A Financial Analysis of a Selected Company

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ABSTRAKT

Tato bakalářská práce je zaměřena na zhodnocení finanční situace a výkonnosti firmy XY pomocí finanční analýzy. Cílem práce je analyzovat danou společnost a dle výsledků navrhnout možná opatření vedoucí ke zlepšení stávajícího stavu. Bakalářská práce se dělí na dvě části, teoretickou a na ni navazující praktickou část.

V teoretické části je zpracována literární rešerže, která se zaměřuje na teoretické poznatky zabývající se finanční analýzou, vysvětlují její podstatu a především podstatu jednotlivých ukazatelů. Navazující praktická část představuje společnost XY a nadále se zabývá konkrétními výpočty daných ukazatelů a provedením finanční analýzy za období let 2016-2018 a popisuje zjištěné skutečnosti. V závěru této části jsou uvedeny doporučení do budoucna.

Klíčová slova: Absolutní ukazatele, finanční analýza, poměrové ukazatele, rozdílové ukazatele, souhrnné ukazatele, účetní výkazy

ABSTRACT

This bachelor thesis is focused on the evaluation of the financial situation and performance of company XY based on financial analysis. The aim of the thesis is to analyze the selected company and to suggest possible provisions to improve the current situation. The bachelor thesis is divided into two parts, the theoretical part and the practical part.

The theoretical part deals with the literary research, which focuses on theoretical knowledge dealing with financial analysis, explains its essence and above all the essence of individual indicators. The following practical part introduces the company XY and continues to deal with specific calculations of giving indicators and conducting financial analysis for the period 2016-2018 and it further describes the findings. In conclusion, future recommendations are given.

Keywords: Absolute indicators, Differential indicators, Financial analysis, Financial statements, Ratio indicators, Summary indicators

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I hereby declare that the printed version of my Bachelor's/Master's thesis and the electronic version of my thesis deposited on the IS/STAG system are identical.

CONTENTS

INTRODUCTION

The whole world, as we know it, is run by businesses, whether smaller or larger. It is becoming increasingly difficult for every emerging business to succeed in a rapidly growing and changing global marketplace affected by many external forces. This situation brings the need to constantly adapt to the new conditions that are brought by economic and political changes. A company that wants to succeed in a competitive environment should still be one step ahead the others to achieve its goals. It should have an advantage over other businesses, as well as it should be able to respond quickly to changes and also build a protective barrier against all possible negative externalities.

The basis for effective management, decision making and planning of a company is financial analysis. It evaluates the current financial situation and its development over time and it also gives the possibility to compare different companies. It provides management with feedback for assessing and it evaluates the impacts of their past decisions. At the same time, it provides useful information about the future likely development of the company. The results of the analysis are based on investment planning and short-term goals related to the day-to-day operation of the company.

The aim of this thesis is to assess the performance of the company XY through financial analysis and to propose recommendations for improvement in the future. The thesis is divided into two main parts.

In the first part, the literary research has been done. The first chapter deals with financial analysis as the main topic of this thesis. It brings the main information and terminology related to financial analysis. The second chapter focuses on financial statements as the basis for the whole financial analysis itself. In the third chapter, the most important ratios are described together with their calculation formulas. The following part deals with the weaknesses of financial analysis.

The practical part is based on the theoretical aspects of the analysis and furthermore, it provides financial analysis of the selected company itself. In the first part, there is an economical profile and historical background of the selected company with its business intention and the main information about its most important suppliers and customers. This chapter also contains the SWOT Analysis of the selected company. The following chapter is the application of theoretical knowledge focused on the selected company. Based on processed data, the current financial state of the company is analyzed, accompanied by tables

with calculations. The end of this work is devoted to the summary of analysis and suggested solutions to eliminate the shortcomings identified.

I. THEORY

1 FINANCIAL ANALYSIS

Financial statement analysis is an important tool including investment management, corporate finance, commercial lending, and the extension of credit. It serves as a complex evaluation of the financial situation of the business. All of the data used help managers in their decision making about:

- the ability of a business to generate cash, and the sources and uses of that cash,
- to determine whether a business has the capability to pay back its debts,
- to spot any profitability issues,
- to derive financial ratios which can indicate the condition of the business, etc. (Bragg 2018)

To know the financial position of the company is essential in relation to past experiences as well as with the future ones. The financial analysis is an integral part of financial reporting because it informs about gained goals and those unfulfilled, or unexpected situations. (Knápková et al. 2017, 17)

1.1 The term financial analysis and its usage

Financial analysis is a formal method which compares obtained data among themselves and expands their informational ability. It shows the evaluation of the past and present situation and it recommends appropriate solutions for the expected future of financial reporting in the company.

The main goal of the financial analysis is to express financial performance and financial position of the company comprehensively. The financial health of the company depends on its financial performance as well as financial position and it expresses its level of resilience to external and internal operational risks. (Holečková 2008, 9-11)

The financial analysis can be distinguished into three main types:

1. Short-term financial situation of the business – solvency within one year.
2. Long-term financial situation – ability to pay long-term liabilities.
3. Efficient business – profitability achieved. (ManagementMania 2016)

All the situations in which the financial analysis can be used are shown in the picture below.

Figure 1 Areas for Financial/Economic Analysis (Helfert 2001, 10)

1.2 Users of the financial analysis

Users of the financial analysis can be distinguished into two groups: internal and external. Internal users of the financial analysis can be managers, employees, and trade unionists. Whereas external users are investors, banks, business partners, government and its authorities, and competitors. (ManagementMania 2016)

1.2.1 Internal users

As it is written above, the internal users of the financial analysis are managers, employees, and trade unionists. All of them have an access to financial statements regularly and they are described in more details in the following chapter.

Managers

Business managers use information from financial accounting, which is the basis for the financial analysis and moreover for the long-term strategy and also operational financial management of the business. This information allows the creation of feedback between decision and its consequence. Knowledge of the financial situation of the business allows right decisions about the money supply, optimal property structure, allocation of spare cash, distribution of profit, etc. Managers have an access to financial information regularly, not just once a year. (Holečková 2008, 16-17) They need to understand the profitability, liquidity, and cash flows of the business and control it every month. (Bragg 2018)

Employees

Employees have a natural interest in the prosperity of the business and its economic and financial stability. This is because they want to save their job positions and wages. The

economic result motivates them and they are keen on the certainty of job, wage or social perspectives. They have an influence on business management through the trade unions. (Holečková 2008, 17)

1.2.2 External users

External financial analysis is the key for sharing financial statements. External users are able to compare the businesses among each other based on the financial statements. Analysis of the financial statements serves as a basis for financial analysis made up by externalists. External users are investors, banks, business partners, government and its authorities, and competitors. (Holečková 2008, 13)

Investors

Primary users of business financial statements are shareholders or owner who puts into business capital. They have a dominant interest in the financially accountant information. Investors use the financial information from two points of view – investment and controlling.

Investment view shows usage of information for decision making about future investments which correlates with investor's requirements on risk, capital appreciation, liquidity, etc. The most important is the level of risk and the level of profitability because investors want to be sure they allocate money properly and the business is managed in their interest.

Controlling is applied by shareholders in the opposition to managers of the business of which they own the shares. They are interested in stability and liquidity of the business, available profit, and manager's intentions. Usually, they control annual financial statement reports, e.g. periodical financial statements, chairman's statement, chief executive's review, director's report, operating and financial review, and auditor's report. (Holečková 2008, 14)

Banks

Banks are described as entities loaning money to the business. They require financial statements in order to estimate the ability of the borrower to pay back all loaned funds and related interest charges. (Bragg 2018) Banks assess business by its credit worthiness and this evaluation is based on the financial management of the business. (Holečková 2008, 15)

Business partners

Business partners are divided into two groups – suppliers and customers. Suppliers are interested in financial statements in order to decide whether it is safe to extend credit to a company and they consider short-term prosperity primarily. If they observe long-term cooperation, they focus on long-term stability.

On the other hand, customers control financial statements in order to judge the financial ability of a supplier to remain in business long enough to provide goods or services because they want to prevent complications with their own production. Customers' decisions partly depend on financial statements. (Bragg 2018; Holečková 2008, 16)

Competitors

Competitors are interested in financial information of similar businesses or whole industry to compare their economic results first of all profitability, price policy, investment activity, quantity of inventories and its turnover, etc., to evaluate its financial condition. Proper knowledge about the competitors helps company to choose the right competitive strategies. (Bragg 2018; Holečková 2008, 16)

Government and its authorities

First of all, government use financial statements of businesses to determine and control whether the business paid the appropriate amount of taxes. Moreover, data are used for many statistics, distribution of financial assistance, and for construction of state economic policy. (Bragg 2018; Holečková 2008, 17)

1.3 Sources of information for financial analysis

To create a relevant financial analysis requires gaining several data from several sources. Helfert suggest to look for information that will allow the manager or analyst to track the financial condition and operating, and ones that will assist in understanding the cash flow patterns in more specific terms. It is important to review and test the data for their relevance to the specific purpose of the analysis and to avoid distorted data.

The most common form of data is the set of financial statements which is usually prepared according to generally accepted accounting principles. Those statements contain a balance sheet, income statements for a given period, and cash flow statements for the same periods. (Helfert 2001, 37) Many valuable information can be found in the annual report of the company or they can be given by top managers, auditors, company's statistics, official economic statistics, etc. (Knápková et al. 2017, 18) Balance sheet, income statement and cash flow are described further in the chapter 2.

Holečková also suggests to use various information from more sources and she proposes distribution of data into the three main groups:

1. Sources of financial information – based on financial statements of the company and company accounting, information from top managers and financial analytics, annual report. Except mentioned sources, also external financial data can be used, e.g. stock

market news, securities prospectuses, annual reports of issuers of publicly traded securities, etc.

2. Quantified non-financial information – based on official economic and company statistic, business plans, price and cost calculations, etc.
3. Non-quantified information – reports of top managers, auditors, executives, independent evaluations and forecasts, etc. (Holečková 2008, 19)

1.4 Methods of financial analysis

Knápková et al. suggests several basic methods used for financial analysis. These methods are:

- Analysis of absolute ratios

  This is analysis of ownership and financial structure of the business and its very useful tool is horizontal and vertical analysis.
- Analysis of revenues, costs, profits and cash flow.
- Analysis of net working capital.
- Analysis of ratio indicators

  This method is based on analysis of profitability ratios, liquidity ratios, debt ratios, activity ratios, market value ratios, cash flow, etc.

Also, more complex accesses can be used, e.g. mathematical static methods. (Knápková et al. 2017, 65) All elementary methods are described in more detail in the third chapter.

1.5 Procedure of financial analysis

Procedure of financial analysis can be distinguished into eleven steps:

1. Objective of Analysis – the user of financial analysis fixes or determines the objectives.
2. Extent of Analysis – extent is decided by the interested party.
3. Scope of Analysis – the depth of the analysis needed to be determined as well.
4. Review of Financial Statements.
5. Relevant Data – all relevant data should be collected by the analyst in order to get relevant information.
6. Rearrangement of Financial Data – the data of the financial statements should be rearranged before making definite analysis and interpretation.
7. Understanding – through all financial documents, analyst should clearly understand the problem.

8. Classification – the collected relevant data are classified according to the needs of the problem in order to find out a correct solution.
9. Analysis – any one of the tools or techniques of financial analysis can be used in order to find a solution.
10. Interpretation and Conclusion – both of them based on the analysis.
11. Report – all the inferences and interpretations should be presented in a report form to the management. (MoneyMatters 2019)

2 FINANCIAL STATEMENTS

The success of the financial analysis depends on the quality of sources of information. The most important sources are financial statements. According to Bragg, financial statements are a collection of summary-level reports about an organization's financial results, financial position, and cash flows. (Bragg 2018)

A knowledge of their contents is the basis for understanding correlations among them and it is necessary to work with them in recommended procedures when making an analysis. It is also needed to work with them cautiously because of their explanatory power about the business. Financial statements are processed for accounting and tax policy; they do not show the economic reality of the business which is one of their weaknesses. (Knápková et al. 2017, 21)

The most important financial statements for the valid processing are balance sheet, income statement, statement of cash flows. It is crucial to know all changes in legislation in research issues. Two more important laws in the Czech Republic are described further. (Knápková et al. 2017, 21-24)

1. The Act no. 90/2012 Coll., the Act on Business Corporations – sets two important obligations to all business corporations.

   The first is to edit their corporate documents so that there is no breach of any peremptory rule of the Act on Business Corporations. And the second, is to file an application to edit their information in the Czech Commercial Register according to the Act on Business Corporations. (Process Solutions 2015)
2. Act no. 563/1991 Coll., the Act on Accounting – the primary legislation regulating accounting and financial reporting. First of all, accounting has to provide true, fair and a comparable view of the company's financial situation.

   There are four main rules - all economic transactions have to be documented, entered into accounting ledgers and journals, they have to be kept on file, and company has to prepare and file all financial statements and annual report in the Commercial Register. (CzechTrade 2019)

Moreover, as the member of the European Union, the Czech Republic is the subject to the accounting, auditing, and financial reporting requirements established in EU Regulations and Directives as transposed into national laws and regulations. This is called Czech Accounting Standards, which represent the rules governing the company manages in

financial accounting and preparing financial statements. (IFAC 2018; ManagementMania 2016)

As it is written above, the three most necessary financial statements are the balance sheet, income statement, and statement of cash flows. They are described in more detail in this chapter.

2.1 Balance sheet

A balance sheet is a term that defines a financial statement that reports a company's assets, liabilities and shareholders' equity at a specific point in time. It provides a basis for computing rates of return and evaluating its capital structure. It is typically used by lenders, investors, and creditors to estimate the liquidity of a business. It is one of the documents included in a company's financial statements. The balance sheet is stated as of the end of the reporting period. (Bragg 2018; Hayes 2019)

The economic success of the business depends also on the business capabilities of the managers. An important part of these capabilities is to maintain property-financial stability. This term describes the company's ability to create and permanently maintain the proper relationship between property (assets) and used capital (liabilities). And this relationship is what describes the balance sheet. (ManagementMania 2016) The balance sheet includes three general categories which are be seen in the picture below and all of them are further described in this chapter:

- Assets
- Liabilities
- Shareholders' equity

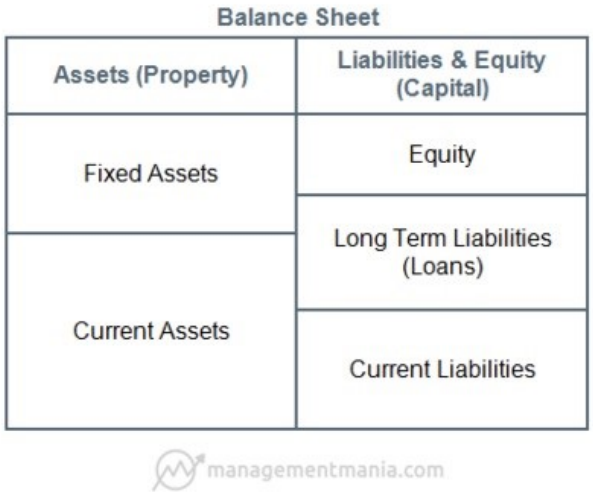


Figure 2 Balance sheet (ManagementMania 2016)

The total amount of assets listed on the balance sheet should always be equal to the total of all liabilities and equity accounts. This is shown by the equation formula: Assets = Liabilities + Equity. If this is not the case, a balance sheet is considered to be unbalanced and should not be issued. (Bragg 2018)

2.1.1 Assets

Assets are on the left side of the balance sheet and they are listed from top to bottom in order of their liquidity. Liquidity means how quickly they can be converted into cash. Assets are divided into two groups – current assets and non-current or long-term assets. The main difference between these two groups is the liquidity. Current assets can be converted into cash in one year or less, while non-current assets cannot. (Hayes 2019)

Current Assets

Current Assets include the following: cash and cash equivalents, marketable securities, accounts receivable, inventory, and prepaid expenses.

- Cash and cash equivalents are the most liquid of all assets. They appear on the first line of the balance sheet. Cash Equivalents include assets with short-term maturities under three months or assets that the company can liquidate on short notice, e.g. marketable securities. This account can contain short-term certificates of deposit, as well as hard currency.
- Accounts receivable is an account which includes all sales revenue still on credit.
- Inventory includes amounts for raw materials, work-in-progress goods, and finished goods usually valued at the lower of the cost or market price.
- Prepaid expenses represent the value that has already been paid for, e.g. insurance, rent, etc. (CFI 2019; Hayes 2019)

Non-current / Long-term Assets

These are securities that will not or cannot be liquidated in the next year. Non-current assets can be divided into two subgroups – fixed and intangible assets.

- Fixed / Tangible assets are known as PP&E which means plant, property, and equipment. All of them are depreciable except for the land, artwork, and gold. They provide long-term income and they are subject to periodic depreciation. (Kenton 2017)
- The second group, intangible assets, include non-physical assets, e.g. know-how, goodwill, licenses, patents, etc. Usually, they are listed on the balance sheet if they are acquired. (CFI 2019; Kenton 2019)

The term depreciation indicates the monetary expression of wear of fixed assets during the given period. It can be also described as a gradual reduction in the value of assets. It respects the physical wear and gradual obsolescence of property. It is a cost that is not an expense. The amount of cash flow can be affected by the manager and his chosen way of depreciation. (ManagementMania 2016) In the Czech Republic are two depreciation methods used – regular and accelerated. (Crandall and Thompson 2017)

2.1.2 Liabilities & Equity

Liabilities and equity are terms which refers to the financial structure of a company. According to the owner of capital, they are divided into equity and liabilities. They can be found on the right side of the balance sheet. (Knápková et al. 2017, 33)

Liabilities

This term means a legally binding obligation payable to another entity. They are used in order to fund the ongoing activities of a business. (Bragg 2017) Because it is the debt of a business, they have a pay off period. According to this period, they are divided into short-term (provided for up to one year) and long-term (provided for a period longer than one year).

Short-term liabilities are also called current liabilities and these are for example short-term bank loans, short-term debt, supplier credit, buyer credit, loans, liabilities to employees, unpaid taxes, and accrued expenses.

All other types of liabilities are long-term, e.g. long-term bank loans, long-term debt, term loans, issued corporate bonds, promissory note, bill of exchange, leasing debts, and reserves.

All of them are used in the organizations to bridge the period of time, during which the organization cannot manage its equity. They work as leverage that raises the return on equity. It is crucial for the company to analyze the particular relationship between the equity and liabilities and if they want to use the liability, they primarily seek in the financial or capital market or turns in the market of private equity. (ManagementMania 2016)

Equity

The term equity stands for the capital which belongs to the owners (proprietors, partners). Equity is the main carrier of the entrepreneurial risk and its share in total capital is an indicator of financial guarantee of the enterprise or organization.

Equity is also divided into several terms. The first is capital which consists of cash as non-monetary contributions of the partners to the company. Capital is created mandatory in

companies with limited liability and in joint stock companies and its amount is entered in the Commercial Register. From the share issue the capital arises in corporations and its increase can be provided by new cash and non-monetary contributions of members, gaining a new partner, or by issuing or increasing share value.

The second are capital funds which is the capital acquired form outside and it includes share premium (extra charge, the difference between the achieved selling price of shares and nominal value of shares on issue).

The third are revenue reserves which are funds created from profit internally and it includes a reserve fund which is legally prescribed and other funds. The fourth are retained earnings which are part of the profit after tax levy and they are not distributed to owners, but it serves to further business. This means they are allocated to various reserve funds. (ManagementMania 2016)

According to Bragg, several types of accounts used to record equity are divided into accounts for corporations and accounts for partnership. Accounts for corporations are common stock, additional paid-in capital, retained earnings, and treasury stock. And for partnerships they are only two – capital and drawings. (Bragg 2018)

2.1.3 The total size of the corporate capital

The total size of the corporate capital depends on several factors. Primarily, the four main factors are described.

1. The size of the enterprise – the larger the enterprise is, the more capital it requires.
2. Degree of technical maturity of the enterprise – the higher technical maturity is; the capital is higher as well.
3. The rate of capital turnover – the faster turnover means the lower capital.
4. Sales organization – an enterprise with its own sales network requires more capital than an enterprise trading through a third party. (ManagementMania 2016)

To know if the business uses its capital optimally, the weighted average cost of capital (WACC) is calculated. It is a calculation of a business' cost of capital in which each category of capital is proportionately weighted. The WACC calculation includes all sources of capital, including common stock, preferred stock, bonds, and any other long-term debt. To calculate WACC the following formula is used: $WACC = \frac{E}{V} \times Re + \frac{D}{V} \times Rd \times (1 - Tc)$. (Hagrave 2019*)*

The analyst will multiply the cost of each capital component by its proportional weight to calculate WACC. The sum of these results is multiplied by the corporate tax rate, or 1. To understand formula properly, the listed values are explained.

- Re = cost of equity
- Rd = cost of debt
- E = market value of the firm's equity
- D = market value of the firm's debt
- V = E + D = total market value of the firm's financing (equity and debt)
- E/V = percentage of financing that is equity
- D/V = percentage of financing that is debt
- Tc = corporate tax rate

Thanks to the WACC, it can be determined how much interest a company owes for each dollar it finances. Because it is the overall required return for a business, it is often used by company directors in order to make decisions, e.g. expansionary opportunities. Except the company directors, it is also used by investors because thanks to the WACC they can see whether or not an investment is worth pursuing. It is because WACC is the minimum acceptable rate of return at which a company yields returns for its investors. (Hargrave 2019) According to Damodaran, *'under most circumstance, the marginal benefits will either exceed the marginal costs (in which case debt is good and will increase firm value) or fall short of marginal costs (in which case equity is better). Accordingly, there is an optimal capital structure for most firms at which firm value is maximized.'* (Damodaran 2014, 326)

2.1.4 Positives and negatives of balance sheet

The balance sheet is used by analyst to calculate a lot of financial ratios that can determine how well a company is performing, how liquid or solvent a company is, and how efficient it is. To calculate cash flow, changes in balance sheet accounts are also used. Thanks to the balance sheet on its own, and in conjunction with other statements, the full picture of a company's health is given. The CFI distinguishes four main important takeaways:

1. Liquidity – A picture of liquidity is getting when comparing a company's current assets to its liabilities. Generally, current assets should be higher than current liabilities to cover company's short-term obligations.
2. Leverage – The leverage is assessed by comparing debt to equity and debt to total capital and it shows how much financial risk the company is taking.

3. Efficiency – To find out how efficiently the company uses its assets, the income statement in connection with the balance sheet is used. The working capital cycle shows how well a company manages its cash in the short term.
4. Rates of Return – This is the point of view on the balance sheet as on the indicator how well a company generates returns. (CFI 2019)

However, the balance sheet is an invaluable piece of information for investors and analysts, it has some drawbacks. Because it is just a snapshot in time, it can only use the difference between this point in time and another single point in time in the past. (Hayes 2019) Moreover, the balance sheet records the value of long-term assets at the price paid for them, which means it ignores the current value of these assets, and as has been written in 2.1.1., the depreciation reduces the value of long-term assets. It also ignores any gain in value or the money it would take to replace an asset at current prices. Because only assets acquired by transactions are reported on the balance sheet, it omits some very valuable assets that are not transaction-oriented, e.g. highly valued group of experts. (Bank 2018)

2.2 Income statement

Income statement, also known as the Profit and Loss Statement (P&L) is a term which refers to a financial statement showing the relationship between the business' revenues over the time and its costs. This statement informs about how successful the business in the period was and what financial result it achieved. (ManagementMania 2016) The income statement reports income through a particular time period and its heading indicates the duration. (Chen 2019) The time period is usually a month, quarter, or year. (Bragg 2018)

The income statement focuses on the four key items - revenue, expenses, gains, and losses, but it does not cover receipts or the cash payments/disbursements. It computes the net income and eventually the earnings per share (EPS). To calculate Net Income following formula is used: *Net Income = (Total Revenue + Gains) – (Total Expenses + Losses)*. The parts of the income statement can be seen in the following picture. (Chen 2019)

Excel Sports Income Statement			
For the quarter ended 30 September 2018			
Revenue			
	Merchandise Sale	25,800	
	Revenue from Training	5,000	
	Total Revenue		**30,800**
Expenses			
	Procurement Costs	8,000	
	Wages	700	
	Rent	1,000	
	Interest Paid	500	
	Transportation	300	
	Utilities	150	
	Total Expenses		**10,650**
Gains			
	Income from sale of van	2,000	
			2,000
Losses			
	Settlment cost of consumer lawsuit	800	
			800
Net Income	(Revenue + Gains) – (Expenses + Losses)		**21,350**

Figure 3 Example of Income statement (Chen 2019)

Revenues and Gains

Revenue is an increase in assets or decrease in liabilities. It is caused by the provision of service or products to customers and it is listed at the top of the income statement. (Bragg 2018) There are two types of revenue – operating and non-operating.

Operating revenue is realized through primary activities of a company which refers to revenue achieved from the sale of the product or to the revenue or fees earned in exchange of offering those services.

Non-operating revenue is realized through secondary activities. These revenues are sourced from the earnings which are outside of the purchase and sale of goods and services, e.g. income from interest, rental income, income from strategic partnerships, etc.

The third group consists of gains which are also called other income. They indicate the net money from other activities, e.g. sale of long-term assets and one-time non-business activities (selling unused land etc.). (Chen 2019)

Expenses and Losses

An expense is the cost for a business to continue operation and turn a profit. Three groups are distinguished. The first are primary activity expenses. They are all expenses incurred for earning the normal operating revenue, e.g. cost of goods sold, selling, general and administrative expenses, depreciation or amortization, etc. Secondary activity expenses are the second group including for example interest paid on loan money.

Losses as expenses are all expenses that go towards a loss-making sale of long-term assets, one-time or any other unusual costs, or expenses towards lawsuits. (Chen 2019)

Result of income statement

Result of the income statement is net income or net loss. Net income is the excess of revenues over expenses and it is one of the key indicators of company profitability.

On the other hand, when expenses exceed revenues it is called net loss. In this calculation are all expenses included together with the effects of income tax. Net losses are usually experienced in start-ups. (Bragg 2018)

Formula for calculating Net Income is following: *Net Income = (Revenue + Gains) – (Expenses + Losses).* (Chen 2019)

2.2.1 Profit categories

First of all, the term profit means the revenue remaining after all costs are paid. Costs include for example, labor, materials, taxes, etc. Profit is the reward to business owners for investing. It is often paid in the form of dividends to shareholder in corporations while in small companies it is paid directly as income.

When speaking about the profit, it is important to know which one is discussed. Three basic types of profit are: gross, operating and net profit. (Amadeo 2019) But there are more of them and they are discussed further because specific type of profit is used according to the purpose of financial analysis. (ManagementMania 2016)

- **Gross Profit** – the profit which company makes after deducting the costs. It includes depreciation and variable costs, e.g. materials, fuel, workers, etc., but does not include taxes and fixed costs, e.g. plants, equipment, etc. Companies used to compare product lines to see which is the most profitable. Calculation formula is: *Revenue – Cost of goods sold*. (Amadeo 2019; Hayes 2019)
- **EBITDA** – also called Operating profit. It includes both variable and fixed costs and it is commonly used in service companies that do not have the products. Abbreviation EBITDA means Earnings before Interest, Taxes, Depreciation and Amortization. It is calculated as follows: *EBIT + depreciation*. (Amadeo 2019)
- **Economic profit** – represent the total return on capital less the cost of capital and it also includes an opportunity cost. Calculation for net profit is following: *net profit = total return on capital – cost of capital.* (ManagementMania 2016)
- **EAT** – this term refers to Earning after Taxes and it is a financial result for an accounting period. It is available for distribution among the owners and the company and a term Net income, which is the total profit less the tax paid, is also used. (ManagementMania 2016)

- **EBIT** – this abbreviation means Earnings before Interest and Taxes. It analyses company's performance without the cost of the capital structure and tax expenses impacting profit. It is calculated as: *Net Income + Interest + Taxes*. (Murphy 2019)
- **EBT** – Earnings before Taxes refers to financial result. The calculation is: *Revenue – Expenses (excluding taxes).* (Kagan 2018)
- **EPS** – Earnings Per Share refers to the total earnings after taxes and preference dividends paid. It is also described as a return on 1 share. It is calculated as *Net earnings / Number of issued ordinary shares*. This ratio is used when comparing shares of different companies and it informs the shareholders about the size of earnings per common share, which could be paid out as dividends. (ManagementMania 2016)
- **Net profit plus interest after taxes** – this term refers to EAT to which are added taxed interest cost. Because interest expenses create a tax shield, this indicator takes it into account. The formula for its calculation is: *EAT + Interest cost × (1-t).* (ManagementMania 2016)
- **NOPAT** – this abbreviation is used for Net Operating Profit after Taxes which means operating profit generated by the main activity of the business after taxation. The calculation is: *operating profit × (1-t)*. (ManagementMania 2016)

The use of the several types of profit is described in the following chapter.

2.2.2 Advantages and disadvantages of Income statement

Same as the other financial statements, the income statement has its strengths and weaknesses. According to EduPristine, the income statement has three main advantages:

- It provides detailed information on revenues. It accounts the normal costs, e.g. the cost of goods sold, employee expenses, etc. as well as additional costs, e.g. taxes applicable. It also accounts not only revenues from primary activities of the company, but also from non-operational activities, e.g. interest accrued from different investments.
- It is a database for Investor Analysis. The income statement is an important document for investors because they seek detailed information about operational efficiency, data from sales to profits etc., before they invest into any business.
- To sum up other benefits, the income statement shows the profitability of the company over a period of time. Thanks to it, companies can determine its major revenues. That income statement is based on the matching principles which makes it

significant. As written above, from the investor's point of view, it is an important document as the dividends are paid out of the total income. Furthermore, the income statement is very helpful tool for the company to analyze its expenses and the major streams of operating revenues. (EduPristine 2015)

Description of disadvantages:

- The first disadvantage of the income statement is misrepresentation of data. It is because the income statement includes not only current revenues from sales, but also the money from accounts receivable which the business has not paid yet. It also means liabilities as expenses that have not actually been paid yet. Moreover, large one-time expenses or revenues can drive the income statement strongly up or down, which can lead to misrepresentation of the success of the company.
- Even though this financial statement helps in calculating the earnings per share and other past financial data, it does not provide with the data on the expected future growth. It also does not give any indication on how the revenue generation happens. Any investor looking into the income statement has to bear in mind also additional factors, e.g. a business may be underpaying its employees and overcharging customers to create its profits, before any financial decision. Income statement cannot calculate free cash and it is based on accrual accounting which makes it a fiction and it has to be remembered by its users. (EduPristine 2015)

Because of mentioned disadvantages above, there is need for the additional financial statement – cash flow. In this statement, revenues and costs are transformed into cash flows. For analysis is therefore very important relationship between the income statement and the cash flow. (Růčková 2015, 33)

2.3 Cash Flow

Cash Flow is the third important financial statement. It refers to a difference between cash incomes and cash expenditures for the reporting period. There are presented real cash flows in this statement and it is based on the time discrepancy between economic transactions and their financial capture. It can be seen from two points of view – as free money supply, and future detachable revenue that an investor can get.

Cash Flow is important for liquidity management. It measures how well a company manages its cash position which means how well the company generates cash to pay its debt obligations and fund operating expenses. It complements the balance sheet and income

statement as a mandatory part of a company's financial reports. (ManagementMania 2016; Murphy 2019)

The main components of the cash flow statement (CFS) can be distinguished according to basic activities as follows:

1. Operational cash flow
2. Investment cash flow
3. Financing cash flow

The CFS does not include the amount of future incoming and outgoing cash that has been recorded on credit. This means the cash is not the same as net income which on the income statement and balance sheet includes cash sales and sales made on credit. (Murphy 2019)

Operational cash flow

Operational cash flow stands for the operating activities which include any sources and uses of cash from business activities. This simply means how much cash is generated from a company's products or services. Other operating activities might be e.g. interest payments, income tax payments, payments made to suppliers of goods and services used in production, rent payments, salary and wage payments to employees, etc. (Murphy 2019)

Investment cash flow

Investment cash flow is based on any sources and uses of cash from a company's investments. To cash from investing are related changes in equipment, assets, or investments. Those cash changes are usually 'cash out' items, but when a company divests an asset, the transaction is considered as 'cash in'. (Murphy 2019)

Financing cash flow

Financing cash flow means cash from financing activities. It includes the sources of cash from investors or banks and the uses of cash paid to shareholders. This category also includes payments of dividends, payments for stock repurchases and the repayment of debt principal. Changes in cash are considered to be 'cash in' when capital is raised, and 'cash out' when dividends are paid. (Murphy 2019)

If comparing changes, it must be according to the given principles. When assets are raising this change is shown by a minus sign in cash flow. On the other hand, when assets are decreasing it is shown by a plus sign in the CFS. Contrarily, if liabilities are raising it is shown by a plus sign. And when decreasing, it is shown by a minus sign. (Knápková et al. 2017, 56)

Two ways how to present the statement of cash flows are distinguished – the direct method and the indirect method. The direct method is used in organizations when cash flow is directly associated with the items triggering cash flows, such as cash collected from customers, interest and dividends received, cash paid to employees and suppliers, etc.

The indirect method's statement begins with the net income or loss reported on the company's income statement. Then a series of adjustments to this figure is done based on the amount of net cash provided by operating activities. Adjustments mentioned usually include depreciation and amortization, gain or loss on sales of assets, change in receivables, change in inventory, etc. (Bragg 2018)

2.4 The interconnection of financial statements

As discussed in this second chapter, the financial statements are comprised of the income statement, balance sheet, and statement of cash flow. These three statements are linked in several ways.

Firstly, the net income figure in the income statement is added to the retained earnings line item in the balance sheet and it also appears as a line item in the cash flows from operating activities.

Secondly, an increase in the outstanding amount of a loan appears in both the liabilities section of the balance sheet and in the cash flows from financing activities.

Thirdly, the ending cash balance in the balance sheet also appears in the statement of cash flows. Lastly, the purchase, sale, or other disposition of assets appears on both the balance sheet and the income statement.

In order to all relations of the financial statements, it is important to review all of them to obtain a complete picture of the financial situation of a company. (Bragg 2018)

In the following pictures there is the summary comparison of the three described financial statements and interrelation between them.

	Income Statement	Balance Sheet	Cash Flow
Time	Period of time	A point in time	Period of time
Purpose	Profitability	Financial position	Cash movements
Measures	Revenue, expenses, profitability	Assets, liabilities, shareholders' equity	Increases and decreases in cash
Starting Point	Revenue	Cash balance	Net income
Ending Point	Net income	Retained earnings	Cash balance

Figure 4 Summary comparison (CFI 2019)

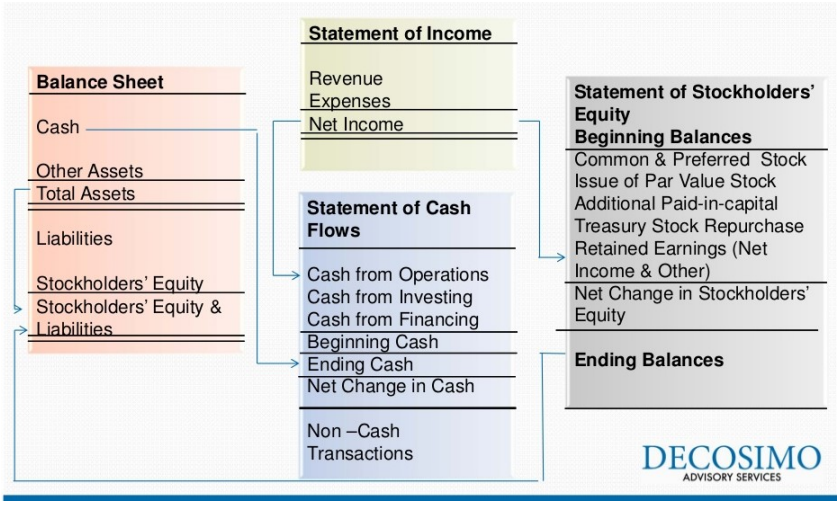


Figure 5 Interrelation between financial statements (Farr and Hamrick 2014)

3 RATIOS AND METHODS OF FINANCIAL ANALYSIS

In this chapter, the methods of financial analysis are described in detail. Methods used for financial analysis are distinguished into several groups. The first is absolute analysis containing horizontal and vertical analysis. The second is financial funds analysis comprising net working capital analysis, net current assets analysis, and net financial liability analysis. The third is ratio analysis consist of activity ratios analysis, leverage ratios analysis, liquidity ratios analysis, market value ratios analysis, and profitability ratios analysis. The last two groups consist of sets of indicators analysis and maths-statistical methods and non-statistical methods. (ManagementMania 2016) Methods used in the practical part of this thesis are described further.

3.1 Extensive ratios analysis

Extensive ratios analysis is performed by using absolute ratios. Absolute ratios are stock and flow values. They create the content of financial statements – balance sheet, income statement, and cash flow. Stock values are found in the balance sheet and flow values in the income statement and cash flow. To see changes and in the structure and percentage of values the horizontal and vertical analysis are used. (ManagementMania 2016)

Horizontal analysis

Horizontal analysis, also known as Trend analysis monitors the development of items of financial statements in time. This involves taking several years of data and comparing them to each other 'line by line' to determine a growth rate. According to this, it can be analysed if the company is growing or declining and important trends can be identified. To analyse a company, it is important to use at least three years of historical financial information and five years of forecasted information. (CFI 2019) In this analysis, absolute comparisons or percentage comparisons can be used. The numbers in each succeeding period are expressed as a percentage of the amount of baseline year, with the baseline amount being listed as 100%. (Kenton 2018)

Calculations according to Knápková et al. are as follows:

Absolute change = index t – index t – 1

% change = (absolute change × 100) / index t – 1 (Knápková et al. 2017, 71).

Vertical analysis

Vertical analysis is a method based on which each line item is listed as a percentage of a base figure within the statement. Accordingly, the line items on an income statement are stated as a percentage of gross sales, while line items on a balance sheet as a percentage of

total assets or liabilities. To calculate cash flow, vertical analysis of a cash flow statement shows each cash inflow or outflow as a percentage of the total cash inflows. Thanks to the vertical analysis, it is easier to compare economic results of one company with another, and across industries. Also, it makes it easier to compare previous periods for time series analysis to gain a picture of whether performance metrics are improving or deteriorating. (Grant and Kenton 2019)

3.2 Financial funds analysis

Financial funds analysis contains net working capital analysis which is crucial and it is described in detail in this chapter. Net working capital describes how many days it takes to a company to convert its working capital into revenue. Generally, working capital represents current assets of a company. Analysis of net working capital is used for financial management of a company and its decisions making processes. Net working capital is simply described as a financial 'pillow' used to eliminate financial fluctuations. (Kenton and Murphy 2019; Kislingerová and Hnilica 2008, 40) Working capital is the only investment, which is not made by a company for a defined return. This type of investment is needed to 'oil the wheels' of business says Bender. (Bender 2014, 336) Calculation formula is as follows:

Working Capital = Current Assets – Current Liabilities. (Kenton and Murphy 2019)

3.3 Ratios analysis

Ratio analysis is the comparison of line items in the financial statements. It is a quantitative method focused on company's liquidity, operational efficiency, and profitability and its comparison. Usually, this type of analysis is useful for analysts standing out of the company. It is because of the primary source which are financial statements. On the other hand, it is less useful to corporate insiders who have better access to more detailed data about the company. This analysis can be used to look at trends over time for one company or to compare companies within an industry or sector. (Bragg 2018; Kenton 2019)

A few key ratios are distinguished into several categories according to the type of analysis they provide. Kenton describes six main groups of them: liquidity ratios, solvency ratios, profitability ratios, efficiency, coverage ratios, and market prospect ratios. (Kenton 2019) Five of them are further described in this chapter.

3.3.1 Profitability ratios analysis

This analysis shows how well can company generate profits from its operations related to its revenue, operating costs, balance sheet assets, and shareholder's equity. It uses data from a specific point in time. The purpose of this analysis is to evaluate the success of achieving the organization's objectives. Aim of every business is to earn maximum profits in absolute and relative terms. The most frequently used are following ratios. (Kenton 2019)

ROA – Return on Assets

Return on assets analyzes how effective a company is in deploying assets to generate sales and eventually profits. It is a type of return on investment (ROI) and it measures the profitability of a business in relation to its total assets. The higher the return is, the more productive and efficient management is. Crucial is to find whether business can effectively use its capital base. (CFI 2019; Kenton 2019)

According to Knápková et al., ROA can be calculated by two formulas:

$ROA = EBIT / Assets$

$ROA = EBIT \times (1 - t) / Assets$ where: t = income tax rate. (Knápková et al. 2017, 101-2)

ROE – Return on Equity

Return on equity shows rentability of the holder's equity. The result of this ratio should be higher than the interests from long-term deposits. The positive difference between the interest rate of the deposits and profitability is so-called risk premium. The risk premium is a reward for the investors for their risk taking.

Return on equity formula is following: $ROE = EAT / Equity$. (Knápková et al. 2017, 103)

ROS – Return on Sales

Return on sales shows how much profit is generated from the unit revenue. This indicator is very useful to control costs as the formula for operating ratio can be easily derived from it. The calculation of this ratio works with two variants because in the numerator there is EBIT or EAT. EBIT in the numerator is useful when comparing companies with varying conditions, while EAT is used for so-called 'profit margin'.

Calculation formula: *ROS = profit (EBIT, EBT, or EAT) / revenue (sales of own products and services + sales of goods)*. (Febmat 2016; ManagementMania 2016)

ROCE – Return on Capital Employed

This ratio refers to the return on long-term invested capital. It measures how efficiently the company manages its long-term resources. This ratio provides better information than ROE,

because ROE has in the denominator only the equity, which means it does not consider the amount of loans.

Calculation formula: *ROCE = profit / (total assets – short-term liabilities)*, or *ROCE = profit / (long-term liabilities + equity).* Profit in the numerator is mostly EBIT, but can be also EBT, EAT, Net Income, etc. And the denominator is in the form of the average of the start and end of the period. (Febmat 2016)

3.3.2 Liquidity ratios analysis

Liquidity shows the ability of a company to meet short-term obligations. This analysis focuses on the balance sheet. It compares various combinations of relatively liquid assets to the amount of current liabilities stated on a company's balance sheet. The higher the ratio is, the better the company's ability to pay off its obligations is. Three liquidity ratios are distinguished: current ratio, quick ratio, and cash ratio. (Bragg 2018; CFI 2019)

Recommended	**VALUES**
Current ratio	1.5 – 2.5
Quick / Acid test ratio	1.0 – 1.5
Cash position ratio	< 0.2

Table 1 Recommended values for liquidity ratio analysis

(Knápková et al. 2017, 94-5)

Current ratio can be also known as the working capital ratio. It measures the ability of a company to meet its short-term obligations that are due within the year. This ratio is used by analysts to make a decision whether they should invest in or lend money to a business. (Bragg 2019; CFI 2019)

According to Bragg, the calculation formula is as follows: *Current assets / Current liabilities.* The result should be in the range 1,5 – 2, but it depends a lot on the industry. Moreover, this ratio has several disadvantages: each component of current assets has a different liquidity, which is not reflected in the formula, and it does not take into account different maturities of receivables and liabilities. Also, in the companies where must be holding a large amount of stock, this ratio does not make sense and it is better to use quick or cash ratio. (Bragg 2019; Febmat 2016)

Further to recommended value of this ratio – if the value is equal to 1, it is considered as risky, moreover, if liquidity of the short-term liabilities is higher than liquidity of current assets. It is very risky to use a part of the short-term liabilities to finance fixed assets. Net

working capital is closely related to liquidity because it characterizes short-term financial stability of a company. The share of net working capital to current assets should reach 30–50%. Calculation formula is following: *The share of NWC to current assets = (current assets – short-term liabilities) / current assets.* (Knápková et al. 2017, 94)

Quick ratio deducts the least liquid component from the current assets – inventories, or possibly also long-term receivables. It is very useful in companies, where high levels of stock must be held. The recommended value of this ratio is around 1 – 1,5. If the value is lower than 1, a company must rely on possible sale of stocks. (Febmat 2016; Knápková et al. 2017, 95)

Calculation formula of quick ratio: *(cash & cash equivalents + marketable securities + accounts receivables) / current liabilities.* (CFI 2019)

Cash ratio or Absolute liquidity ratio has the most liquid component in the numerator – short-term financial assets comprising of cash, bank accounts and possible short-term investments. The recommended value of this ratio is around 0,2–0,5.

Calculation formula is: *(cash + short-term financial assets) / current liabilities*. (Febmat 2016; Knápková et al. 2017, 95)

3.3.3 Activity ratios analysis

Activity ratio analysis is an analysis that focuses on how well a company manages its assets and uses them to generate revenue and cash flow. It evaluates how long the property holds its form before it converts into sales or cash and turnover rate. If a company holds too many assets, it is inefficient because the company pays 'unnecessary' interest to finance it. On the other hand, if a company holds too few assets, it may not be able to meet the customer's demands within the agreed deadlines. The crucial is to find a reasonable compromise. (Febmat 2019) The following are considered to be efficiency ratios: asset turnover ratio, inventory turnover ratio, fixed assets turnover ratio, receivables turnover ratio, and payables turnover ratio according to Knápková et al. (Knápková et al. 2017, 107-9)

Asset turnover ratio is a term that indicates the efficiency of utilization of total assets. It measures how many times the total assets turnover for one year. The measured turnover should be at least at the level of 1, but it also depends on the type of industry. Generally, the higher value of this ratio is better.

Calculation of asset turnover is: *sales / total assets*. (Knápková et al. 2017, 107)

Inventory turnover ratio, also known as the stock turnover ratio. It measures how many days it took to cash go through goods and services again to its cash form. Calculation

formula is: *inventory / costs of goods sold × 365.* Generally, the lower inventory period, the better for a company. (Knápková et al. 2017, 108)

Fixed asset turnover measures the efficiency of utilization of fixed assets and they turn in revenues per year. The fixed asset turnover formula is: *net sales / average fixed assets.* (Knápková et al. 2017, 108)

Receivables turnover ratio is used to find out how many days it takes company's customers to pay out receivables. Calculation formula is: *trade receivables / revenues × 365*. Recommended values are low because it means that the company has a good working system for receivables collection, company's customers are in good financial condition, and it has a high proportion of sales in cash. (Febmat 2019)

Payables turnover ratio, also known as the creditor's turnover ratio measures how many times a company pays its creditors over an accounting period. The formula for this ratio is: *net credit purchases / average accounts payable*. (CFI 2019)

3.3.4 Debt ratio analysis

Debt ratios measure the extent to which a company uses debt to fund its operations together with the ability to pay for that debt. These ratios are important to investors because their equity investments could be put at risk if the debt level is too high. The key debt ratios are: debt to equity ratio, debt ratio, and interest coverage ratio. (Bragg 2018)

Debt to equity ratio expresses the proportion of debt capital to equity. Recommended value should be a little below 1 which indicates that debt capital is lower than equity. If it is higher than 1, it shows debt capital exceeding equity. And if the result is higher than 1,5 it shows high indebtedness. Calculation formula is: *debt capital / equity*. (Febmat 2016)

Rate of total debt is the basic indicator of indebtedness. It measures whether the amount of equity is appropriate to company's obligations. Recommended value is between 30 % to 60 %, but it also depends on the industry field. The formula is: *total debt / total assets*. (Knápková et al. 2017, 88)

Interest coverage ratio is a financial ratio that is used to determine how well a company pay the interest on its outstanding debts. The ratio is calculated as follows: *EBIT / Interest Expense*. According to Knápková et al. this ratio should be at least 5 because when it is 1, the owner has no net profit after all payments. (Knápková et al. 2017, 89–90)

Equity to assets ratio shows what proportion of assets will remain to the owners if the company pays out all the obligations. Together with the debt ratio it must give 1 (100%). Calculation formula is following: *equity / total assets = 1*. (Febmat 2016)

Coverage ratios show a relationship between assets and financial structure of a company. Knápková et al. distinguish two calculations for coverage of fixed assets. The first is coverage of the fixed assets with equity. The calculation is following: *equity / fixed assets*. If the result is equal to 1 or higher, it shows that a company's equity is used for coverage of current assets and it prefers financial stability than revenue.

The second is coverage of fixed assets by long-term sources. The accounting equation rule must be followed and it says that fixed assets should be financed by long-term sources. Long-term equity includes shareholder's capital, long-term liabilities, long-term bank loans, and provisions. Long-term sources are long-term assets in their netto value. The result should be around 1, if it is lower, it means that a company covers its fixed assets by short-term sources. (Knápková et al. 2017, 90-1)

3.3.5 Market value ratios analysis

These ratios are used mainly by investors because they include dividend yield, P/E ratio, earnings per share, and dividend pay-out ratio. Investors seek this information to determine whether they receive earnings from their investments or to predict what the trend of a stock will be in the future. (Kenton 2019)

3.4 Models of creditworthy and bankruptcy

Literature distinguishes two types of summary indexes – bankruptcy models and models of the creditworthiness of a company. The aim of creditworthy models is to diagnose the financial health of a company by point evaluation of individual evaluated areas. According to the achieved points, it is possible to classify company into certain category. Creditworthy index is for example The Kralick Quick Test.

On the other hand, bankruptcy models try to identify if a business can bankrupt in the short-term future. Those models are based on problems with liquidity, rate of working capital, and return on invested capital. Those indexes are for example The Altman Z Score, Index IN, and Taffler model. (Knápková et al. 2017, 132)

3.4.1 The Altman Z Score

The Altman Z Score is used to predict if a business will go bankrupt within the next two years. The formula is based on information of the income statement and balance sheet of a company. The Z Score formula is as follows: $Z = 1.2 \times Working\ capital / Total\ assets + 1.4 \times Retained\ earnings / Total\ assets + 3.3 \times EBIT / Total\ assets. + 0.6 \times Market\ value\ equity / Book\ value\ of\ total\ liabilities + 1 \times Sales / Total\ assets.$

If the result of the index is greater than 2.99 it means that a company is safe from bankruptcy. A score less than 1.81 means a considerable risk of going into bankruptcy for a company. (Bragg 2018; Knápková et al. 2017, 132)

3.4.2 Index IN05

Index IN05 is based on a connection of bankruptcy and credit worthiness models. This index has been found by Inka Neumaier and Ivan Neumaier for conditions in the Czech Republic. Index IN05 is an updated version of Index IN01 from 2005. The formula is following: *IN05 = 0,13 × Assets / Liabilities + 0,04 × EBIT / Interest expenses + 3,97 × EBIT / Total assets + 0,21 × Sales / Total assets + 0,09 × Current assets / Short-term liabilities*.

Final rating of a company is following:

- IN05 > 1,6 – company creates a value,
- 0.9 < IN05 < 1.6 – grey zone,
- IN05 < 0.9 – company does not create a value. (Knápková et al. 2017, 134)

4 LIMITATIONS OF FINANCIAL ANALYSIS

Financial analysis is an important tool which provides information about company's financial health and its position in the industry. In any case, this analytic method has some limitations which every analyst should bear in mind. If they would, they can get a clear picture about the company's financial position and health and can work with it in its utility.

- **Problem in comparison** because of the size of a business, a variety of products, seasonal changes, no generally recommended values for all indicators, etc.
- Information is **based on past data**, this mean that the current situation can already be different and the financial statement should not be used as a basis for future planning, estimation, etc.
- The other problem are **various methodologies used in accounting**. Moreover, there must be uniform accounting policies and methods for a number of years to make analysis valuable.
- Objects in the balance sheet usually contain **historical values** rather than current prices, this leads to distorted results because of the inflation.
- Financial statements and its **results can be manipulated**, so called window dressing.
- **Change of business condition** because one company's conditions and circumstances can never be similar to another company, e.g. technological improvement.
- Ratio analyst gives **number, but not causation factors.** All ratios are meaningless without a comparison against trend data or industry data.

Many **intangible assets are not recorded as assets** and instead any expenditures made to create an intangible asset are immediately charged to expense. This can drastically underestimate the value of a business. (Bragg 2018; Febmat 2016; Knápková et al. 2017, 140; Money Matters 2019; Peavler 2019)

5 SUMMARY

The aim of the theoretical part is to provide the basis for the following practical part. The most important terms and information about the financial analysis and financial statements has been defined and described in details.

Financial statements are key tools for every calculation when making financial analysis. Balance sheet provides information about assets and liabilities of the company. Income statements shows the amount of profit in a company and a loss. And finally, cash flow statement shows changes in cash in a particular period of time. All the values which can be found in mentioned financial statements serves to several analyses used for evaluation of the financial health of the company. In the practical part can be found horizontal and vertical analysis of assets and liabilities, the ratios analysis, and summary indicators (Altman Z score, Index IN05).

The theoretical part is based on information from books and web articles focuses on financial analysis. Anyway, many available books dealing with this topic, written in the last few years were mainly in Czech language, web sources were used as well, but preferably with credible authors and because of the correct English terminology in the field of finances. The following practical part is based on the theoretical one and it provides information about the selected company by financial analysis which has been done.

II. ANALYSIS

6 PROFILE OF THE COMPANY

Selected company XY, s.r.o., is situated in Uherské Hradiště. The company was established in 1997. Initial capital of the company XY, s.r.o., was 1,000,000 CZK. The company is engaged in business activities and it provides services to customers in the field of water-heating-gas and metallurgical materials. As the type of the company is a limited liability company, it has two partners and one of them is in the position of executive director.

Besides two partners, the company has one CEO and 48 employees. It focuses on two directions – metallurgical and heating material, and installation of heating, water, and gas. Firstly, during its development, the company focused on wholesale of metallurgical materials. Secondly, the company had 'bathroom studio', which has been cancelled as well as the sale to natural persons. And at the end, it has changed overlook of the company – its logo, company's colours, etc. (Company internal documents) The table below provides changes in the number of employees in the last three years.

	2016	**2017**	**2018**
Number of employees	48	38	32

Table 2 Number of employees in the company XY, s.r.o.

(Company internal documents)

6.1.1 Business intention

The scope of the business of the company XY, s.r.o, is:

- production, trade, and services,
- installation, revision, and testing of gas equipment and filling of gas vessels,
- plumbing and heating,
- construction, alteration, and removal of buildings,
- paintwork.

Throughout the years, company XY, s.r.o., has specified on a certain group of goods that have long-term sales with a decent margin. Their specialization in certain items of this assortment provides long-term results for black, zinc, seamless, coated and recently also design threaded pipes. Thanks to this focus, their business activities exceeded the boundaries of the region and currently the whole area of the Czech Republic is covered.

Company XY, s.r.o., focuses on long-term relationships and stability of their suppliers and buyers without necessity to expand in new markets. Their 'company's words' are – speed, preparedness, and prudence. Speed in material delivery, payments, organizational

matters, in response to constant changes in customer needs. Preparedness for significantly higher customer requirements in terms of product range, delivery times, deliveries directly to construction. And prudence, due to the elimination of bad debts or fixed stock items. New customers have more careful examination of their financial health status through personal references, factoring, and a company specializing in this service – OCTOPUS. Overall, all services which are used by the company XY, s.r.o., are regularly checked and materials together with purchase prices are constantly monitored.

Also, achieving maximum profit is not a top priority of this company. Of course, that generating profits is the essence of the business, but it must go hand in hand with the long-term direction of the company, which put great emphasis on the future, not on immediate financial profit. (Company internal documents)

6.1.2 Suppliers and customers of the company XY, s.r.o.

As written above, the company focuses on long-term business policy and relationships with permanent and stable customers with whom is possible to expand mutual business cooperation.

The company XY, s.r.o., has six biggest customers – Ptáček – velkoobchod, a.s., Gienger, KOMA, Amako, Zlínterm, and Matep. Ptáček s.r.o. is a long-term customer who is successful in applying their goods with the prospect of strengthening our positions and planned solid growth. Gienger has been already a stable customer in company's portfolio with excellent payment morale, also, it is in Europe's top position in the field of water-heating. In this business cooperation comes the effect of a stable customer and the expansion of supplies of additional material. KOMA is a long-term stable customer of assembly centre, with a good application of its sanitary container products on the European and worldwide market. Amako is a processor of metallurgical material with orders abroad. Zlínterm is a strong assembly company with the potential of large orders and Matep are water-heating-gas merchants.

As the company has the customers, it also has its suppliers. Their biggest supplier is ArcelorMittal Karviná and the second is ArcelorMittal Ostrava. The third supplier, Prima Steel is importer of Chinese production with localization in Slovakia with the increasing tendency of mutual cooperation. Other are ArcelorMittal Iasi Romania, GIENGER, GELDBACH-CZ, and Ptáček – velkoobchod, a.s. (Company internal documents)

6.1.3 Comparison with industry field

In the Czech Republic is used CZ-NACE register, which is used for classification of enterprises according their economic activities. This register collects statistical data from many economic fields.

The company XY, s.r.o., falls under several categories of this register:

- 43220 Installation of water, waste, gas, heating and air conditioning
- 25290 Manufacture of metal tanks and reservoirs
- 4334 Glazing, painting and varnishing services
- 46 Wholesale trade, except of motor vehicles
- 25 Manufacture of fabricated metal products, except machinery and equipment
- 4120 Construction of residential and non-residential buildings
- 461 Wholesale on a fee or contract basis

  7112 Engineering activities and related technical consultancy

(Český statistický úřad 2019)

In financial analysis, the comparison with the field CZ-NACE 43 Specialized construction activities is done because it is their primary activity. The number 43220 Installation of water, waste, gas, heating and air conditioning which is the primary activity of the company falls under this category.

7 FINANCIAL ANALYSIS

The aim of this chapter is to evaluate the financial health of the selected company XY, s.r.o., by the vertical and horizontal analysis of the balance sheet and the income statement and analysis of ratio indicators.

Note: All values have been obtained from the annual reports of the company and the results can be seen in the graphs and tables below, which has been created by myself.

7.1 Ownership and financial structure of the company XY, s.r.o.

First of all, ownership and financial structure of the company would be compared throughout the last three years. The point is to see the development of the company's financial and ownership structure and the results are the basement for the following vertical and horizontal analysis of the balance sheet and the income statement. All financial statements of the company XY, s.r.o. are in its modified version in the appendices of this bachelor thesis.

The values of the assets and liabilities in the following tables are in thousands of CZK.

	2016	**2017**	**2018**
Total assets	**50 509**	**69 251**	**53 050**
Total non-current assets	**24 379**	**25 495**	**25 724**
Intangible assets	91	0	0
Property, plant and equipment	24 288	25 495	25 724
Total current assets	**25 927**	**43 491**	**26 865**
Inventories	19 429	21 322	20 244
Trade receivables	4 997	17 739	5 647
Cash and cash equivalents	1 501	4 430	974

Table 3 Asset structure of the company XY, s.r.o.

The first table is focused on ownership of the company and it shows the asset structure of the selected company. When comparing total assets, the biggest number can be seen in 2017 reaching 69 251 000 CZK. The company had intangible assets in 2016 only, which means the total non-current assets are made up by property, plant and equipment. Total current assets reached the highest value in 2017 by 43 491 000 CZK. In overall comparison,

total current assets are higher than non-current assets in reviewed years. The main reason for this are high inventories. Asset structure is clearly compared in chart below.

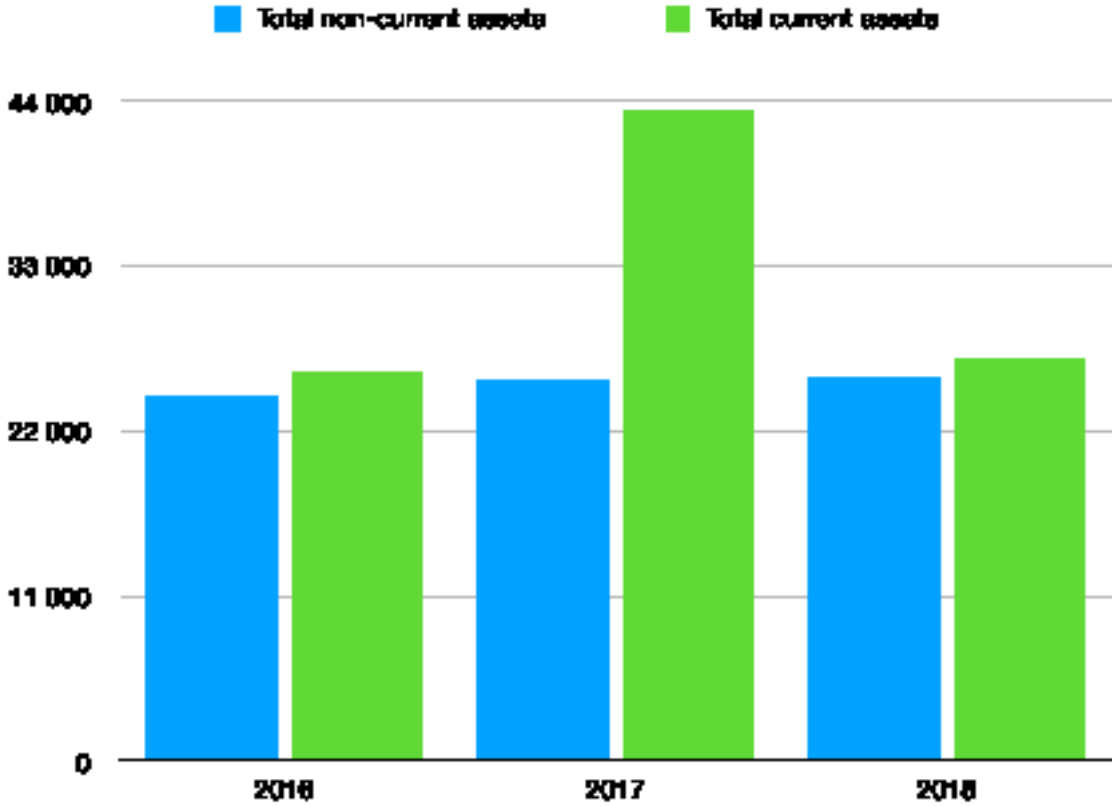


Figure 6 Chart of ownership structure of the company XY, s.r.o.

	2016	2017	2018
Total shareholder's equity and liabilities	**50 509**	**69 251**	**53 050**
Total equity	**17 953**	**17 205**	**20 106**
Share capital	1 000	1 000	1 000
Retained earnings	8 783	11 851	16 104
Total liabilities	**31 681**	**51 612**	**32 293**
Reserves	2 661	2 050	1 577
Long-term liabilities	4 075	10 261	7 645
Short-term liabilities	24 945	39 301	23 071

Table 4 Liabilities structure of the company XY, s.r.o.

Table 2 shows liabilities structure of the company XY, s.r.o. When comparing total equity with total liabilities, equity shows lower values than liabilities. In the table, short-term

liabilities are reaching the highest numbers for liabilities. In the chart below, there is comparison throughout the years.

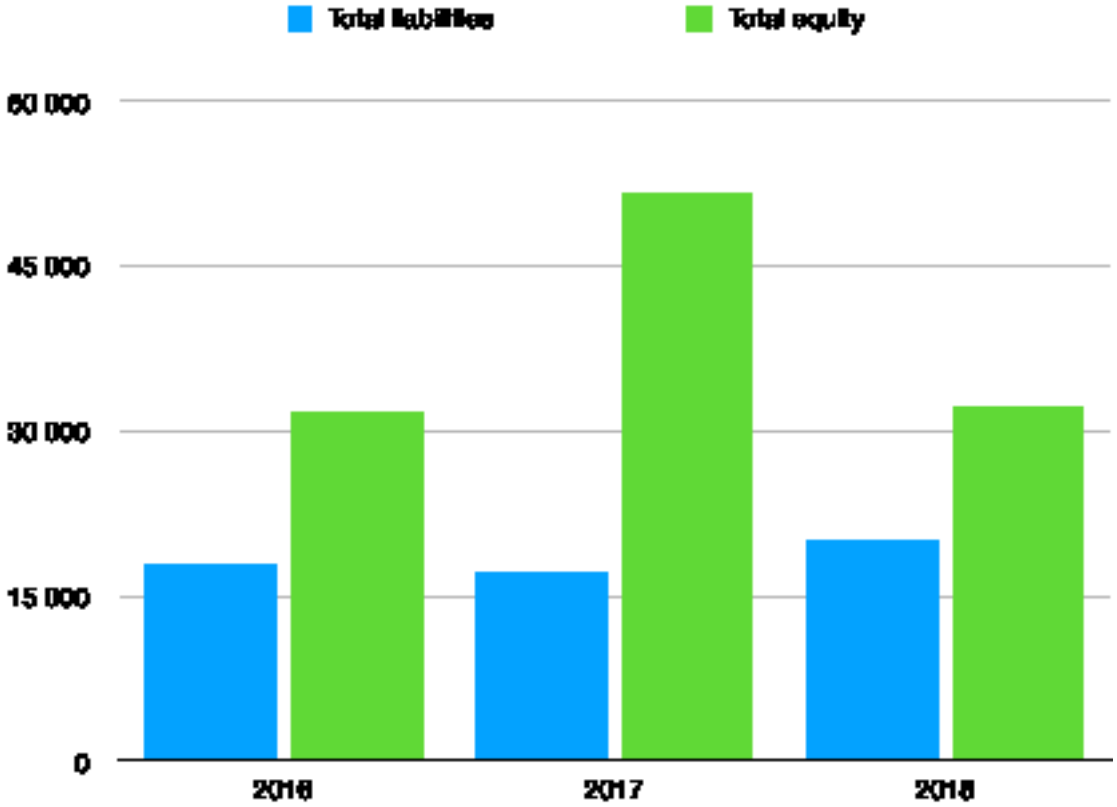


Figure 7 Chart of financial structure of the company XY, s.r.o.

When describing the financial structure of the company, the income statement has to be taken into account as well. In the following charts provide the evolution of earnings before taxes, revenues, and summary of the development of the basic absolute indicators of the company XY, s.r.o., in 2016-2018 for clear review.

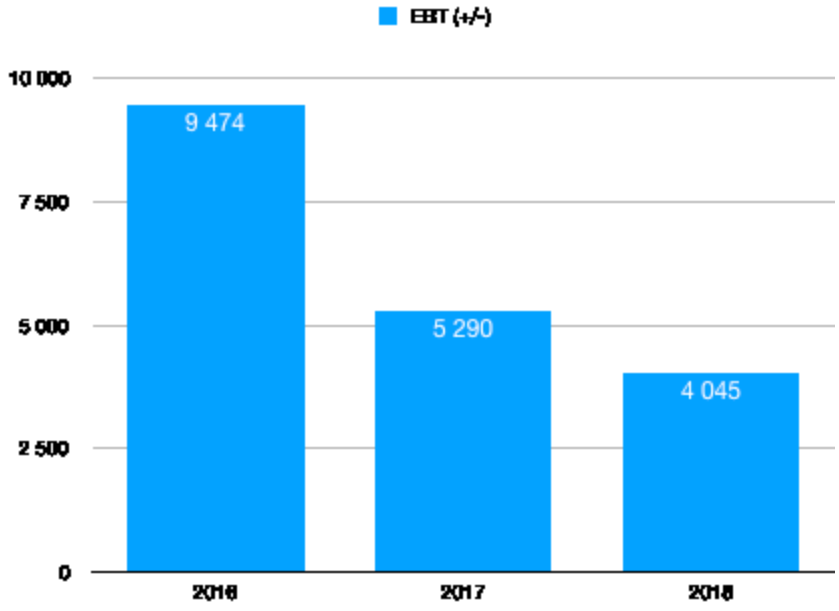
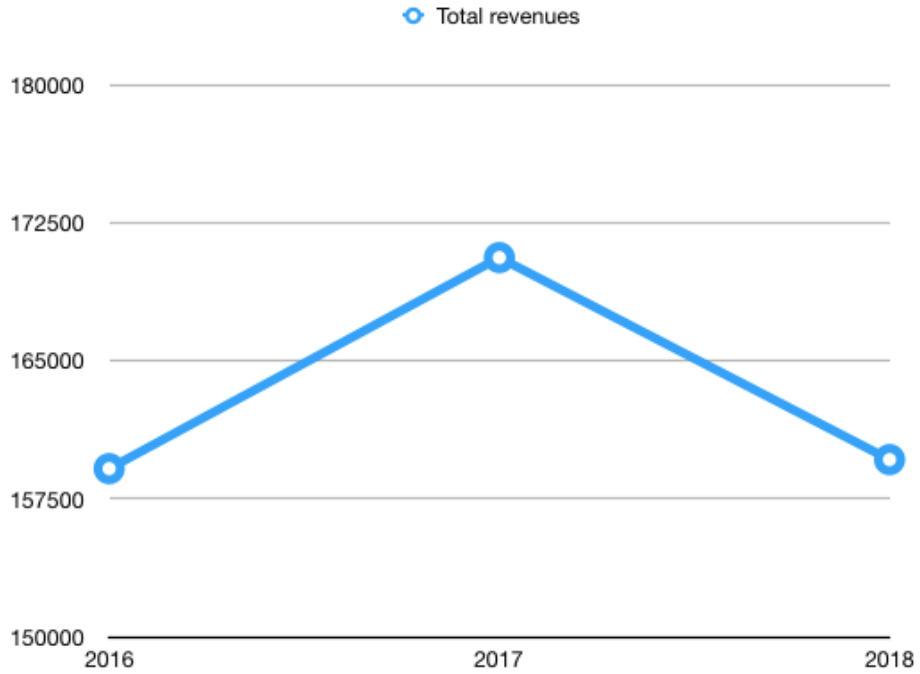


Figure 8 Chart of evolution of EBT



(in thousands of CZK)	2016	2017	2018
Total revenues	159151	170633	159643

Figure 9 Chart of total revenues

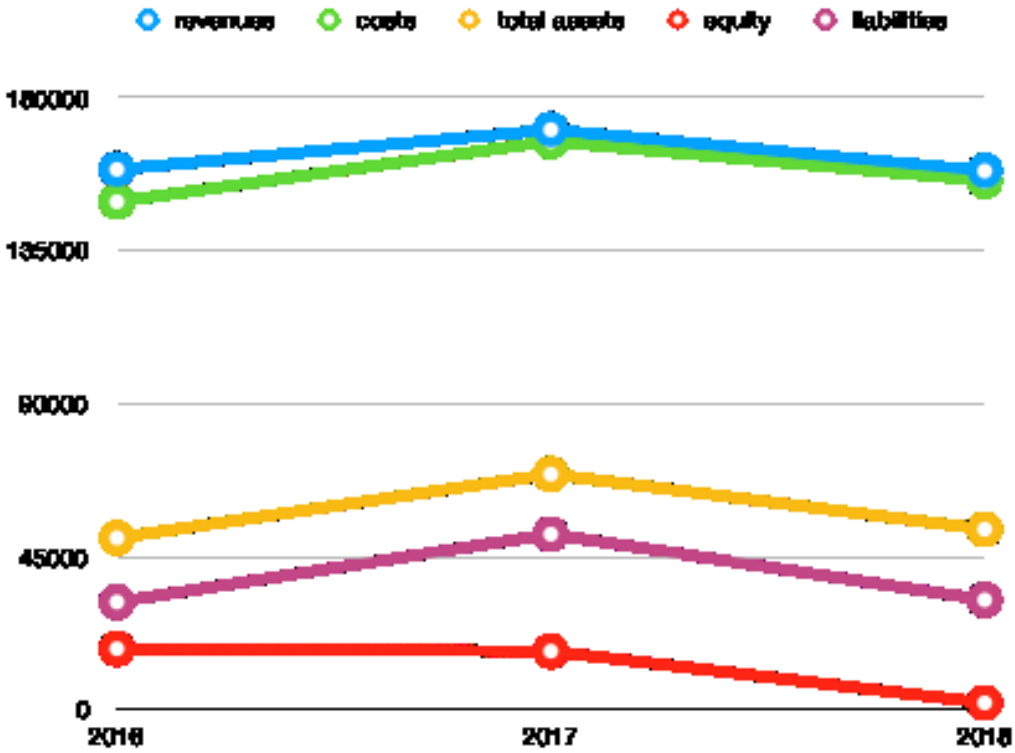


Figure 10 Chart of absolute indicators

7.2 Vertical Analysis of the Balance sheet

The vertical analysis of assets and liabilities in the balance sheet is done to evaluate financial and ownership structure of the company.

	2016	2017	2018
Total assets	**100.0 %**	**100.0 %**	**100.0 %**
Total non-current assets	**48.3 %**	**36.8 %**	**48.5 %**
Intangible assets	0.2 %	0 %	0 %
Property, plant and equipment	48.1 %	36.8 %	48.5 %
Total current assets	**51.3 %**	**62.8 %**	**50.6 %**
Inventories	38.5 %	30.8 %	38.2 %
Trade receivables	9.9 %	25.6 %	10.6 %
Cash and cash equivalents	3.0 %	6.4 %	1.8 %
Accrued assets	**0.4 %**	**0.4 %**	**0.9 %**

Table 5 Vertical analysis of assets

Thanks to the vertical analysis of the balance sheet, changes in the asset structure during the years 2016-2018 are provided. The company XY, s.r.o., has the most assets in a form of current assets. It is more than 50 % and the biggest part of them are inventories (about 40 %) because some part of inventories is manufactured on behalf of trade receivables and on behalf of fulfilment of manufacturing capacity.

Number of total non-current assets during the years was stable (about 48 %), there is decline in 2017 to 36 % because of the sale of the hall. And the biggest part of them is property, plant and equipment because the company has none intangible assets.

During 2017 a similar situation as in non-current assets is seen in current assets, when inventories declined to 30 % because of the decline in the number of orders by KOMA customer. When focusing on trade receivables, the biggest number among the years was reached (25.6 %). This was again because of the huge decline in KOMA orders and the

company XY, s.r.o., had to change its focus from continuous assembly activities to one-off orders of total projects.

	2016	**2017**	**2018**
Total shareholder's equity and liabilities	**100.0 %**	**100.0 %**	**100.0 %**
Total equity	**35.5 %**	**24.8 %**	**37.9 %**
Share capital	2.0 %	1.4 %	1.9 %
Retained earnings	17.4 %	17.1 %	30.4 %
Total liabilities	**62.7 %**	**74.5 %**	**60.9 %**
Reserves	5.3 %	3.0 %	3.0 %
Long-term liabilities	8.1 %	14.8 %	14.4 %
Short-term liabilities	49.4 %	56.8 %	43.5 %
Accrued liabilities	**1.7 %**	**0.6 %**	**1.2 %**

Table 6 Vertical analysis of liabilities

Changes in total equity show if the company is profitable or not. In 2017 can be seen decline from 35 % to 24 %. This is because the company had to pay off one of its partners in 2017 and that is also the reason why the share capital decline as well to 1.4 %. But the situation had changed and in 2018 there is increase to 37 %, because the company got stable during that year.

According to the table, it can be seen that the company XY, s.r.o., has more liabilities than its equity. It is almost doubled. This is because the company undertake by its own property, inventories, and receivables to credit institutions. The biggest number of liabilities was again in 2017. A number of reserves can be seen as stable during the years, but there is a huge increase in both, the long-term and short-term liabilities throughout the years. Short-term interest liabilities were highest in 2017 because they were used to build a new hall and for a purchase of a new truck. Overall, the operating loan was increased in 2017, so high values can be seen, but in 2018 is return to original values.

The following table shows vertical analysis of the income statement.

	2016	**2017**	**2018**
Net sales	**100.0 %**	**100.0 %**	**100.0 %**
Costs of goods sold	56.9 %	69.0 %	70.6 %
Gross profit	43.1 %	31.0 %	29.4 %
Personal costs	12.3 %	9.8 %	9.2 %
Other operating revenues	0.7 %	0.4 %	1.1 %
Other operating costs	-0.3 %	1.5 %	0.6 %
Operating profit / loss	6.4 %	3.4 %	3.2 %
Profit / loss of accounting period	5.1 %	2.5 %	2.1 %

Table 7 Vertical analysis of the income statement

It can be observed that during the years 2016-2018 around 57 % up to 71 % of Net sales is made up by Cost of goods sold. What can be observed next is the Gross profit compared with Net sales. In 2016 the value was the biggest 43 %, but it started declining slowly, in 2017 to 31 % and in 2018 to 29 %. Personal costs moved down from 12 % to 9 % and they stay stable there, which can be seen as good for the company. During the 2016 the company XY experiences quite high value of operating profit (about 6 %), but in the following years it has declined to 3 % of the Net sales. More about profit or loss for an accounting period of the tracked year, the most profitable was year 2016 with its profit around 5 %, in the next years is a small decline of 3 % when compared to Net sales.

7.3 Horizontal Analysis

	18/17	**17/16**
Total assets	-23.39 %	37.11 %
Total non-current assets	0.90 %	4.58 %
Intangible assets	0 %	-100 %
Property, plant and equipment	0.90 %	4.97 %
Total current assets	-38.23 %	67.74 %

Inventories	-5.06 %	9.74 %
Trade receivables	-68.17 %	254.99 %
Cash and cash equivalents	-78.01 %	195.14 %

Table 8 Horizontal analysis of assets

When looking at Total assets, there was a decrease in the value from 2017 to 2018 (about 23 %), but huge increase in 2017 when comparing to 2016 (about 37 %). When it comes to Total non-current assets, the increase about 5 % can be seen in 2017 and then only small increase in 2018 about 1 %. Really big differences can be observed in Total current assets. Huge increase about 68 % was in 2017 when comparing to 2016 and then big decrease -38 % in 2018 when comparing to 2017. Inventories in 2017 change around 10 % up, but in 2018 they fell about 5 % down. Trade receivables recorded the biggest increase among all the values in the table. In 2017 there were about 255 % up, but in 2018 decline about 68 % is recorded. The second biggest change was in 2017 in Cash and cash equivalence recording increase about 195 %, anyway the decline in 2018 it was about 78 %.

	18/17	**17/16**
Total shareholder's equity and liabilities	-23.39 %	37.11 %
Total equity	16.86 %	-4.17 %
Share capital	0 %	0 %
Retained earnings	35.89 %	34.93 %
Total liabilities	-37.43 %	62.91 %
Reserves	-23.07 %	-22.96 %
Long-term liabilities	-25.49 %	151.80 %
Short-term liabilities	-41.30 %	57.55 %

Table 9 Horizontal analysis of liabilities

When focusing on the company XY' Total shareholder's equity and liabilities, in 2017 it was increased by 37 % when comparing to 2016. Anyway, looking at Total equity, in 2017 there is decline about 4 %. On the other hand, in 2018 decline was about 23 % in Total shareholder's equity and liabilities, but increase in Total equity was about 17 %. Almost the same value is observed in Retained earnings where there is the same increase about 35 %

throughout the years. In 2017 there is a huge increase in liabilities, which was about 63 %, it was because of loans for new building and a new truck. In Reserves, declines in both periods are observed, in 2017 it was about 23 % and in 2018 not only 1 %. Long-term liabilities are showing the biggest difference in this table because in 2017 there is a huge increase, about 152 %. However, in 2018 a minor decrease observed. Short-term liabilities changed vice versa, in 2017 there is increasing about 58 % and in 2018 decreasing about 41%.

7.3.1 Horizontal analysis of income statement

	18/17	**17/16**
Net sales	-7.11 %	7.35 %
Costs of goods sold	-4.96 %	30.17 %
Gross profit	-11.90 %	-22.78 %
Personal costs	-12.39 %	-14.51 %
Other operating revenues	156.93 %	-39.59 %
Other operating costs	-59.83 %	-589.77 %
Operating profit / loss	-12.14 %	-43.04 %
Profit / loss of accounting period	-23.49 %	-47.29 %

Table 10 Horizontal analysis of income statement

In 2017 a positive increase is seen in Net sales about 7 %. Unfortunately, in 2018 the same value but is seen as a decrease. Focusing on Costs of goods sold, it was about 30 % up in 2017 comparing to 2016. In 2018, there is decrease about 5 % for it. Gross profit for the company XY is in red numbers according to this table. It is because of the decrease in both of the compared periods, anyway, while in 2017 was decrease about 23 % in 2018 it was only about 12 % which is half less. Other operating revenues and costs are showing the biggest difference in this table. Other operating revenues decreased in 2017 about 18 %, but in 2018 is significant increase about 156 %. Operating costs are showing two decreases, in 2017 it was about 590% down and in 2018 about 60 %. Operating profit / loss decreased in 2017 by 43 % and in 2018 by 12 %, which are considered to be red numbers. When comparing profit / loss for the year, the company XY experienced a decrease of 47 % and in 2018 smaller one of 23 %. The values remain in red.

7.4 Analysis of Net working capital

Thanks to this method, the difference between short-term assets and short-term liabilities is found. The result is net working capital (NWC), which represents part of current assets covered by long-term resources, the so-called “financial pillow”. XY's NWC is listed in the following table (Table 10).

(in thousands of CZK)	**2016**	**2017**	**2018**
Total current assets	25 927	43 491	26 865
Short-term liabilities	24 945	39 301	23 071
NWC	**982**	**4 190**	**3 794**

Table 11 Net working capital of the company XY, s.r.o.

Net working capital is in black numbers throughout the tracked years, which means the short-term liabilities are lower than current assets, which are sources of repayment of these obligations. In 2017, it has the highest value when the net working capital was about 4 million CZK. In the chart below, the proportion of components and NWC share is clearly seen.

7.5 Analysis of ratio indicators

Ratio indicators form a central part of financial analysis, linking all main absolute indicators. They are pointing out the basic characteristics of the company and serve to the management of the company for the optimization of the functioning of the company. Moreover, this analysis is used by other stakeholders, notably the owners in determining the effectiveness of the investments and banks in the credit decision. The basic calculated indicators include liquidity, indebtedness, profitability and activity.

Note: Unless otherwise stated, net sales mean – revenues from own products and services plus revenues from merchandise.

7.5.1 Liquidity ratio analysis

Liquidity ratio analysis is made up of three ratios – Current ratio, Quick ratio, and Cash position ratio. Recommended values are given as are found in the chapter 3.3.2.

	2016	**2017**	**2018**
Current ratio	1.04	1.11	1.16

Table 12 Current ratio

The company XY did not manage to gain recommended values for Current ratio. In the Table 14 a low value, about 1, is observed which shows the company puts more assets into

production and this reduces the ability to repay liabilities. Slow increase is seen throughout the years and gained value was more than 1, which means the company had all short-term liabilities covered by current assets. The problem would be if the company had to spend unexpectedly a lot of money for unexpected events.

	2016	**2017**	**2018**
Quick ratio	0.26	0.56	0.29

Table 13 Quick ratio

When stocks that represent the least liquid sacrificial assets are not included in the numerator, a prompt liquidity indicator is got. The calculation shows that the ratio of quick liquidity is roughly half that of current liquidity. This indicates that stocks have a large share of current assets. Again, liquidity shows lower values than recommended, in all years under review. The highest value closest to 1 was in 2017. All the values in this case are lower than 1, which means that the company would not be able to pay all of its short-term liabilities from these funds.

	2016	**2017**	**2018**
Cash position ratio	0.06	0.11	0.04

Table 14 Cash position ratio

As far as cash position ratio is concerned, it can be said that the company is doing very badly in the last monitored years because it is well below the recommended values. This can lead to late payment of commitments and the associated sanctioning. The low value in other years shows that the company does not hold a large amount of money in cash or in bank accounts, so it appreciates most of its funds by doing business. This has a positive impact on its profitability, but also carries a significant risk. In 2017, the company had the highest value of 0.11, but it decreased again in the following year. Evolution of the all liquidity ratios can be seen in the chart below.

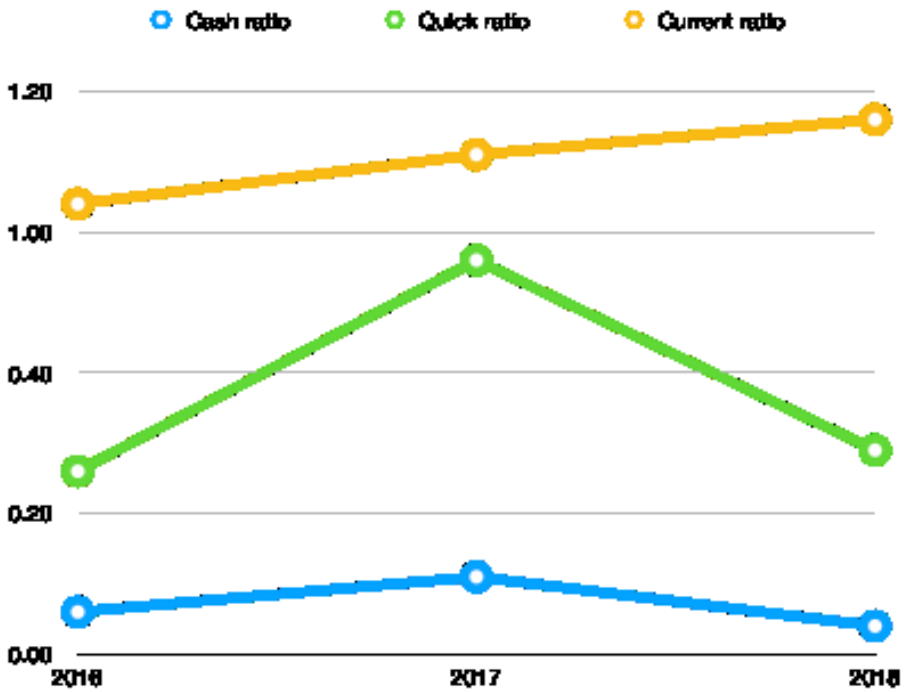


Figure 11 Liquidity ratios evolution

7.5.2 Profitability ratio analysis

Profitability ratio analysis shows the ability of the company to gain profit by using invested capital, which means the ability of the company to create new sources. It measures profit rate. This analysis consists four indicators – ROA, ROE, ROCE, and ROS and they were specified to the main activity of the company XY, s.r.o. in calculations. In all calculations, EBIT has been used as the numerator.

	2016	**2017**	**2018**
ROA	19 %	8 %	9 %

Table 15 ROA

The return on assets (ROA) measures the efficiency of the use of all resources. The highest ROA rate was achieved in 2016, being about 20 % and in the following years it decreased to about 8 % and got stable. All the values are positive and over 5 %, which means the company XY can effectively use its property base.

	2016	**2017**	**2018**
ROE	55 %	33 %	24 %

Table 16 ROE

Return on Equity (ROE) measures the efficiency of the capital invested by the shareholders. In the Table 15 there is seen that the highest value of ROE was in 2016 (55 %)

when shareholders had the highest revenue from their investments and it also shows stability of the company because it is above 12 % which is recommended value.

	2016	**2017**	**2018**
ROCE	45 %	21 %	17 %

Table 17 ROCE

ROCE refers to the return on long-term invested capital. It measures how much of the operating economic result before taxes the enterprise reached from one CZK invested by shareholders and creditors. The highest ROE ratio was achieved in 2016, reaching about 45 %, but in the following years the values declined to 21 % and 17% in 2018. Calculation formula:

	2016	**2017**	**2018**
ROS	6 %	3 %	3 %

Table 18 ROS

Return on sales indicator can have in its dominator EAT or EBIT. Because the EBIT is used for companies with varying conditions, the results were calculated with it. ROS ratio was in black numbers in the reviewing years, but only at low positions approximately about 4 % throughout the years, which can mean increased costs. In the chart below can be seen evolution of profitability ratios throughout the years (in %).

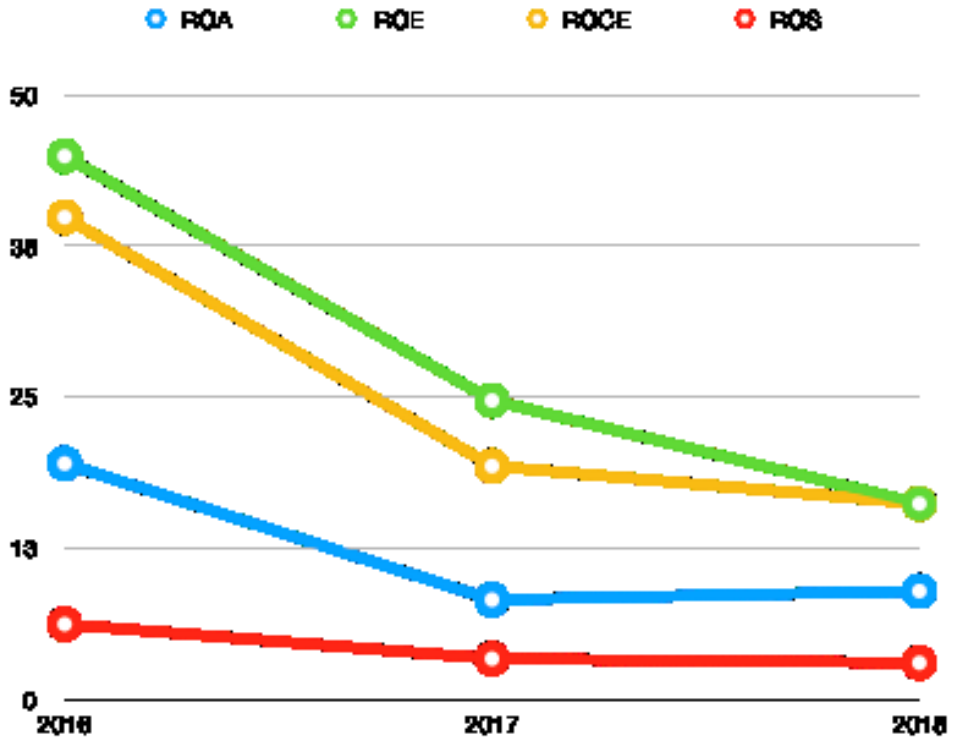


Figure 12 Chart of profitability ratios

7.5.3 Solvency ratio analysis

This analysis consists of three ratios – debt ratio, equity ratio, and debt to equity ratio. All the mentioned ratios are indicators of long-term financial stability of the company. Calculated values are seen in the following tables.

	2016	**2017**	**2018**
Debt ratio	63 %	75 %	61 %

Table 19 Debt ratio

The recommended value for debt ratio is varied according to the industry and the field of the company, but it should be around 50 % maximum. In the Table 18 above, it is seen in quite high values, especially in 2017 when the debt ratio was about 75 %. Such a high ratio shows high indebtedness of the company and its risky situation. According to the lowest value in 2018 (61 %) intervention of the management of the company XY and stabilization of the risky situation can be supposed.

	2016	**2017**	**2018**
Equity ratio	36 %	25 %	38 %

Table 20 Equity ratio

This ratio indicates what proportion of a company's assets are financed by shareholders' equity. The highest value is observed in 2018, reaching about 38 % and the lowest value in the 2017, reaching about 25 %.

	2016	**2017**	**2018**
Debt to Equity ratio	1.76	3.00	1.53

Table 21 Debt to Equity ratio

The values for D/E ratio were increasing since 2016. Really high ratio 3 was reached in 2017 and this proportion of debt to equity is seen as dangerous because the debt is much higher than the equity of the company's owners. In 2018, decrease to 1.53, which is valued close to the recommended ones, is observed.

	2016	**2017**	**2018**
Interest coverage ratio	26.33	14.13	6.78

Table 22 Interest coverage ratio

Interest coverage ratio also called Times Interest Earned Ratio measures how many times the total profit covers interest payments. The key value according to the literature is 5 and the company XY, s.r.o., reached values above recommended one. The Table provides

information about decrease throughout the years, but the value is still good enough for the company.

	2016	2017	2018
Equity to assets ratio	98.3 %	99.4 %	98.8 %

Table 23 Equity to assets ratio

Equity to assets ratio expresses the ratio of own funds to total assets. Together with debt ratio it should give 1 (100 %). The table shows value about 99 %, which is correct value because of the rounding during calculations individual ratios.

In the following chart there is a summary comparison of debt ratios.

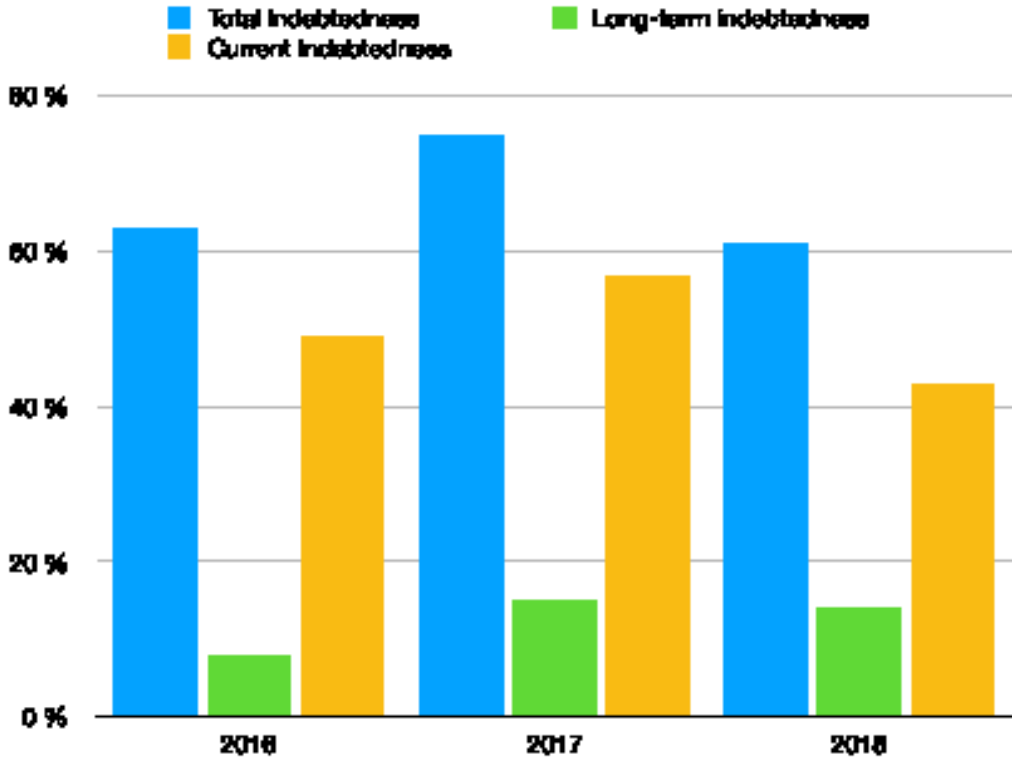


Figure 13 Chart of debt ratios

7.5.4 Activity ratio analysis

Thanks to the efficiency ratio analysis, an ability of the company in using its assets is observed. This analysis consists of – asset turnover ratio, inventory turnover ratio, and accounts receivable turnover ratio. Calculated results are seen in the following tables.

	2016	2017	2018
Asset turnover ratio	3.15	2.46	2.99

Table 24 Asset turnover ratio

Asset turnover ratio shows how efficiently the company manages its assets and expresses what revenues will be brought by unit of assets. Generally, the higher the value is

the better, but it should be at least about 1. During the monitored years, the company XY, s.r.o., reached values approximately about 3, which shows good efficiency in managing its assets.

	2016	**2017**	**2018**
Fixed asset turnover ratio	6.52	6.69	6.16

Table 25 Fixed asset turnover ratio

This ratio measures how effectively a company uses its fixed assets and it shows its turnover in net sales per year. The value of this ratio should be at least 1. The table shows value about 6.5 which shows very good efficiency of a company.

(in days)	**2016**	**2017**	**2018**
Inventory turnover ratio	45	46	46

Table 26 Inventory turnover ratio

Generally, the lower inventory period is, the better for the company it is because this ratio shows how many days is the inventory stocked before it is sold. The company XY, s.r.o., shows approximately 45 days in stock throughout the monitored years. It is not very high value which is considered good, but in the Table 26 there is slow increase from 2016 to 2018, which should not continue to very high numbers considering risky situation.

(in days)	**2016**	**2017**	**2018**
Receivables turnover ratio	11	38	13

Table 27 Receivables turnover ratio

This ratio measures how many days it took before the receivables turn to cash. According to this statement, the low values are desired because it means the company has customers in good financial position or it has a good working system of receivables collection. The company XY reached low values in 2016 and 2018 when the turnover period of receivables was about 12 days. The table 26 shows significant increase in 2017 to 38 days, but in the following year value decreased again to stable from 11 to 13-day period.

(in days)	**2016**	**2017**	**2018**
Payables turnover ratio	20	30	26

Table 28 Payables turnover ratio

This ratio shows how many days it takes on average to settle payables. The indicator is well applicable during negotiating delivery terms with suppliers. The Table 27 shows increase in 2017 to 30 days and following decrease to 26 days in 2018, approximately payable turnover period in the company XY is 25 days.

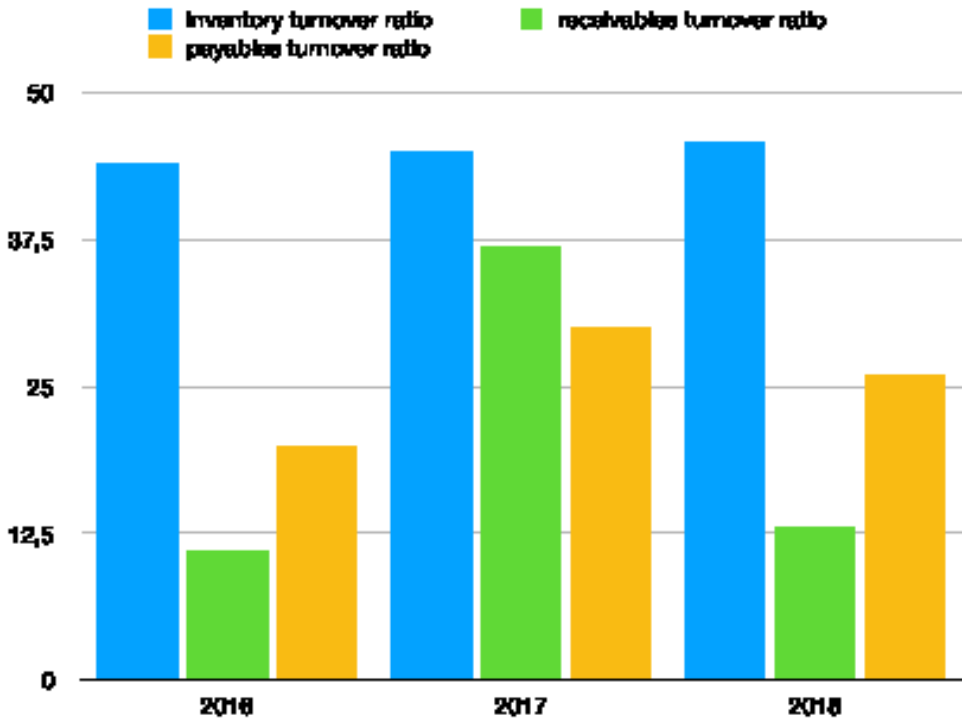


Figure 14 Evolution of activity ratios

8 ANALYSIS OF SUMMARY MEASURES OF FINANCIAL HEALTH

These indicators are used for understanding the context between ratios. They mostly summarize all the ratios and provide a picture of the overall financial situation of the company.

8.1 Altman Z-score analysis

	2016	2017	2018
Z score	4.68	3.92	4.69

Table 29 Altman Z-score analysis

In the table above, values of the Altman Z Score which is used to predict if the business will go bankrupt or not in the next two years, are calculated. If the score is higher than 2.99 it means that the company is safe from bankruptcy. According to the results in the table it can be said that the company XY, s.r.o., is very safe from bankrupt. In the figure below is chart of Z score of the company XY, s.r.o., throughout the years.

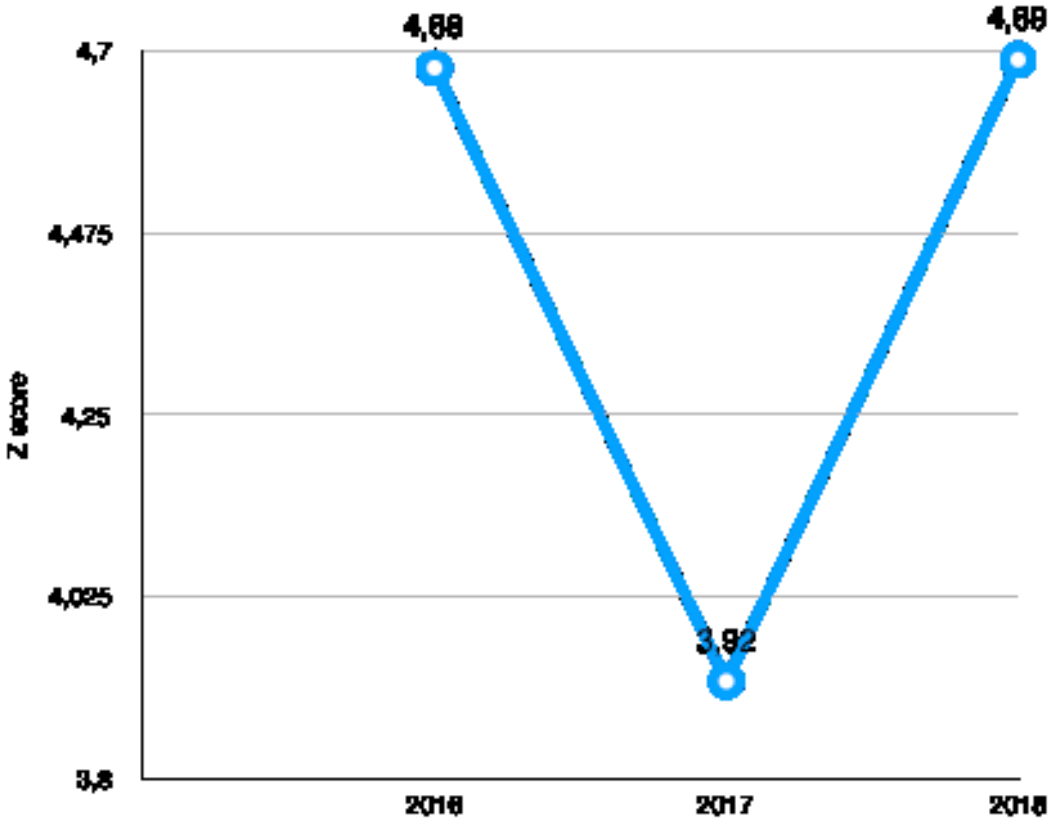


Figure 15 Chart of Z score

8.2 Indicator IN05 analysis

	2016	2017	2018
IN 05	2.79	1.68	1.58

Table 30 Index IN 05

According to the results for the Indicator IN05, it is stated that the company XY makes value in all three years, because the index ratio is above 1.6. In the Czech Republic is this indicator more useful than the Z score but it should be considered only indicatively. Anyway, in 2017 there is quite decrease in comparing to 2016 to 1.68 value and the following decreases in 2018 to 1.58 which is still rounded to recommended value 1.6, but hopefully the decrease would not be continuing because the company XY would fall under "grey zone" and it would not make value anymore.

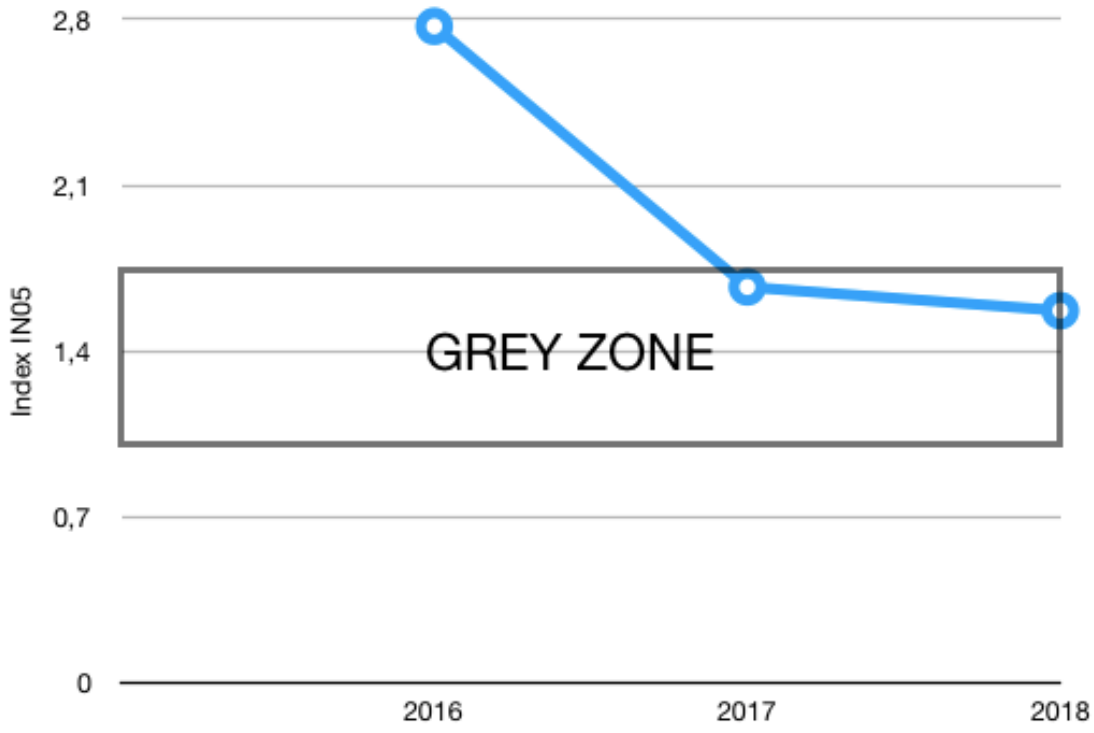


Figure 16 Chart of Index IN05

9 COMPARISON OF THE COMPANY XY, S.R.O., WITH THE INDUSTRY FIELD

The company XY, s.r.o., is compared with the industry field according to the CZ-NACE Specialized construction activities. Because the Ministry of Industry and Trade has complete statistics for the year 2017, the results of the company XY, s.r.o., in 2017 are compared with industry field results in the same year. As the source for the information about the field, the document "Finanční analýza podnikové sféry za rok 2017" has been used and it is attached in the appendices. (Ministerstvo průmyslu a obchodu 2017, 90-91)

Number of employees

As the basic characteristic for the field Specialized construction activities is the number of employees, in the table below, there is the evolution of this indicator.

	2016	**2017**
Number of employees in the company XY, s.r.o.	48	38
Number of employees in the industry field	1 504	1 469

Table 31 Comparison of number of employees

In the table can be seen decline in the number of employees between 2016-2017. This decline did not miss selected company XY, s.r.o., as it lost ten of its employees.

Revenues

(in CZK)	**2016**	**2017**
Company XY, s.r.o.	158 855 000	170 527 000
Industry field	3 790 000 000	3 769 000 000

Table 32 Comparison of revenues

According to the table, increase between the two years is observed in the company XY, s.r.o., but in the whole industry field the revenues declined. An increase in the company's revenues was about 11 672 000 CZK. Decrease in the industry field was about 21 000 000 000 CZK.

Assets

(in CZK)	**2016**	**2017**
Company XY, s.r.o.	50 509 000	69 251 000
Industry field	8 615 000 000	8 324 000 000

Table 33 Comparison of assets

When comparing the assets, the company XY, s.r.o., recorded an increase of 18 742 000 CZK, while the whole industry field recorded a decrease of 291 000 000 CZK within one year.

Asset turnover	**2016**	**2017**
Company XY, s.r.o.	3.15	2.46
Industry field	0.45	0.45

Table 34 Comparison of Asset turnover ratios

For the industry field, the asset turnover ratio was calculated and it shows value about 0.45. It is below the recommended value, which should be at least 1. Because of this it can be said that the company XY, s.r.o., works effectively with its asset but the whole industry does not.

However, other indicators are compared because the official comprehensive financial analysis with more data was last compiled in 2017 and it discusses the results of the reporting sector only until the end of 2016.

10 EVALUATION & RECOMMENDATIONS

During its existence, the company XY has built a strong position in the Czech and Slovak markets. The company is stable over the long term, as evidenced by the analysis. Because of its size it cannot be a competitor of huge companies, but its results are still exquisite. The company can offer its customer very specific goods according their needs because of its long-term know how and that is also the result in a broad customer base which it has built.

First of all, liquidity ratios were analysed. Current ratio recommended value is about 1.5 – 2.5, the company XY did not gain the recommended value. Approximately, the current ratio value is 1.10 which is lower than recommended 1.5. This means the company had all short-term liabilities covered by current assets, which could be a problem if the company had to spend unexpectedly a lot of money. Anyway, because the company is stable with the value about 1.10 it is not crucial to change it because it can show the company has stable revenues and the sources of their income are more secure. Quick ratio was approximately 0.37 and recommended value is 1. The highest value was in 2017 (0.56) and I would recommend to achieve higher values because it shows the company is able to pay its short-term liabilities. One of the possible ways is to lower inventories if possible but still be able to cover the customer's receivables.

In the case of analysis from the point of view of profitability – ROA, ROE, ROCE and ROS ratios were calculated. First of all, I would like to mention that all of these indicators were far above the recommended values which can equalize the fact of lower liquidity ratios and it shows the company is stable even without all ratios according to the recommended values. ROA was approximately about 12 %, which shows the company XY can effectively use its property base. ROE was the highest in 2016 and then it slightly decreased during the following years. Even though, the recommended value is above 12 %, which has been reached in every reviewed year. ROS ratios were in black numbers, approximately about 4 %. In the Table 18, a slow decreasing is observed, which means increasing costs and if the company will not stop it, it can get into red numbers which is a very difficult situation. Because in the majority of profitability ratios in 2018 was the value lower than in previous years I would recommend to try find new ways for more effective manufacturing or finding a new less expensive input material to achieve lower costs and higher profitability at the same price.

The indebtedness of the company is the crucial problem I would recommend to change. The debt ratio is above 50 % in reviewed years, approximately around 66 %, which means

the low liquidity as well as risky situation. Since in 2018 the lowest value was reached, I would recommend to try to achieve recommended value and lower liabilities.

In the case of efficiency ratio analysis, the asset turnover ratio, inventory turnover ratio and receivables turnover ratio were used. Asset turnover ratio shows values around 3 which is good for the company as it can efficiently manage its asset while recommended value is 1. Inventory turnover ratio is approximately around 45 days which is also not too much for a period of stocked inventories. Period for turnover of receivables and payables are quite short – receivables around 12 days and payables around 25 days showing good financial position of the company.

CONCLUSION

The aim of this bachelor thesis was to evaluate the financial health and position of the selected company XY LLC by financial analysis. This thesis was a practical experience that broadened my knowledge and skills in financial analysis and the economy. I gained deeper theoretical knowledge, which were applied to a selected company. I also gained new experience in dealing with executives and authorities. All these experiences are important for my future life.

By processing this work, I present an alternative view of its working conditions and financial status. I believe it can draw new ideas from this analysis. At the same time, this work is an inspiration for other companies that need to improve their financial situation.

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LIST OF ABBREVIATIONS

CEO	Chief executive officer
CFO	Chief financial officer
CFS	Cash flow statement
EAT	Earnings after taxes
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, tax, depreciation and amortization
EBT	Earnings before taxes
EPS	Earnings per share
EPS	Earnings per share
P/E	Price-earnings ratio
P&L	Profit & Loss statement
ROA	Return on assets
ROE	Return on equity
ROS	Return on sales
ROCE	Return on capital employed
ROI	Return on investment
WACC	Weighted average costs of capital

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	ROZVAHA NETTO (TIS. KČ)						
Označení			TEXT	řádek		Účetní období (Netto)	
					2016	2017	2018
	a		b	c	1	2	3
			AKTIVA CELKEM	**1**	**50509**	**69251**	**53050**
A.			Pohledávky za upsaný základní kapitál	2	0	0	0
B.			**Stálá aktiva**	**3**	**24379**	**25495**	**25724**
B.	I.		Dlouhodobý nehmotný majetek	4	91	0	0
B.	I.	1	Nehmotné výsledky vývoje	5	0	0	0
		2	Ocenitelná práva	6	0	0	0
		2.1	Software	7	0	0	0
		2.2	Ostatní ocenitelná práva	8	0	0	0
		3	Goodwill	9	-94	0	0
		4	Ostatní dlouhodobý nehmotný majetek	10	94	0	0
		5	Poskytnuté zálohy na dlouhodobý nehmotný majetek a nedokončený dlouhodobý nehmotný majetek	11	91	0	0
		5.1	Poskytnuté zálohy na dlouhodobý nehmotný majetek	12	0	0	0
		5.2	Nedokončený dlouhodobý nehmotný majetek	13	91	0	0
B.	II.		Dlouhodobý hmotný majetek	14	24288	25495	25724
B.	II.	1	Pozemky a stavby	15	18274	21032	21524
		1.1	Pozemky	16	3434	3434	3433
		1.2	Stavby	17	14840	17598	18091
		2	Hmotné movité věci a jejich soubory	18	4218	3191	4157
		3	Oceňovací rozdíl k nabytému majetku	19	0	0	0
		4	Ostatní dlouhodobý hmotný majetek	20	43	43	43
		4.1	Pěstitelské celky trvalých porostů	21	0	0	0
		4.2	Dospělá zvířata a jejich skupiny	22	0	0	0
		4.3	Jiný dlouhodobý hmotný majetek	23	43	43	43
		5	Poskytnuté zálohy na dlouhodobý hmotný majetek a nedokončený dlouhodobý hmotný majetek	24	1753	1229	0

		5.1	Poskytnuté zálohy na dlouhodobý hmotný majetek	25	570	0	0
		5.2	Nedokončený dlouhodobý hmotný majetek	26	1183	1229	0
B.	III.		Dlouhodobý finanční majetek	27	0	0	0
B.	III.	1	Podíly - ovládaná nebo ovládající osoba	28	0	0	0
		2	Zápůjčky a úvěry - ovládaná nebo ovládající osoba	29	0	0	0
		3	Podíly - podstatný vliv	30	0	0	0
		4	Zápůjčky a úvěry - podstatný vliv	31	0	0	0
		5	Ostatní dlouhodobé cenné papíry a podíly	32	0	0	0
		6	Zápůjčky a úvěry - ostatní	33	0	0	0
		7	Ostatní dlouhodobý finanční majetek	34	0	0	0
		7.1	Jiný dlouhodobý finanční majetek	35	0	0	0
		7.2	Poskytnuté zálohy na dlouhodobý finanční majetek	36	0	0	0
C.			**Oběžná aktiva**	**37**	**25927**	**43491**	**26865**
C.	I.		Zásoby	38	19429	21322	20244
C.	I.	1	Materiál	39	1015	722	707
		2	Nedokončená výroba a polotovary	40	42	0	0
		3	Výrobky a zboží	41	18372	20600	19537
		3.1	Výrobky	42	0	0	0
		3.2	Zboží	43	18372	20600	19537
		4	Mladá a ostatní zvířata a jejich skupiny	44	0	0	0
		5	Poskytnuté zálohy na zásoby	45	0	0	0
C.	II.		Pohledávky	46	4997	17739	5647
C.	II.	1	Dlouhodobé pohledávky	47	0	0	0
		1.1	Pohledávky z obchodních vztahů	48	0	0	0
		1.2	Pohledávky - ovládaná nebo ovládající osoba	49	0	0	0
		1.3	Pohledávky - podstatný vliv	50	0	0	0
		1.4	Odložená daňová pohledávka	51	0	0	0
		1.5	Pohledávky - ostatní	52	0	0	0
		1.5.1	Pohledávky za společníky	53	0	0	0
		1.5.2	Dlouhodobé poskytnuté zálohy	54	0	0	0
		1.5.3	Dohadné účty aktivní	55	0	0	0
		1.5.4	Jiné pohledávky	56	0	0	0

		2	Krátkodobé pohledávky	57	4997	17739	5647
		2.1	Pohledávky z obchodních vztahů	58	4756	16506	5206
		2.2	Pohledávky - ovládaná nebo ovládající osoba	59	0	0	0
		2.3	Pohledávky - podstatný vliv	60	0	0	0
		2.4	Pohledávky - ostatní	61	241	1233	441
		2.4.1	Pohledávky za společníky	62	0	0	0
		2.4.2	Sociální zabezpečení a zdravotní pojištění	63	0	0	0
		2.4.3	Stát - daňové pohledávky	64	110	1102	381
		2.4.4	Krátkodobé poskytnuté zálohy	65	12	23	8
		2.4.5	Dohadné účty aktivní	66	78	78	0
		2.4.6	Jiné pohledávky	67	41	30	52
C.	III.		Krátkodobý finanční majetek	68	0	0	0
C.	III.	1	Podíly - ovládaná nebo ovládající osoba	69	0	0	0
		2	Ostatní krátkodobý finanční majetek	70	0	0	0
C.	IV.		Peněžní prostředky	71	1501	4430	974
C.	IV.	1	Peněžní prostředky v pokladně	72	76	53	24
		2	Peněžní prostředky na účtech	73	1425	4377	950
D.			Časové rozlišení aktiv	74	203	265	461
D.	I.	1	Náklady příštích období	75	203	265	288
		2	Komplexní náklady příštích období	76	0	0	0
		3	Příjmy příštích období	77	0	0	173

			TEXT	řádek		Účetní období (Netto)	
					2016	2017	2018
	a		b	c	1	2	3
			PASIVA CELKEM	**78**	**50 509**	**69 251**	**53 050**
A.			**Vlastní kapitál**	**79**	**17 953**	**17 205**	**20 106**
A.	I.		Základní kapitál	80	1 000	1 000	1 000
		1	Základní kapitál	81	1 000	1 000	1 000
		2	Vlastní podíly (-)	82	0	0	0
		3	Změny základního kapitálu	83	0	0	0

A.	II.		Ážio a kapitálové fondy	84	1	1	1
A.	II.	1	Ážio	85	0	0	0
		2	Kapitálové fondy	86	1	1	1
		2.1	Ostatní kapitálové fondy	87	1	1	1
		2.2	Oceňovací rozdíly z přecenění majetku a závazků (+/-)	88	0	0	0
		2.3	Oceňovací rozdíly z přecenění při přeměnách obchodních korporacích (+/-)	89	0	0	0
		2.4	Rozdíly z přeměn obchodních korporací (+/-)	90	0	0	0
		2.5	Rozdíly z ocenění při přeměnách obchodních korporací (+/-)	91	0	0	0
A.	III.		Fondy ze zisku	92	100	100	100
A.	III.	1	Ostatní rezervní fondy	93	100	100	100
		2	Statutární a ostatní fondy	94	0	0	0
A.	IV.		Výsledek hospodaření minulých let (+/-)	95	8 783	11 851	16 104
A.	IV.	1	Nerozdělený zisk nebo neuhrazená ztráta z minulých let (+/-)	96	8 806	11 851	16 104
			Neuhrazená ztráta minulých let (-)	97	0	0	0
		2	Jiný výsledek hospodaření minulých let (+/-)	98	-23	0	0
A.	V.		Výsledek hospodaření běžného účetního období (+/-)	99	8 069	4 253	3 254
A.	VI.		Rozhodnuto o zálohové výplatě podílu na zisku (-)	100	0	0	-353
B. + C			**Cizí zdroje**	**101**	**31 681**	**51 612**	**32 293**
B.	I.		Rezervy	102	2 661	2 050	1 577
B.	I.	1	Rezerva na důchody a podobné závazky	103	0	0	0
		2	Rezerva na daň z příjmů	104	0	0	0
		3	Rezervy podle zvláštních právních předpisů	105	0	0	0
		4	Ostatní rezervy	106	2 661	2 050	1 577
C.			Závazky	107	29 020	49 562	30 716
C.	I.		Dlouhodobé závazky	108	4 075	10 261	7 645
C.	I.	1	Vydané dluhopisy	109	0	0	0
		1.1	Vyměnitelné dluhopisy	110	0	0	0
		1.2	Ostatní dluhopisy	111	0	0	0
		2	Závazky k úvěrovým institucím	112	1 900	2 721	1 512

		3	Dlouhodobé přijaté zálohy	113	0	0	0
		4	Závazky z obchodních vztahů	114	0	0	0
		5	Dlouhodobé směnky k úhradě	115	0	0	0
		6	Závazky - ovládaná nebo ovládající osoba	116	0	5 000	5 000
		7	Závazky - podstatný vliv	117	0	0	0
		8	Odložený daňový závazek	118	75	440	683
		9	Závazky - ostatní	119	2 100	2 100	450
		9.1	Závazky ke společníkům	120	0	0	0
		9.2	Dohadné účty pasivní	121	0	0	0
		9.3	Jiné závazky	122	2 100	2 100	450
C.	II.		Krátkodobé závazky	123	24 945	39 301	23 071
C.	II.	1	Vydané dluhopisy	124	0	0	0
		1.1	Vyměnitelné dluhopisy	125	0	0	0
		1.2	Ostatní dluhopisy	126	0	0	0
		2	Závazky k úvěrovým institucím	127	16 000	25 000	11 632
		3	Krátkodobé přijaté zálohy	128	0	0	0
		4	Závazky z obchodních vztahů	129	6 066	12 712	9 475
		5	Krátkodobé směnky k úhradě	130	0	0	0
		6	Závazky - ovládaná nebo ovládající osoba	131	0	0	0
		7	Závazky - podstatný vliv	132	0	0	0
		8	Závazky ostatní	133	2 879	1 589	1 964
		8.1	Závazky ke společníkům	134	1 000	0	0
		8.2	Krátkodobé finanční výpomoci	135	0	0	0
		8.3	Závazky k zaměstnancům	136	783	831	637
		8.4	Závazky ze sociálního zab-ezpečení a zdravotního pojištění	137	437	446	372
		8.5	Stát - daňové závazky a dotace	138	606	236	937
		8.6	Dohadné účty pasivní	139	15	12	14
		8.7	Jiné závazky	140	38	64	4
D.			Časové rozlišení pasiv	141	875	434	651
D.		1	Výdaje příštích období	142	875	429	651
		2	Výnosy příštích období	143	0	5	0

	VÝKAZ ZISKŮ A ZTRÁT (TIS. KČ)						
Označení			TEXT	č. Řádku	Účetní období (Netto)		
					2016	2017	2018
	a		b	c	1	2	3
	I.		Tržby z prodeje výrobků a služeb	1	57 779	39 442	32 926
	II.		Tržby za prodej zboží	2	101 076	131 085	125 474

A.			Výkonová spotřeba	3	128 305	146 098	137 927
	1.		Náklady vynaložené na prodané zboží	4	90 377	117 646	111 811
	2.		Spotřeba materiálu a energie	5	27 076	18 947	18 401
	3.		Služby	6	10 852	9 505	7 715
B.			Změna stavu zásob vlastní činnosti (+/-)	7	737	42	0
C.			Aktivace (-)	8	0	-13	-3
D.			Osobní náklady	9	19 528	16 695	14 626
	1.		Mzdové náklady	10	14 563	12 361	10 748
	2.		Náklady na sociální zab-ezpečení, zdravotní pojištění a ostatní náklady	11	4 965	4 334	3 878
		1.	Náklady na sociální zab-ezpečení a zdravotní pojištění	12	4 852	4 254	3 748
		2.	Ostatní náklady	13	113	80	130
E.			Úpravy hodnot v provozní oblasti	14	1 830	96	1 533
	1.		Úpravy hodnot dlouhodobého nehmotného a hmotného majetku	15	1 919	1 742	1 822
		1.	Úpravy hodnot dlouhodobého nehmotného a hmotného majetku - trvalé	16	1 919	1 742	1 822
		2.	Úpravy hodnot dlouhodobého nehmotného a hmotného majetku - dočasné	17	0	0	0
	2.		Úpravy hodnot zásob	18	-28	143	-289
	3.		Úpravy hodnot pohledávek	19	-61	-1 789	0
	III.		Ostatní provozní výnosy	20	1 134	685	1 760
		1.	Tržby z prodaného dlouhodobého majetku	21	296	104	1 243
		2.	Tržby z prodaného materiálu	22	0	2	0
		3.	Jiné provozní výnosy	23	838	579	517
F.			Ostatní provozní náklady	24	-518	2 537	1 019
	1.		Zůstatková cena prodaného dlouhodobého majetku	25	0	0	407
	2.		Prodaný materiál	26	0	1	0
	3.		Daně a poplatky	27	366	371	391
	4.		Rezervy v provozní oblasti a komplexní náklady přístích období	28	-1 895	-612	-473
	5.		Jiné provozní náklady	29	1 011	2 777	694
	*		Provozní výsledek hospo-daření (+/-)	30	10 107	5 757	5 058
	IV.		Výnosy z dlouhodobého fi-nančního majetku - podíly	31	0	0	0

		1.	Výnosy z podílů - ovládaná nebo ovládající osoba	32	0	0	0
		2.	Ostatní výnosy z podílů	33	0	0	0
G.			Náklady vynaložené na prodané podíly	34	0	0	0
	V.		Výnosy z ostatního dlouhodobého finančního majetku	35	0	0	0
		1.	Výnosy z ostatního dlouhodobého finančního majetku - ovládaná nebo ovládající osoba	36	0	0	0
		2.	Ostatní výnosy z ostatního dlouhodobého finančního majetku	37	0	0	0
H.			Náklady související s ostatním dlouhodobým finančním majetkem	38	0	0	0
	VI.		Výnosové úroky a podobné výnosy	39	0	0	0
		1.	Výnosové úroky a podobné výnosy - ovládaná nebo ovládající osoba	40	0	0	0
		2.	Ostatní výnosové úroky a podobné výnosy	41	0	0	0
I.			Úpravy hodnot a rezervy ve finanční oblasti	42	0	0	0
J.			Nákladové úroky a podobné náklady	43	374	403	700
	1.		Nákladové úroky a podobné náklady - ovládaná nebo ovládající osoba	44	0	0	0
	2.		Ostatní nákladové úroky a podobné náklady	45	374	403	700
	VII.		Ostatní finanční výnosy	46	13	307	143
K.			Ostatní finanční náklady	47	272	371	456
	*		Finanční výsledek hospodaření (+/-)	48	-633	-467	-1 013
	**		Výsledek hospodaření před zdaněním (+/-)	49	9 474	5 290	4 045
L.			Daň z příjmů	50	1 405	1 037	791
	1.		Daň z příjmů splatná	51	1 181	672	547
	2.		Daň z příjmů odložená (+/-)	52	224	365	244
	**		Výsledek hospodaření po zdanění (+/-)	53	8 069	4 253	3 254
M.			Převod podílu na výsledku hospodaření společníkům (+/-)	54	0	0	0

	***		Výsledek hospodaření za účetní období (+/-)	55	8 069	4 253	3 254
	*		Čistý obrat za účetní období	56	160 002	171 519	160 303

Finanční analýza 2017 (MPO)

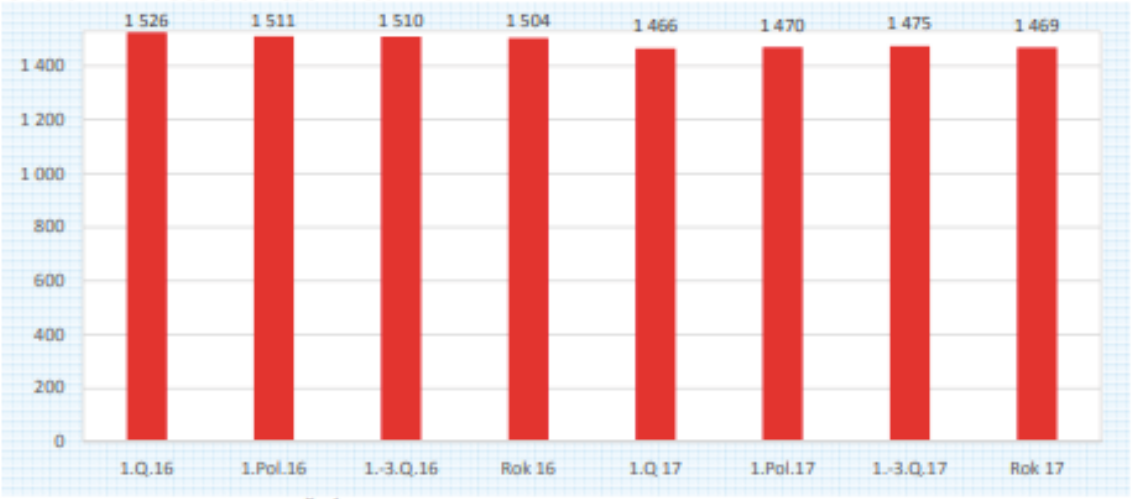
11. SPECIALIZOVANÉ STAVEBNÍ ČINNOSTI

11. SPECIALIZOVANÉ STAVEBNÍ ČINNOSTI

11.1 Základní charakteristika

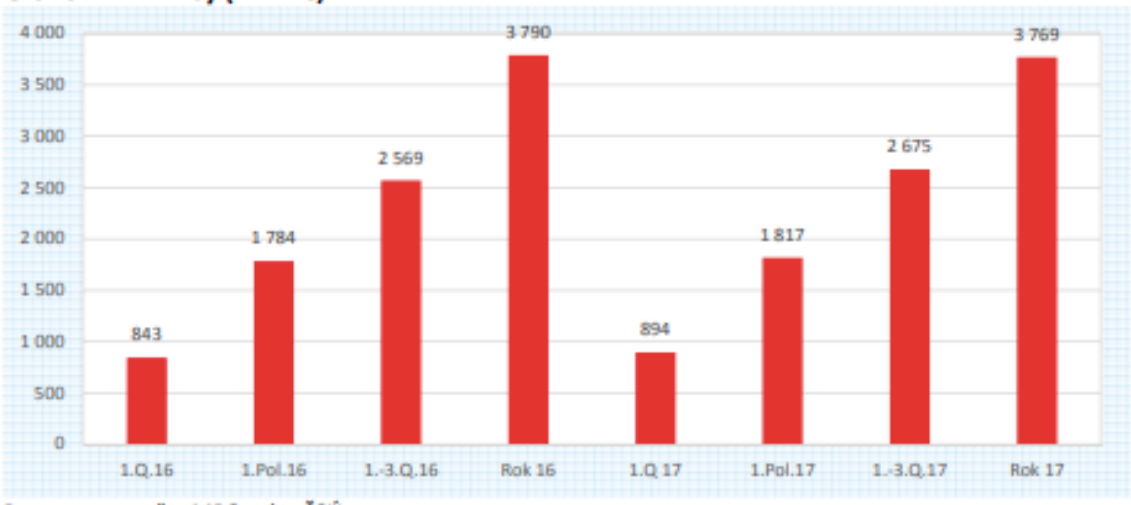
Charakteristiky specializovaných stavebních činností jsou zobrazeny v grafech č. 11.1 až 11.5. Produktivita práce a průměrná mzda vykazují meziroční růst, produktivita o 11 % a průměrná mzda o 4 %. Počet zaměstnanců tržby a aktiva celkem meziročně poklesly. Objem aktiv celkem se meziročně snížil o 0,29 mld. Kč, tedy o 3 %.

Graf č. 11.1 Počet zaměstnanců



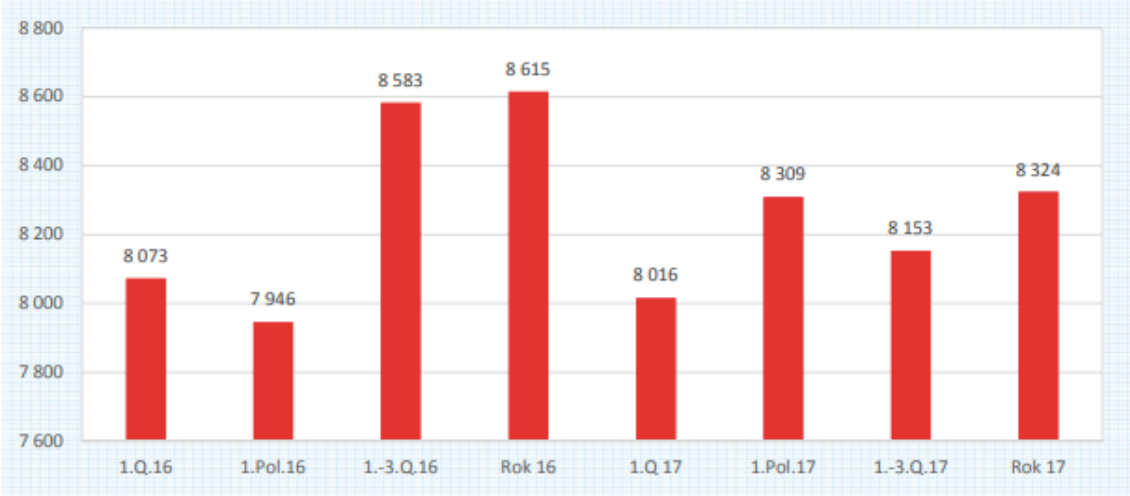
Pramen: propočet MPO z dat ČSÚ

Graf č. 11.2 Tržby (mil. Kč)



Pramen: propočet MPO z dat ČSÚ

Graf č. 11.3 Aktiva celkem (mil. Kč)



Pramen: propočet MPO z dat ČSÚ