UEF 7th semester

lesson 16

FINANCIAL RESOURCES OF A PHARMACY ORGANIZATION

Questions for discussion

1. The importance of financial resources in the activities of a pharmacy organization

2.Analysis of the financial condition of a pharmacy organization

3.Preliminary review of the economic and financial situation of the pharmacy organization

4. Assessment and analysis of the economic potential of a pharmacy organization

5.Assessment of financial situation.

6.Financial planning

7. Example. Analysis of financial and economic activities

pharmacy organization.

1. The importance of financial resources in the activities of a pharmacy organization

Financial resources. All economic activities of pharmacy organizations are carried out using real cash flow.

Resources are the funds at the disposal of the enterprise and intended to ensure its effective operation, fulfillment of financial obligations and economic stimulation of workers.

The main purpose of the functioning of finance

- provide the organization with the necessary financial resources to increase trade turnover,

- organize a continuous circulation of funds in the economy and increase income from core activities on this basis.

Financial resources invested in fixed assets are fixed capital, and those advanced into working capital and circulation funds are working capital.

The circulation of fixed capital must create conditions for the expanded reproduction of fixed assets, and the circulation of working capital must ensure the receipt of revenue exceeding the amount of advanced funds.

The finances of pharmacy organizations perform **two important functions: distribution and control.**

The **distribution function** is the directed activity of distributing and redistributing the cash income of an enterprise.

The distribution function of finance is associated with the distribution of financial resources for specific purposes in accordance with established plans, the creation of various special and reserve funds of funds. Thus, there are financial

resources that provide the following areas of activity: basic economic activity, reproduction of fixed assets, material incentives for personnel, social development of the organization.

The **control function** is a targeted activity to control the value of the financial result, identify ineffective actions and prevent possible losses and unproductive costs.

The control function of finance involves the implementation of daily ruble control over all aspects of economic activity and active influence on the processes occurring in the economic life of the enterprise. Thus, financial control over the receipt of trade proceeds makes it possible to simultaneously identify shortcomings in the organization of trade and the purchase of goods. Through finance, control must be ensured over the use of working capital for the purchase of goods, over the safety of inventory, and over the economical expenditure of funds.

The sources of formation of financial resources of a pharmacy organization are: own and equivalent funds; funds mobilized in the financial market; receipt of funds in the order of redistribution.

The pharmacy organization's own financial resources include initial contributions from the founders of the enterprise and savings from the results of economic activities. The starting source of financial resources at the time of establishment of an organization is the authorized capital - property created from the contributions of the founders. When creating a pharmacy organization, the authorized capital is directed to the acquisition of fixed assets and the formation of working capital in the proportions necessary for conducting normal business activities.

The main source of financial resources of the current organization are savings from the results of economic activities: income (profit) from the main and other types of activity; depreciation; reserve and additional capital, etc.

Financial resources can be mobilized in the financial market through the sale of shares, bonds and other types of securities issued by the enterprise; funds from other enterprises; loans from banks, investment funds and companies. Attracting credit resources significantly expands the capabilities of a pharmacy organization and contributes to an increase in the return on equity capital.

Financial resources received in the manner of redistribution are formed from insurance compensation, funds for left participation, income from acquired securities and other financial assets, income from the sale of unused property. In some cases, an enterprise may be provided with subsidies from budgets of different levels, as well as special funds. They are distinguished: direct subsidies - government capital investments in objects that are especially important for the national economy, or in low-profit, but vitally necessary; indirect subsidies carried out through tax and monetary policy, for example, by providing tax breaks and preferential loans.

pharmacy financial resources

own funds | equity (borrowed funds) credit

rice. 1. Sources of formation of resources of a pharmacy organization

The main areas of use of financial resources are:

-current payments - to suppliers of goods, the budget, banks, tax authorities, loan repayments, insurance payments, etc.;

-investment of funds - industrial and financial investments (in capital investments, securities, government loans, etc.);

- incentive and social payments, payments for charitable purposes, sponsorship.

Thus, all necessary expenses of the pharmacy organization are covered from financial resources.

2. Analysis of the financial condition of a pharmacy organization

The financial activities of a pharmacy organization, as an integral part of all economic activities, are aimed at ensuring the systematic receipt and expenditure of monetary resources, implementing accounting discipline, achieving rational proportions of equity and borrowed capital and its most effective use. To assess and forecast the financial position of an organization, financial analysis tools are used.

Financial analysis is a process based on the study of data about an organization's financial condition and past performance in order to assess future conditions and performance.

Financial analysis makes it possible to assess the property status of a pharmacy organization, the degree of business risk, capital adequacy, the need for additional sources, the ability to increase capital, the rationality of raising borrowed funds, the validity of the policy for the distribution and use of profits, the appropriateness of choosing investments, etc. .

The main goal of the analysis is to promptly identify and eliminate shortcomings in financial activities and find reserves for improving the financial condition of the organization and its solvency.

The financial condition of an organization is a set of indicators reflecting the availability, placement and use of financial resources.

Solvency is the ability to timely satisfy the payment requirements of suppliers of equipment, raw materials and supplies in accordance with business contracts, repay loans, pay staff, and make payments to the budget.

The financial condition can be stable, unstable and crisis. The ability of an organization to make timely payments and finance its activities on an expanded basis indicates its good financial condition.

The financial condition of an organization depends on the results of its production, commercial and financial activities. If production and financial plans are successfully implemented, then this has a positive effect on the financial position of the organization. And, conversely, as a result of underfulfillment of the plan for production and sales of products, there is an increase in its cost, a decrease in revenue and the amount of profit and, as a consequence, a deterioration in the financial condition of the organization and its solvency.

There are quite a large number of methods and areas of financial analysis, most of them involve conducting financial analysis in the following main areas:

Analysis of the financial results of the organization’s activities (analysis of the dynamics, structure, level of profit of the organization, its factor analysis, etc.);

analysis of the financial condition of the organization (general assessment of the financial condition and its changes during the reporting period, analysis of solvency, liquidity, financial stability, business activity, etc.).

3.Preliminary review of economic and financial regulations of the pharmacy organization

The analysis begins with a review of the main performance indicators of the pharmacy organization and is carried out according to the financial statements.

In the process of analyzing financial statements, the composition of the pharmacy's property, its financial investments, sources of equity capital formation, the amount of borrowed funds are determined, relations with suppliers and customers, the volume of sales revenue and the amount of profit are assessed.

For example, the property position of a pharmacy organization at the beginning and end of the reporting period is characterized by balance sheet data. By comparing the dynamics of the results of the asset sections of the balance sheet, you can find out trends in changes in property status. Information about changes in the organizational structure of management, new types of activities of a pharmacy organization, features of working with suppliers and other organizations is usually contained in the explanatory note to the annual financial statements. The effectiveness and prospects of a pharmacy’s activities can be generally assessed based on an analysis of profit dynamics, as well as a comparative analysis of the elements of growth in the funds of a pharmacy organization, the volume of its main activities (turnover) and profit.

4.Assessment and analysis of economic potential pharmacy organization

After a general description of the financial condition, the next important task is to study the economic potential.

Potential (from the Latin proteptia - strength) is sources, opportunities, means, reserves that can be put into action and used to solve a problem or achieve a certain goal.

The economic potential of a subject in general terms can be understood as its capabilities in the economic sphere, or the ability to achieve set goals using available material, labor and financial resources.

As part of the economic potential of any organization, it is customary to distinguish property and financial potential. The first represents the totality of the organization’s funds under its control, while the second is a characteristic of the financial position and financial capabilities of the organization.

Therefore, an analysis of the economic potential of a pharmacy organization can be carried out:

1) from the position of the organization’s property status;
2) from the perspective of its financial situation.

Both of these aspects of financial and economic activity are interconnected - an irrational structure of property, its poor quality composition can lead to a deterioration in the financial situation, and vice versa.

The main documents for analyzing economic potential are Form No. 1 “Balance Sheet”, Form No. 5 “Appendix to Balance Sheet”.

Property potential is characterized primarily by the size, composition and condition of the assets owned and managed by a pharmacy organization to achieve its goals. When analyzing property potential, it is not its material or functional characteristics that are considered, but its assessment in monetary form (financial assessment), presented in the balance sheet asset. The magnitude of the property potential depends on the action of a number of factors, and its dynamics are determined, first of all, by the financial results achieved by the organization.

Assessment of property status. Such an assessment includes the construction of an analytical balance sheet, analysis of the balance sheet currency, determination of the nature of changes in individual items (horizontal and vertical analysis), analysis of the presence and increase in “sick” balance sheet items, assessment of the dynamics of development of the pharmacy organization.

5.Assessment of financial situation.

After characterizing the property status of a pharmaceutical organization, an assessment of its financial position is carried out.

To assess the financial situation, relative indicators are used. In the short term, such indicators are the liquidity and solvency of the pharmacy organization, and in the long term - relative indicators of financial stability.

Liquidity assessment. The liquidity of an asset is understood as its ability to be transformed into cash, and the degree of liquidity is determined by the length of the time period during which this transformation can be carried out. The shorter the period, the higher the liquidity of this type of asset.

When talking about the liquidity of an enterprise, we mean that it has working capital in an amount that is theoretically sufficient to repay short-term obligations, even if the repayment terms stipulated in the contracts are not met.

Solvency means that an enterprise has cash and cash equivalents sufficient to pay accounts payable that require immediate repayment. Thus, the main signs of solvency are: 1) the presence of sufficient funds in the current account; 2) absence of overdue accounts payable.

To confirm solvency, they check: the availability of funds in current and foreign currency accounts, short-term financial investments.

Liquidity and solvency are not identical to each other. Thus, liquidity ratios may characterize the financial situation as satisfactory, but in essence this assessment may be erroneous if current assets have a significant share of illiquid assets and overdue receivables.

The analysis of balance sheet liquidity begins with the fact that all assets and liabilities of the enterprise are divided into four groups (assets - depending on the speed of conversion into cash; liabilities - depending on the urgency of payment).

In addition to analyzing the balance sheet liquidity, it is necessary to examine the liquidity indicators used by commercial banks, as well as creditors when checking an enterprise for insolvency (bankruptcy).

Current ratio. Gives a general assessment of the liquidity of assets, showing how many rubles of current assets account for one ruble of current liabilities. The logic of calculating this indicator is that the company repays short-term liabilities mainly at the expense of current assets; therefore, if current assets exceed current liabilities in value, the enterprise can be considered as successfully operating (at least theoretically). The value of the indicator can vary by industry and type of activity, and its reasonable growth in dynamics is usually considered as a favorable trend. In Western accounting and analytical practice, the lower critical value of the indicator is given - 2, but this is only an approximate value, indicating the order of the indicator, but not its exact normative value.

Quick ratio. The indicator is similar to the current liquidity ratio, but is calculated on a narrower range of current assets. The least liquid part of them—industrial reserves—is excluded from the calculation. The logic of such an exception consists not only in the significantly lower liquidity of inventories, but, what is much more important, in the fact that the funds that can be gained in the event of a forced sale of inventories can be significantly lower than the costs of their acquisition. The approximate lower value of the indicator is 1, but this assessment is also conditional. When analyzing the dynamics of this coefficient, it is necessary to pay attention to the factors that determined its change. Thus, if the increase in the quick liquidity ratio was mainly associated with the increase in unjustified accounts receivable, then this cannot characterize the enterprise’s activities from a positive side.

Absolute liquidity (solvency) ratio. It is the most stringent criterion for the liquidity of an enterprise and shows what part of short-term borrowed obligations can be repaid immediately if necessary. The recommended lower limit of the indicator given in Western literature is 0.2. Since the development of industry-specific standards for these coefficients is a matter of the future, in practice it is desirable to analyze the dynamics of these indicators, supplementing it with a comparative analysis of available data on enterprises that have a similar orientation of their economic activities.

The share of own working capital in covering inventories. Characterizes that part of the cost of inventories that is covered by its own working capital. Traditionally, it is of great importance in analyzing the financial condition of trading enterprises, including pharmacy organizations; the recommended lower limit of the indicator in this case is 50%.

Inventory coverage ratio. It is calculated by relating the amount of “normal” sources of inventory coverage (own working capital) and the amount of inventory. If the value of this indicator is less than one, then the current financial condition of the pharmacy is considered unstable.

6.Financial planning

Financial planning is the planning of income and directions for spending money to ensure the effective operation and development of the organization.

Financial planning is carried out by drawing up financial plans of various contents depending on the tasks and areas of use. Based on this, financial plans can be long-term, current and operational. An example of a combination of long-term and current planning is a business plan.

Financial planning is of great importance for the economic activities of an organization, since it allows:

- present the strategic and current goals of the organization in the form of specific financial indicators;
- determine the financial resources necessary to achieve the goals, objectives and plans of the organization;
- assess the competitiveness of both new areas of activity and traditional ones;
- receive financial support from external investors. The main objectives of financial planning at an enterprise are:
- provision of necessary financial resources for production, investment and financial activities;
- determining ways to effectively invest capital, assessing the degree of rationality of its use;
- identification of on-farm reserves for increasing profits through the economical use of funds;
- establishing rational financial relations with the budget, banks and other organizations and individuals;
- respecting the interests of shareholders and other investors; control over the financial condition, solvency and creditworthiness of the enterprise.

A financial plan, regardless of its type, involves three main forecast estimates:

- profitability (does the income received exceed the expenses incurred);
- cash flow (is the organization able to receive cash and fulfill its financial obligations on time);
- solvency (whether there are sufficient own funds and whether the enterprise is liquid).

The financial planning process includes four stages

At *the first stage*, financial indicators for the previous period are analyzed, such as turnover, costs, profit, etc. For this, the main financial documents of enterprises are used: balance sheet, profit and loss statements, cash flow statement, which contain data These are used to calculate the financial performance indicators of the enterprise, and also serve as the basis for drawing up a forecast of these documents.

<u>The second stage</u> consists of drawing up basic forecast documents, such as a balance sheet forecast, profit and loss statement, cash flow, which relate to long-term financial plans and are included in the structure of a scientifically based business plan of the enterprise.

<u>At the third stage</u>, current financial plans are drawn up, in which the indicators of forecast financial documents are clarified and specified and a table of income and expenses, a plan for the receipt and expenditure of funds and a balance sheet are compiled.

<u>At the fourth stage</u>, operational financial planning is carried out, as a result of which documents such as a payment calendar, cash plan, tax payment plan and other documents are developed.

7. Example. Analysis of financial and economic activities

pharmacy organization.

Data for determination

• Trade turnover t.rub. 7,550,000.

• Trade overlays (income) t.rub. 1,740,000. (23%)

• Distribution costs variable t.rub. 19,280.

• Distribution costs are constant t.rub. 1,483,728.

• Profit (gross) t.rub. 236,992.

<u>Define</u>:

profitability threshold (break-even conditions);

• margin of financial strength;

• stock of trade margins, profitability;

• operating leverage effect.

1. Calculation of the profitability threshold is the amount of trade overlays (income) that covers the costs of the pharmacy, while the pharmacy has neither profit nor loss.

Profitability threshold. = post costs : Coefficient

Coefficient = (Income - variable costs): income

K = 1,740,000 - 19,280) : 1,740,000 ; K = 0.989

P profitability. = 1,483,728: 0.989 = 1,500,230 rub.

Let's convert it into turnover: 500 230 - 23%

X - 100%

X = (1,500,230 * 100%): 23% = 6,520,000 rub.

Conclusion: When the pharmacy reaches a turnover of 6,520,000 rubles. and receiving income from sales - income in the amount of 1,500,230 rubles. the pharmacy will cover its costs (there will be no loss), but will not yet have a profit.

2. Calculation of the financial safety margin - shows by what amount you can reduce income and not become unprofitable in your activities.

• Margin of financial strength. = income - profitability threshold.

1,740,000 rub -1,500,230 rub. = 239,770 rub.

• Convert to trade turnover: 239,770 - 23%

X - 100% X = (239,770 * 100%) : 23% turnover = 1,042,500 rub.

Conclusion: With a decrease in trade turnover by 1,000,000 rubles. the pharmacy will not yet be unprofitable, but it may not make a profit.

When analyzing, they usually compare the resulting indicator (financial safety margin) with the previous one and draw a conclusion.

3. Calculation of the trade margin reserve - characterizes the possibility of reducing the trade margin.

trade margin stock = (profitability threshold: turnover in wholesale prices.) * 100%

turnover in wholesale prices = retail turnover. prices - trade margin

7,550,000 - 1,740,000 = 5,810,00 rub.

trade margin stock = (1,500,230: 5,810,000) * 100% = 26% 26% - 23% = 3%.

Conclusion - if the average trade margin on goods decreases by a large amount (other things being equal - distribution costs, etc.) - then the pharmacy will be unprofitable.

4. Calculation of pharmacy profitability (commercial margin on product sales)

P (profitability) = (Profit val.: turnover) * 100%

(233,992 : 7,550,000) * 100% = 3%

There is no specific indicator; they compare it with the previous period and set the task of increasing it.

5. Operating leverage effect - shows the change in profit when T/O and trading overlays change for a certain period (how many times will profit change if these indicators change by 1%).

Let's assume that we plan to increase trade turnover by 5%

7,550,000 * 1.05 = 7,927,500 rub.

The amount of trading overlays or income (at a level of 23%) will be

(7,927,500 * 23%): 100% = 1,823,325 rub.

Accordingly, with an increase in trade turnover, the amount of variable distribution costs will increase by 5%   19,280 * 1.05 = 20,244 rubles.

The amount of fixed distribution costs will not change.

The total distribution costs will be :   1,483,728 + 20,244 = 1,503,972 rubles.

The total profit will be: 1,823,325 - 1,503,972 = 319,353 rubles.

(319,353 : 236,992) * 100% = 135%. i.e. profit increased by 35%.

Consequently, with an increase in turnover by 5%, profit increases by 7 times this figure (a 1% increase in turnover gives an increase in profit by 7%) - the effect of operating leverage.

With this effect, there is a clear benefit to saving fixed distribution costs.

Thus, depending on the planned result of financial activities, a pharmacy organization can regulate (all other things being equal):

• the size of distribution costs;

• the size of the trade margin when setting retail prices for goods