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IMPROVING THE METHOD OF DIAGNOSTICS OF COMPETITIVENESS OF THE ENTERPRISE AND VIRTUALITY OF ITS BANKRUPTCY BY THE LEVEL OF PROVIDING WITH OWN WORKING CAPITAL

Formulation of the problem. In today's conditions, strengthening the role of entrepreneurial structures, as an important component of the state's economic system, the problem of competitiveness of enterprises is particularly acute. The enterprise management should have the necessary information support in order to maintain positive trends in positioning in a competitive environment, which will allow make managerial decisions timely and promptly. The diagnosis of the enterprise's competitiveness and the probability of its bankruptcy by providing its own working capital (hereinafter – OWC) should become the basis for the formation of such information support [1, p. 105].

Own working capital is the share of equity capital invested in the formation of current assets of the enterprise. It can be noted that any change in its working capital leads to certain changes in financial stability given its close relationship with the financial sustainability of the enterprise. Consequently, this fact is the basis for asserting that the presence of such a connection allows us to manage the competitiveness of the enterprise through management of working capital, varying in size.

The methodology of diagnosing the enterprise's competitiveness and the probability of its bankruptcy by the level of its own working capital in the last decade practically remains unchanged. However, the introduction of transformational changes to the construction of financial statements in accordance with the requirements of IAS requires revision and further improvement measures.

Analysis of recent research and publications. Research of issues concerning competitiveness management of the enterprise is considered in the scientific works of domestic and foreign economists, such as: O.D. Zaruba, V.M. Fedosov, T.V. Holovko, A.V. Chupis, V.O. Mets, etc. It identifies the features of the management of the competitiveness of the enterprise by the level of maintenance of its working capital, its significance in ensuring the competitive positions of the company in the market is revealed, the methods of

evaluation and calculation of indicators are proposed, attempts are made to study the external and internal factors of influence, etc.

However, despite the wide coverage in the scientific literature of proposals to strengthen the competitiveness of enterprises in a context of fierce competition, the methodology for its diagnosis and the probability of bankruptcy due to the introduction of transformational changes to the construction of financial statements in accordance with the requirements of IFRS requires further study and searches ways to improve.

Setting objectives. The aim of the article is to improve the methodology of diagnosing the competitiveness of the enterprise and the probability of its bankruptcy by providing its own working capital, the introduction of which in practice will allow the timely response of the management of the enterprise to changes in the financing of current assets, strengthening the financial strength of the enterprise, and, consequently, its competitiveness.

The main material of research. The term “current assets” comes from the English term “circulating capital” and appeared in the vocabulary in connection with the active use of English-language sources of economic literature. Its synonyms in Ukrainian sources of economic theory are “circulating assets”, “circulating assets”, “working assets” and “current assets”. However, despite the heterogeneity of terms, the economic essence of the concept, which is determined by them, is interpreted quite clearly in domestic and foreign literature. This is a set of cash advanced by the enterprise for the formation of revolving productive assets and funds of circulation, which are used within a single reproduction cycle or in the short-term period (up to one year), providing a continuous process of production and economic activity [3, p. 104] and bring economic benefits [2, p. 195].

Own working capital is in constant motion, consistently passing all stages of the circulation. Consequently, at any time, part of the working capital of an enterprise is advanced into production inventories of materials and unfinished production, serving the production sphere, the rest is advanced into discharged production and accounts receivable, serving the process of product turnover outside the enterprise. Thus, its stock at each stage of the cycle should be such as to ensure the continuous operation of the enterprise [9].

The analysis of literature, which deals with the methodology for calculating own working capital, allows us to conclude that among specialists at present, there are different points of view in relation to this.

At first sight, there were no significant changes in the methodology for determining its own working capital with the introduction of NP (S) of accounting 1 “General requirements for financial reporting” and new forms of reporting. However, with a detailed study of changes in assets and liabilities f. 1 Balance sheet (Statement of financial position of the enterprise) (hereinafter – Balance sheet 1) should be considered on separate issues.

Traditionally, the OWC was determined by the formula:

$$OWC = \sum(II \text{ s. A}) + \sum(III \text{ s. A}) - \sum(IV \text{ s. P}), \quad (1)$$

where: s. A, s. P – section of asset and section of passive respectively.

With the introduction of changes to the construction of the balance sheet, namely the transformation of “Future expenses” from the third to the second section of the assets of the balance sheet and the transformation of the IV section of the liability to the third, the OWC should be determined according to this model as:

$$OWC = \sum(II \text{ s. A}) - \sum(III \text{ s. P}), \quad (2)$$

$$OWC = \text{l. 1195} - \text{l. 1695} \quad (3)$$

However, the line numbering is not the main change. The transition to the preparation of financial statements in accordance with International Accounting Standards (“IAS”) requires reflection on the financial statements in current liabilities of accounting new facilities, in particular provisions and contingent liabilities. At first sight, no complications arise with the introduction of such changes in the financial statements, that is, the line 1695 (summary of Section III of the Passive Balance) should simply be taken into account, but this is a false impression.

In accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (“IAS 37”), provision is a liability with an indefinite period or amount. At the same time, in accordance with IAS 37, contingent liabilities are recognized as: possible liabilities arising from past events and the existence of which will only be confirmed after one or more uncertain future events that are not fully controlled by the entity, or existing obligations arising out of past events but not recognized because there is no likelihood that the release of resources that embody economic benefits will be necessary for repayment of the obligation, or the amount of the obligation cannot be estimated reliably [5].

In the general sense, all provision is conditional because it is not defined by terms or amount. However, the term “conditional or contingent” in IAS 37 applies only to non-recognized liabilities, since their existence will be confirmed only after one or more uncertain future events that are not fully controlled by the entity will occur or will not occur. So, one should clearly understand that:

– collateral are recognized as liabilities (assuming that they can be measured reliably), since they are an existing obligation and it is probable that repayment of this obligation will require the release of resources that embody economic benefits;

– contingent liabilities, which are not recognized as liabilities.

At the same time, according to P (S) of accounting 11 "Liabilities", it is determined that the provision is the liabilities with an indefinite amount or maturity at the balance sheet date, and the contingent (unforeseen) liabilities are:

1) which may arise as a result of past events and whose existence will be confirmed only when one or more uncertain future events, which the enterprise does not have full control, will or will not take place;

(2) the present liability arising out of past events but not recognized as it is unlikely that a liability for the settlement of an obligation will require the use of resources that embody economic benefits or because the amount of the obligation cannot be reliably measured [8].

Consequently, the possibility of taking into account provisions and contingent liabilities as part of current liabilities of an enterprise is complicated by the lack of a clear methodology for their valuation. In particular, Matsenko L.F. offers an assessment of collateral and contingent liabilities, based on the accounting judgment of the probability of occurrence of the effect of determining the probability of occurrence of a certain effect of one of three indicators: the probability of a certain impact less than 50% (if there is doubt to be realized); the probability of occurrence of a certain consequence is equal to 50% (when there is uncertainty in the implementation and there are no clear arguments in favor of non-implementation); the probability of occurrence of a certain consequence more than 50% (with relative confidence in implementation). An accountant must resolve the issue of a balance sheet or off-balance reflection on the basis of such an assessment, only on the basis of the criterion of materiality, the probability of occurrence of the fact and its remoteness [4, p. 293].

At the same time, Orlov I.V. in order to provide a reliable estimate of the amount of collateral and contingent liabilities proposes to apply such valuation methods as:

1) the best way of estimating (estimating the costs necessary to repay the present value of liabilities at the end of the reporting period);

2) the method of a definite set of intervals of values based on the calculation of the average arithmetic value of the largest and smallest interval values, which are estimated taking into account the degree of probability of manifestation of the corresponding interval of values. According to the author, using proposed methods of estimating contingent liabilities will provide relevant information on the amount of contingent liabilities, their status and impact assessment on the results of economic activity [7, p. 110].

Nashkerska H.V. stresses that the assessment of contingent liabilities depends on the occurrence (non-occurrence) of the future uncontrolled or partially controlled by the enterprise events. She proposed to divide the contingent liabilities into two groups depending on the possibility of forecasting these events and the nature of their influence: provision and unforeseen obligations. In this case, the assessment of current provision should be based on the amount of costs for disbursements in subsequent (future) reporting periods by appointment and long-term provision should be valued at present value. Contingent liabilities should be reflected in the off balance sheet accounts of the enterprise according to the accounting estimate [6, p. 144].

In P (S) of accounting 11 is provided that provision is created to recover the following (future) operating expenses for:

– payment of holidays to employees;

– additional pension provision;

– performance of warranty obligations;

– restructuring, fulfillment of obligations upon termination of activity;

– fulfillment of obligations on burdensome contracts, etc. [8].

Therefore, the methodology for their estimation is provided separately for each of the groups of listed operating expenses. The balance of provisions should be reviewed at each balance sheet date and, if necessary, adjust (increase or decrease). In the absence of the probability of retirement of assets to repay future liabilities, the amount of such security should be reversed.

With regard to contingent liabilities, this standard specifies that contingent (unforeseen) liabilities should be reflected in the off-balance sheet accounts of the enterprise according to the accounting estimate. So, displaying them in the line 1660 in f. 1 Balance is invalid. Information about them should be disclosed in the Notes to the Financial Statements.

Thus, in our opinion, in calculating own working capital, both security and contingent liabilities (reflected in the Notes to the Financial Statements) should be taken into account. Thus, the formula for determining own working capital should have the following form:

$$OWC = \sum(\text{II s. A}) - \sum(\text{III s. P}) + \text{CL NFS),} \quad (4)$$

where CL NFS are contingent liabilities under the accounting estimate as reflected in the Notes to the Financial Statements.

However, the question arises about the inclusion of contingent assets, when it comes to taking into account about calculating the working capital of contingent liabilities, that is, possible assets that have arisen as a result of past events and the existence of which will only be confirmed after one or more uncertain future events not fully controlled by the entity [5].

Thus, there is a need to verify the correctness of identification of both contingent liabilities (CL) and contingent assets (CA) in diagnosing the enterprise's competitiveness and the probability of its bankruptcy by providing its own working capital (Figure 1).

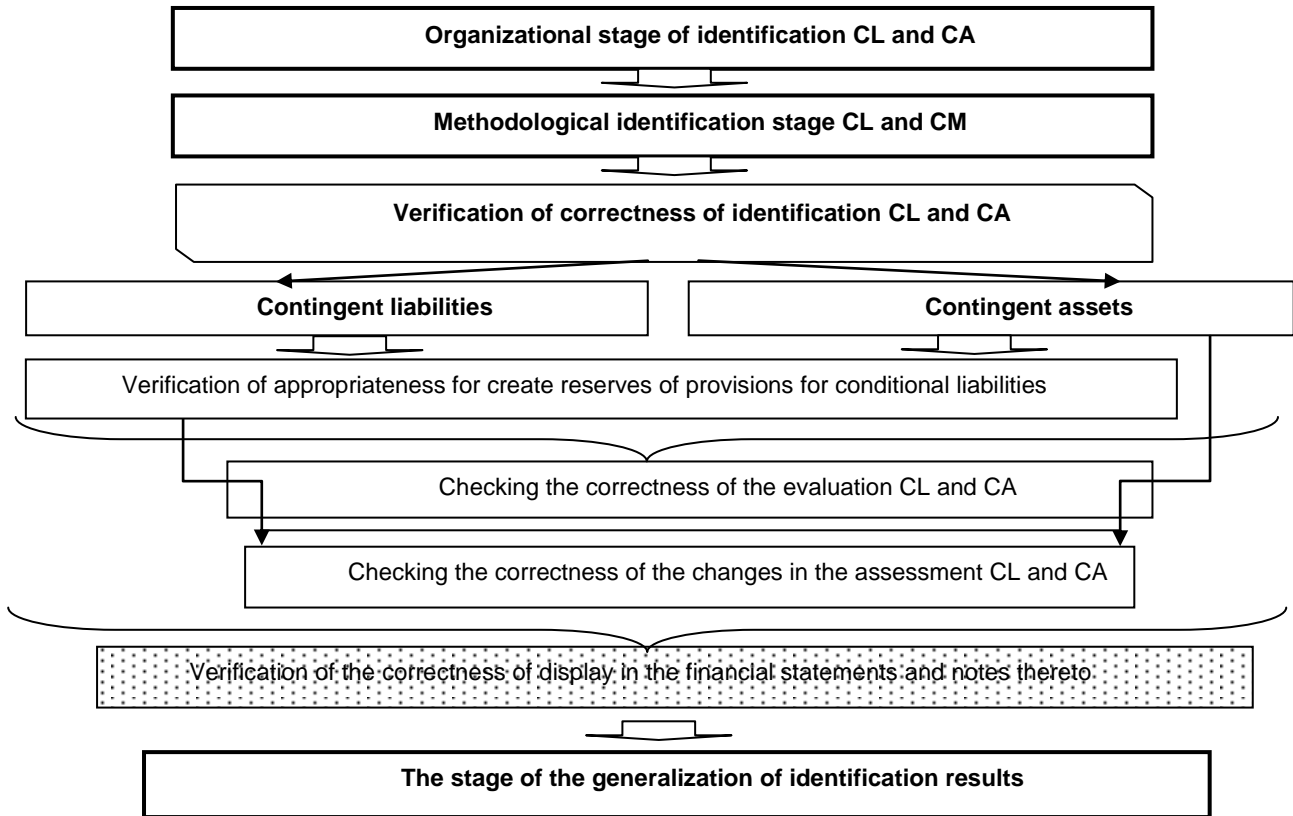


Figure 1. Model of identification of contingent liabilities and contingent assets

Source: author's development

In accordance with paragraph 89 of IAS 37, contingent assets may be displayed in the account for only on condition that the economic benefits are probable. If there is complete confidence in the receipt of economic benefits, the asset and related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits is probable, an entity should disclose information about a contingent asset (similarly as a contingent liability) in the Notes to the Financial Statements.

So, the formula for determining your own working capital should have the following form:

$$OWC = \sum((II \text{ s. } A) + CL \text{ NFS}) - \sum((III \text{ s. } \Pi) + CL \text{ NFS}), \quad (5)$$

where CL NFS are contingent liabilities under the accounting estimate as reflected in the Notes to the Financial Statements.

The correspondence with the actual level of provision of the company's own capital to the established norm indicates the continuity of the production process, the company's financial stability and its stable position in terms of competitiveness.

Conclusions from the conducted research. The introduction of the proposed methodology for diagnosing the competitiveness of enterprises in practice and the probability of their bankruptcy by the level of their working capital in the context of making transformational changes to the construction of financial statements of enterprises in accordance with the requirements of IFRS will ensure timely response of the management of the enterprise to changes in the financing of the formation of current assets and, accordingly, will contribute to strengthening positions of the enterprise on the level of its competitiveness.

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Левченко Н.М. УДОСКОНАЛЕННЯ МЕТОДИКИ ДІАГНОСТИКИ КОНКУРЕНТОСПРОМОЖНОСТІ ПІДПРИЄМСТВА ТА ВІРОГІДНОСТІ ЙОГО БАНКРУТСТВА ЗА РІВНЕМ ЗАБЕЗПЕЧЕННЯ ВЛАСНИМ ОБОРОТНИМ КАПІТАЛОМ

Мета. Удосконалення методики діагностики конкурентоспроможності підприємства та вірогідності його банкрутства за рівнем забезпечення власним оборотним капіталом, запровадження якої на практиці дозволить забезпечити своєчасне реагування керівництва підприємства на зміни у фінансуванні оборотних активів, посилення фінансової міцності підприємства, а, отже, і його конкурентоспроможності.

Методика дослідження. Метод теоретичного узагальнення та порівняння став підґрунтям розробки методики діагностування конкурентоспроможності підприємства та вірогідності його банкрутства за рівнем забезпечення власним оборотним капіталом за фінансовою звітністю побудованою у відповідності до вимог МСФЗ. Логічний метод, методи індукції та дедукції, групування та узагальнення виступили основою доведення взаємозв'язку забезпечень та умовних зобов'язань. Монографічний метод використано при викладенні результатів дослідження.

Результати. Проаналізовано зміни до побудови фінансової звітності підприємств у відповідності до вимог МСФЗ. Розроблено методику діагностування конкурентоспроможності підприємства та вірогідності його банкрутства за рівнем забезпечення власним оборотним капіталом.

Наукова новизна. Удосконалено в умовах внесення трансформаційних змін до побудови фінансової звітності підприємств, у відповідності до вимог МСФЗ, методику діагностування конкурентоспроможності підприємства та вірогідності його банкрутства за рівнем забезпечення власним оборотним капіталом, що забезпечить своєчасне реагування керівництва підприємства на зміни у процесі формування оборотних активів і, відповідно, сприятиме посиленню конкурентних позицій підприємства.

Практична значущість. Результати дослідження стосовно обґрунтованої методики діагностування конкурентоспроможності підприємства та вірогідності його банкрутства за рівнем забезпечення власним оборотним капіталом можуть бути використані підприємствами, керівництво яких бажає своєчасно реагувати на зміни у процесі формування оборотних активів і, відповідно, сприятиме посиленню фінансової міцності та його конкурентоспроможності.

Ключові слова: власний оборотний капітал, забезпечення, умовні зобов'язання, умовні активи.

Levchenko N.M. IMPROVING THE METHOD OF DIAGNOSTICS OF COMPETITIVENESS OF THE ENTERPRISE AND VIRTUALITY OF ITS BANKRUPTCY BY THE LEVEL OF PROVIDING WITH OWN WORKING CAPITAL

Purpose. The aim of the article is to improve the methodology of diagnosing the competitiveness of the enterprise and the probability of its bankruptcy by providing its own working capital, the introduction of which in practice will allow the timely response of the management of the enterprise to changes in the financing of current assets, strengthening the financial strength of the enterprise, and, consequently, its competitiveness.

Methodology of research. The method of theoretical generalization and comparison became the basis for developing a methodology for the diagnosis of enterprise competitiveness and the probability of its bankruptcy by providing its own working capital with financial statements prepared in accordance with the requirements of IFRS. Logical method, methods of induction and deduction, grouping and generalization were the basis for proving the interconnection of security and conditional obligations. The monographic method is used in the presentation of research results.

Findings. The changes to the financial statements of enterprises in accordance with the requirements of IFRS have been analyzed. The method of diagnosing the competitiveness of the enterprise and the probability of its bankruptcy by the level of maintenance of own working capital is developed.

Originality. Improved in the conditions of making transformational changes to the construction of financial statements of enterprises, in accordance with the requirements of IFRS, the method of diagnosing the competitiveness of the enterprise and the probability of its bankruptcy by the level of provision of its working capital, which will ensure timely response of the management of the enterprise to changes in the formation of current assets and, will promote strengthening of competitive positions of the enterprise.

Practical value. The results of the study on a sound methodology for the diagnosis of enterprise competitiveness and the probability of its bankruptcy by the level of its own working capital can be used by enterprises whose management is willing to respond in a timely manner to changes in the process of formation of current assets and, accordingly, will contribute to strengthening financial strength and its competitiveness.

Key words: own working capital, provision, contingent liabilities, contingent assets.

Левченко Н.М. СОВЕРШЕНСТВОВАНИЕ МЕТОДИКИ ДИАГНОСТИКИ КОНКУРЕНТОСПОСОБНОСТИ ПРЕДПРИЯТИЯ И ДОСТОВЕРНОСТИ ЕГО БАНКРОТСТВА ПО УРОВНЮ ОБЕСПЕЧЕНИЯ СОБСТВЕННОГО ОБОРОТНОГО КАПИТАЛА

Цель. Совершенствование методики диагностики конкурентоспособности предприятия и вероятности его банкротства по уровню обеспечения собственным оборотным капиталом, внедрение которой на практике позволит обеспечить своевременное реагирование руководства предприятия на изменения в финансировании оборотных активов, усиление финансовой прочности предприятия, а, следовательно, и его конкурентоспособности.

Методика исследования. Метод теоретического обобщения и сравнения стал основой разработки методики диагностирования конкурентоспособности предприятия и вероятности его банкротства по уровню обеспечения собственным оборотным капиталом за финансовой отчетностью построенной в соответствии с требованиями МСФО. Логический метод, методы индукции и дедукции, группировки и обобщения выступили основой доказательства взаимосвязи обеспечений и условных обязательств. Монографический метод использован при изложении результатов исследования.

Результаты. Проанализированы изменения к построению финансовой отчетности предприятий в соответствии с требованиями МСФО. Разработана методика диагностирования конкурентоспособности предприятия и вероятности его банкротства по уровню обеспечения собственным оборотным капиталом.

Научная новизна. Усовершенствована в условиях внесения трансформационных изменений к построению финансовой отчетности предприятий, в соответствии с требованиями МСФО, методика диагностирования конкурентоспособности предприятия и вероятности его банкротства по уровню обеспечения собственным оборотным капиталом, которая обеспечит своевременное реагирование руководства предприятия на изменения в процессе формирования оборотных активов и, соответственно, будет способствовать усилению конкурентных позиций предприятия.

Практическая значимость. Результаты исследования по обоснованной методике диагностирования конкурентоспособности предприятия и вероятности его банкротства по уровню обеспечения собственным оборотным капиталом могут быть использованы предприятиями, руководство которых желает своевременно реагировать на изменения в процессе формирования оборотных активов и, соответственно, будет способствовать усилению финансовой прочности и его конкурентоспособности.

Ключевые слова: собственный оборотный капитал, обеспечение, условные обязательства, условные активы.