restoration of the solvency of enterprises, but, as a rule, end with bankruptcy proceedings and their liquidation. Thus, during the “external management” procedure in 2020, the solvency of enterprises was restored only by 2.4% of the total number of cases in which this procedure was carried out. This indicates the inefficiency of the measures and technologies used in the process of bankruptcy proceedings.

Anti-crisis management is an action plan aimed at improving the efficiency of a business and implementing its development strategy in a difficult competitive and financial situation, including aimed at overcoming the bankruptcy of an enterprise. In the course of anti-crisis management, the business activity of the organization should increase, ensuring its financial stability.

The main goal of the anti-crisis program is the financial stabilization of the company, it is necessary to assess the degree of the company's crisis situation. The crisis situation can be characterized as insufficiently effective management of assets, receivables and payables, which causes an outflow of funds from owners and may ultimately lead to incomplete satisfaction of creditors' claims.

To stabilize the financial condition of the enterprise, economists distinguish two stages of possible stabilization:

1) elimination of insolvency (reducing the amount of current external and internal financial liabilities of the organization in the short term; increasing the amount of funds that ensure the repayment of overdue and the fulfillment of urgent obligations by transferring part of liquid current assets and part of non-current assets into cash);

2) restoring the financial stability of the organization (reducing the consumption of financial resources, increasing its own financial resources); ensuring financial balance in the long term (introduction of new types of profitable products, improving the quality of products, improving their

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consumer properties; reducing the time for selling products; reducing costs through the use of new efficient technologies; accelerating the turnover of current assets; etc.). In turn, strengthening the financial stability of the organization is possible only as a result of increasing its business activity. Evaluation of business activity allows you to identify how efficiently the company uses its funds. To indicators characterizing business activity, we include indicators of dynamics (profit, revenue and assets), turnover ratio and profitability.

The assessment of business activity involves an analysis of the results and effectiveness of the current main production activities; however, it must also be used in assessing the continuity of the organization's activities.

The continuity assessment methodology includes, as constituent elements, an analysis of financial characteristics, an analysis of production characteristics, and an analysis of market characteristics. This technique contains the indicators of business activity discussed above. “Assessment and management of continuity should be linked to the diagnosis of bankruptcy; built into the organization's risk management system.

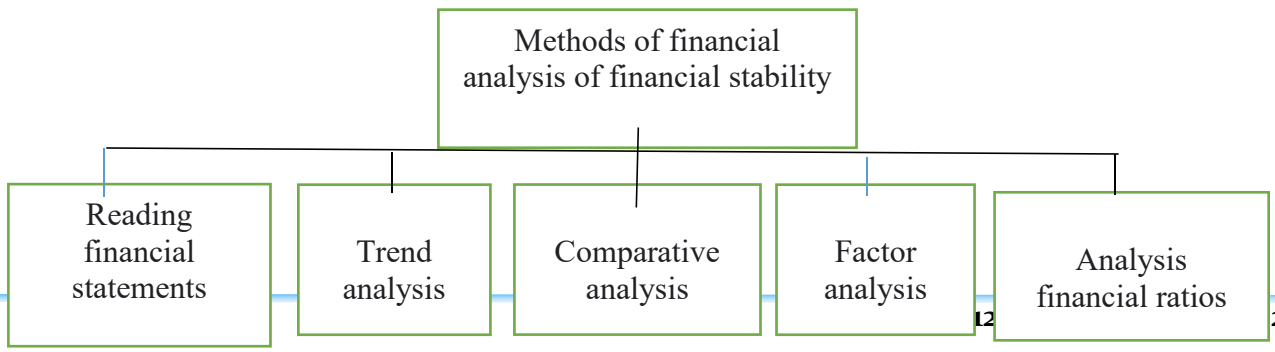
In our opinion, it is necessary to diagnose the signs of bankruptcy. From the point of view of the scientist A.P. Garnova, “the diagnosis of the bankruptcy of an organization always begins with the identification of early signs of financial insolvency.

These signs include: a sharp decrease in funds in the accounts of the organization; significant growth of receivables and payables; a significant reduction in receivables with a simultaneous increase in the balance of finished products (overstocking); imbalance of receivables and payables; simultaneous reduction of receivables and payables; presence and growth of losses; reduction in sales revenue; lack of own working capital. With express diagnostics, in addition to identifying early signs, it is also necessary to determine the structure of the enterprise's balance sheet (satisfactory or unsatisfactory). To assess the probability of bankruptcy of an organization, two criteria are used: - current liquidity ratio; - coefficient of security with own working capital.

The main role in the analysis of the bankruptcy of an enterprise is played by financial analysis, during which coefficients are calculated for arbitration managers that characterize: the solvency of the debtor, financial stability and business activity of the debtor.

Thus, the assessment of business activity indicators and forecasting the probability of bankruptcy are an integral part and contribute to the construction of a unified system of anti-crisis management of the activities of commercial organizations.

The primary goal of financial analysis of financial stability and business activity is the determination of the most priority indicators that represent the most complete and objective picture of the financial condition of the organization. Such indicators can be fluctuations in the structure of assets and liabilities, the value of the financial result, the value of the return on equity, assets, sales, changes in the turnover of assets and equity, as well as settlements with creditors and debtors



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Figure 1. Methodology of financial analysis.

In addition to the current financial condition, top managers of the company may also be concerned about its forecast for the near future.

Thus, for financial analysis of financial stability and business activity, information obtained from financial statements is usually used, the assessment of which contributes to the reproduction of the most significant details of transactions, as well as financial and production activities.

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