



FINANCIAL ANALYSIS OF LONG-TERM SOURCES OF CAPITAL IN TOURIST COMPANIES. Part I. ASSETS

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ABSTRACT

The study aims at analyzing long-term sources of capital (assets) of diversified companies in the field of tourism. Diversification of the companies' business in the sector could be an effective defensive strategy to reduce the risk under conditions of crisis. By analyzing long-term financial resources it is possible to restructure the financial and capital structure of companies and to optimize production capacities, for more efficient strategic planning and enhancing financial sustainability. As a result, companies will reduce financial risk and will be more competitive and sustainable. Under conditions of crisis regular survey of corporate performance is crucial for the survival of the company. Performing financial diagnostics of its structure the management could implement changes for optimization and restructuring.

Key words: financial analysis, long-term sources of capital, financial sustainability

INTRODUCTION

The thesis advanced in this study that by doing financial analysis or financial diagnosis as a process of identification and assessment of the "health status" of a business organization for certain financial criteria, a diagnosis is set strategic and tactical decisions are made to maintain or bring the company in good condition and build financial sustainability.

The financial status of a company is a result of its operative, investment and financial activities and can be viewed as an expression of its complex operation and a prerequisite for high current and future market value.

With financial condition are related features such as:

- provision of financial resources
- appropriate allocation and efficient use of resources

- building good solvency and financial sustainability
- optimal levels and effective use of own and borrowed capital.

The coefficients used in the analysis of financial status are related to: capital structure, financial risk, growth rate, liquidity, solvency, etc.

To illustrate the thesis is a financial analysis has been made of the diversified company, „St.st. Constantine and Helena Holding” JSC, operating in a resort of national importance. The business of the company is renting their own assets /tourist and commercial sites/; maintenance of the general infrastructure of the resort “St.st. Constantine and Helena“ JSC; operation of beaches; construction by contracting residential buildings; purchase and sale of goods, offering services.

The analysis shows that the material forms, representing capital and liabilities of the company are mainly non-current assets. The company had proportionate infrastructural dynamics in 2011 compared with the other 3

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years in the analyzed period, as evident by the decrease of FA by -21.60% and of CA by -19.37%. The decrease in CA is indicative of a reduction in working capital. In general,

however, the structure of assets, analyzed by sections, could be called "sustainable" with -.36% reduction of the share of FA and equivalent increase in CA (**Table 1**).

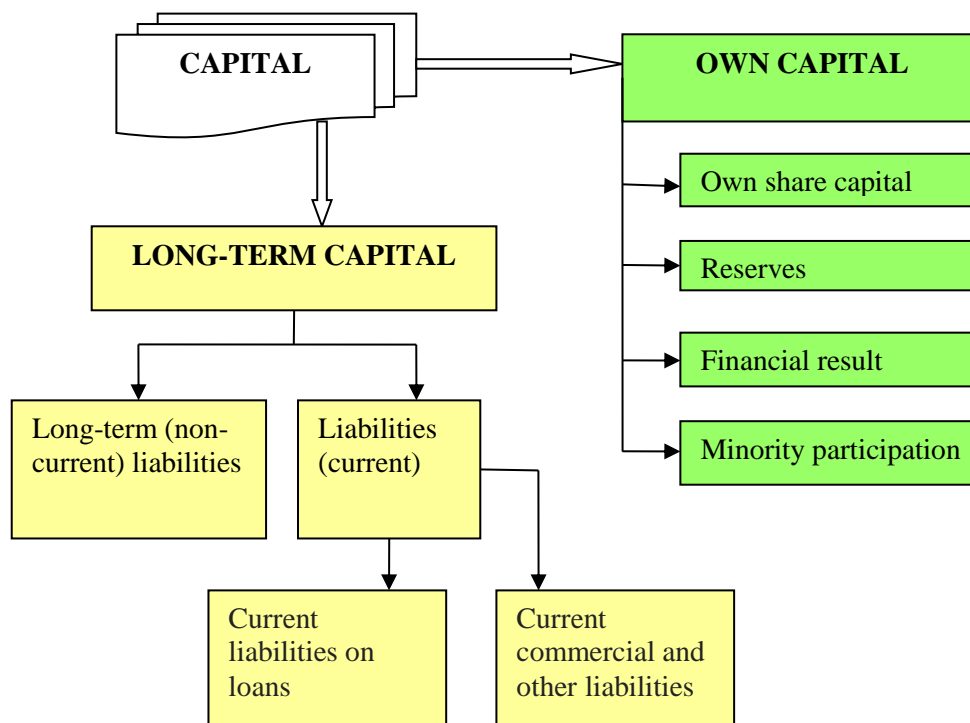


Figure 1. Structure of the company's capital

Table 1. Overall assessment of the magnitude, structure and dynamics of the assets of the "St. St. Constantine and Helena Holding" JSC

Assets	Fixed assets		Current assets		Total assets		Variation in the structure %	
	Amount	%	Amount	%	Amount	%		
2008	51853	79,33	13510	20,67	65363	100		
2009	60804	87,73	8503	12,27	69307	100		
2010	61127	84,99	10794	15,01	71921	100		
2011	47924	84,63	8703	15,37	56627	100	FA	CA
Variation 2009 /2008	+8951	+17,76	-5007	-37,06	+3944	+6,03	+8,40	-8,40
Variation 2010 /2009	+323	+0,53	+2291	+26,94	+2614	+3,77	-2,74	+2,74
Variation 2011/2010	-13203	-21,60	-2091	-19,37	-15294	-21,26	-0,36	+0,36

The dynamics of the magnitude of funds used for long time is upward, which is a result of the increase in equity. From the analysis it is evident that during the analyzed period, the company preserved the tendency to increase equity and reduce long-term liabilities (**Table 2**).

During the reviewed period the dynamics and structure of fixed assets are dominated by FTA, followed by FFA and trade and other receivables. The dynamics of the amount of the studied section is negative for 2011 and with significant differences of the changes by groups. Interesting are trade and other receivables reduced by

59.46%, due to the repayment of bonds at the end of 2011 and the increase in fixed intangible assets in 2009 due to the received concession rights on four sea beaches and the accessories to them. In

general, the dynamics of FA in the period 2008 - 2011 varies greatly due to the bond received and repaid in the same period. In 2011 FA dropped by over almost 1/5 (-21.60%) (Table 3).

Table 2. Deviation of the fixed capital of the "St. St. Constantine and Helena Holding" JSC

Indicators	Equity	Long-term liabilities	Fixed capital
2008	20917	25230	46147
2009	22886	14322	37208
2010	27328	13187	40515
2011	30005	12339	42344
Variation 2009 /2008	+1969	-10908	-8939
Variation 2010 /2009	+4442	-1135	+3307
Variation 2011/2010	+2677	-848	+1829

Table 3. Structure and dynamics of the fixed assets of the "St. St. Constantine and Helena Holding" JSC

Assets	Fixed assets		Investment property		Intangible assets		Long-term financial assets		Trade and other receivables		Total fixed assets	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
2008	14657	28,27	4231	8,16	15	0,03	14640	28,23	18310	35,31	51853	100
2009	15451	25,41	5405	8,89	2925	4,81	14557	23,94	22466	36,95	60804	100
2010	15886	25,99	4381	7,17	2612	4,27	14099	23,07	24149	35,91	61127	100
2011	16518	34,47	4716	9,84	2292	4,78	14609	30,48	9789	20,43	47924	100
Variation 2009 /2008	+794	+5,42	+1174	+27,75	+2910	+19400,00	-83	-0,57	+4156	+22,70	+8951	+17,26
Variation 2010 /2009	+435	+2,82	-1024	-18,95	-313	-10,70	-458	-3,15	+1683	+7,49	+323	+0,53
Variation 2011/2010	+632	+3,98	+335	+7,65	-320	-12,25	+510	+3,62	-14360	-59,46	-13203	-21,60

Over the period analyzed the dynamics of the value of fixed assets acquired with own funds changes from positive to negative. It is unfavorable for the company in 2011 (-12 355

000 lv.) as a result of the negative impact of the significant reduction of fixed assets (-13 203 000 lv.) and the reduction of long-term liabilities (-848 000 lv.) (Table 4).

Table 4. Deviations in its own capital stock of the "St. St. Constantine and Helena Holding" JSC

Indicators	Fixed assets	Long-term liabilities	Own share capital
2008	51853	25230	26623
2009	60804	14322	46482
2010	61127	13187	47940
2011	47924	12339	35585
Variation 2009 /2008	+8951	-10908	+19859
Variation 2010 /2009	+323	-1135	+1458
Variation 2011/2010	-13203	-848	-12355

Table 5. Financing of fixed capital in "St. St. Constantine and Helena Holding" JSC

Indicators	CFA 1	CFA 0	Change	Impact on equity	Impact of long-term liabilities	Influence of fixed assets
2009	0,61	0,89	-0,28	0,04	-0,21	-0,11
2010	0,66	0,61	0,05	0,07	-0,01	-0,01
2011	0,88	0,66	0,22	0,05	-0,02	0,19

Throughout the entire studied period the coefficient of financing with fixed capital is less than 1, which is indicative of the lack of additional permanent and long-committed funds (apart from those used for financing the company's FA), but at the end of the period there

is dramatic increase. This result is a consequence of the influences of several factors: increased equity by +0.05 and reduction of long-term liabilities by -0.02, as well as reduced value of FA, which have a positive effect (+19). (**Table 5**).

Table 6. Change in the book value of fixed assets of the "St. St. Constantine and Helena Holding" JSC

Fixed material assets	Lands		Buildings and improvements		Machinery and equipment		Equipment		Transportation equipment		Fixtures		Costs of fixed assets in progress		Others		Total fixed assets	
	Amount thousand lv.	%	Amount thousand lv.	%	Amount thousand lv.	%	Amount thousand lv.	%	Amount thousand lv.	%	Amount thousand lv.	%	Amount thousand lv.	%	Amount thousand lv.	%	Amount thousand lv.	%
2008	9605	65,53	2461	16,79	186	1,27	1307	8,92	53	0,36	218	1,49	808	5,51	19	0,13	14657	100
2009	10072	65,19	1891	12,24	170	1,10	1486	9,62	31	0,20	283	1,83	1499	9,70	19	0,12	15451	100
2010	10249	64,52	2554	16,08	116	0,73	1449	9,12	24	0,15	180	1,13	1295	8,15	19	0,12	15886	100
2011	10231	61,94	2321	14,05	116	0,70	1554	9,41	31	0,19	133	0,81	2132	12,91	0	0,00	16518	100
Variation thousand lv./share 2009/2008	467	4,86	-570	23,16	-16	-8,60	179	13,70	-22	-41,51	65	29,82	691	85,52	0	0,00	794	5,42
Variation thousand lv./share 2010/2009	177	1,76	663	35,06	-54	-31,76	-37	-2,49	-7	-22,58	-103	-36,40	-204	-13,61	0	0,00	435	2,82
Variation thousand lv./share 2011/2010	-18	-0,18	-233	-9,12	0	0,00	105	7,25	7	29,17	-47	-26,11	837	64,63	-19	-100	632	3,98

During the studied period the dynamics of the balance value of FTA is positive. Interesting in the analysis is the dynamics of costs for acquisition of FTA (in 2009 they increased by +85.52% and in 2011 declined by -64.63%) and vehicles (in 2009 and 2010 they decreased by -

41.51% and -22.58%, and in 2011 increased by +29.17%). Negative is the influence of the active part of the FTA on the synthesis parameters characterizing the efficiency of the company's business (**Table 6**).

Table 7. Share of the active part of the fixed assets "St. st. Constantine and Helena Holding" JSC

Indicators	2011			2010			2009			2008		
	01.01	31.12.	change (+,-)	01.01	31.12.	change (+,-)	01.01	31.12.	change (+,-)	01.01	31.12.	change (+,-)
Share of the active part of the fixed assets, %												
a) at carrying value	14,01	14,53	0,52	14,45	14,01	-0,44	13,42	14,45	1,03	12,25	13,42	1,17
б) at book value	9,85	10,11	0,26	10,72	9,85	-0,87	10,19	10,72	0,53	9,73	10,19	0,46

In the period 2008 - 2011 the company maintained high levels of the active part of FTA

except for 2010 where the parameters have negative values (**Table 7**).

Table 8. Analysis of the movement of the fixed assets "St. St. Constantine and Helena Holding" JSC

Indicators	Lands	Buildings and improvements	Machinery and equipment	Equipment	Transportation equipment	Fixtures	Costs of fixed assets in progress	Others	Total fixed assets
1. Coefficient update in progress fixed assets:									
a) 2008	0,09	0,13	0,15	0,16	0,03	0,29	3,60	0,00	0,21
б) 2009	0,10	0,17	0,33	0,36	0,03	0,36	2,98	0,00	0,29
В) change(+,-)	0,01	0,04	0,18	0,20	0,00	0,07	-0,62	0,00	0,08
a) 2009	0,10	0,17	0,33	0,36	0,03	0,36	2,98	0,00	0,29
б) 2010	0,02	0,28	0,01	0,01	0,00	0,03	0,04	0,00	0,06
В) change(+,-)	-0,08	0,11	-0,32	-0,35	-0,03	-0,33	-2,94	0,00	-0,23
a) 2010	0,02	0,28	0,01	0,01	0,00	0,03	0,04	0,00	0,06
б) 2011	0,00	0,00	0,07	0,08	0,10	0,01	0,78	0,21	0,07
В) change(+,-)	-0,02	-0,28	0,06	0,07	0,10	-0,02	0,74	0,21	0,01
2. Coefficient of leavers fixed assets:									
a) 2008	0,08	0,31	0,04	0,07	0,00	0,02	2,94	0,00	0,21
б) 2009	0,05	0,35	0,08	0,25	0,05	0,02	2,13	0,00	0,24
В) change(+,-)	-0,03	0,04	0,04	0,18	0,05	0,00	-0,81	0,00	0,03
a) 2009	0,05	0,35	0,08	0,25	0,05	0,02	2,13	0,00	0,24
б) 2010	0,00	0,00	0,00	0,00	0,00	0,14	0,17	0,00	0,02
В) change(+,-)	-0,05	-0,35	-0,08	-0,25	-0,05	0,12	-1,96	0,00	-0,22
a) 2010	0,00	0,00	0,00	0,00	0,00	0,14	0,17	0,00	0,02
б) 2011	0,00	0,08	0,01	0,00	0,04	0,00	0,14	1,21	0,03
В) change(+,-)	0,00	0,08	0,01	0,00	0,04	-0,14	-0,03	1,21	0,01
3. Coefficient of intense renovation of fixed assets:									
a) 2008	1,13	0,42	4,00	2,29	0,00	13,50	1,22	0,00	0,99
б) 2009	1,92	0,48	4,26	1,44	0,57	19,67	1,40	0,00	1,24
В) change(+,-)	0,79	0,06	0,26	-0,85	0,57	6,17	0,18	0,00	0,25
a) 2009	1,92	0,48	4,26	1,44	0,57	19,67	1,40	0,00	1,24
б) 2010	0,00	0,00	0,00	0,00	0,00	0,19	0,21	0,00	3,25
В) change(+,-)	-1,92	-0,48	-4,26	-1,44	-0,57	-19,48	-1,19	0,00	2,09
a) 2010	0,00	0,00	0,00	0,00	0,00	0,19	0,21	0,00	3,25
б) 2011	0,00	0,00	14,00	0,00	2,80	3,00	5,76	0,17	2,45
В) change(+,-)	0,00	0,00	14,00	0,00	2,80	2,81	5,55	0,17	-0,80

In 2011 the largest is the share of renovation of costs for acquisition of FTA due to the increased number of machines and vehicles needed for construction and maintenance. The analysis shows that in 2011 in general there is no advanced renewal of FTA (+0.01%) since in

2008 and 2009 the share of the active part of FTA increased significantly. FTA depreciation is in the group of fixtures as a result of putting into operation of buildings already acquired in 2008 and 2009. In 2011 the coefficient of FTA written off increased by +0.01%, which is due to the

already reported FTA by depreciation plan in 2008-2009. In 2011 machinery and equipment have high percentage of intensive renovation (+14%), followed by the cost of acquisition of FTA (+5.5%) resulting from the new construction undertaken. In the reviewed period it is evident

that the share of fixtures varies widely as a result of the buildings sold in 2009. In general the coefficient of intensive renovation in 2011. is negative (-0.80%) in contrast to a previous period as a result of the already updated FTA and clearing away the depreciated FTA (**Table 8**).

Table 9. Indicators of the effectiveness of using fixed assets "St.st. Constantine and Helena Holding" JSC

Indicators	Output thousand lv.		Average size of fixed assets, thousand lv.		Load factor of fixed assets		Coefficient of absorption of fixed assets	
	Amount, thousand lv.	%	Amount, thousand lv.	%	Amount, thousand lv.	%	Amount, thousand lv..	%
2008	633		22299		0,03		35,23	
2009	2463		22383		0,11		9,09	
2010	2256		23394		0,10		10,37	
2011	2017		24145		0,08		11,97	
Change 2009/2008, thousand lv./ %	+1830	+289,10	+84	+0,38	+0,08	+287,64	-26,14	-74,20
Change 2010/2009, thousand lv./ %	-207	-8,40	+1011	+4,52	-0,01	-12,36	+1,28	+14,11
Change 2011/2010, thousand lv./ %	-239	-10,59	+751	+3,21	-0,02	-13,37	+1,60	+15,44

During the reviewed period there is insignificant increase in the values of the fund lending coefficient and drastic reduction of the fund

borrowing coefficient in 2009 (-26.14), which is indicative of the effective use of FTA (**Table 9**).

Table 10. Analysis of the impact of direct factors of viewpoint of fixed assets on the change in the value of products sold or manufactured:

Indicators	Average size of fixed assets, thousand lv.	Load factor of fixed assets	Influence of direct factors of viewpoint fixed assets		
			O ₁	O ₀	±ΔO
	Amount, thousand lv.		Amount, thousand lv.	Amount, thousand lv.	Amount, thousand lv..
2008	22299	0,03			
2009	22383	0,11	2462	669	+1793
2010	23394	0,10	2339	2462	-123
2011	24145	0,08	1932	2339	-407

There is negative dynamics in the value of goods produced or sold (**Table 10**). A reduction of the volume of goods produced is observed (**Table 11**).

Both at the beginning and at the end of each year of the studied period the amount of the fixed capital is less than the amount of fixed assets,

which is indicative of a poorly formed capital structure. As in 2011, the difference between constant capital and FA dramatically reduces and tends to make both values equal. As a result of optimizing the capital structure, the liquidity and solvency of the company in 2010 and 2011 marked a significant improvement and have positive values. (**Tables 12 and 13**).

Table 11. Analysis of the impact of direct factors on the volume of production or products sold:

Indicators	Average size of fixed assets, thousand lv.	Load factor of fixed assets	Direct influence factors on the volume of production:		
			$\pm\Delta O(\text{FA aver.})$	$\pm\Delta O(\text{absorption})$	Overall impact of the 2 factors
	Amount, thousand lv.		Amount, thousand lv.	Amount, thousand lv.	Amount, thousand lv.
2008	22299	0,03			
2009	22383	0,11	2,52	1790,64	+1793,16
2010	23394	0,10	111,21	-223,94	-112,73
2011	24145	0,08	75,10	-482,90	-407,80

Table 12. Capital structure of the "St. St. Constantine and Helena Holding" JSC

Indicators	Equity	Long-term liabilities	Fixed capital	Fixed assets
2008	20917	25230	46147	51853
2009	22886	14322	37208	60804
2010	27328	13187	40515	61127
2011	30005	12339	42344	47924
Variation 2009/2008	+1969	-10908	-8939	+8951
Variation 2010/2009	+4442	-1135	+3307	+323
Variation 2011/2010	+2677	-848	+1829	-13203

Table 13. Liquidity analysis of "St. St. Constantine and Helena Holding" JSC

Coefficients	Coefficient of general liquidity	Coefficient of quick liquidity	Coefficient of immediate liquidity	Coefficient of absolute liquidity
2008	0,7031	0,5904	0,5904	0,0320
2009	0,2649	0,1843	0,1825	0,0018
2010	0,3437	0,2676	0,2657	0,0020
2011	0,6093	0,4145	0,4145	0,0067
Variation 2009/2008	-0,4382	-0,4061	-0,4079	-0,0302
Variation 2010/2009	+0,0788	+0,0833	+0,0832	+0,0002
Variation 2011/2010	+0,2656	+0,1469	+0,1487	+0,0047

CONCLUSION

As a result of the deduced economic indicators and categories for financial diagnostics of the company assets we could highlight the efficient management of capital as a result of the correct strategic decisions made by the management.

The positive trends in the structural indicators give reason to claim that reserves could be sought in the management of total assets and their share in the profit formation. Forecast of cash flow is one of the most important activities in managing liquid assets. This is due to the increasing

importance of short-term investments. On the other hand, the accurate forecasting of cash balances, the improvement of selection of investment tools, diversification result in an increased profitability and risk reduction. Of course, short-term investments should not be absolutised since the increase of cash balances decreases the risk in the company and helps to smooth volatility in its financial results. However, this is done by reducing the efficiency of the company's short-term investments.

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