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An Analysis Financial Crisis Conditions Review

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1 INTRODUCTION

Indicators are relationships between quantities, accounting or statistical origin, designed to determine the actual position or profitability of the various departments or areas of activity of the company, as well as, ultimately, the actual situation and performance of the entire company or in general of the sector in which it operates. These ratios are widely used in Finance, Accounting, Business Economics and elsewhere. Their calculation is based on data of the financial (accounting) statements of the company and, in particular, on the balance sheet, the results of the year and the profit and loss table. It is pointed out from the beginning that a numerator, by itself, has only relative value and, many times, can lead us to misleading conclusions. Therefore, the ratio, in order to be a useful tool for the financial analyst in drawing correct conclusions about the current and future financial situation and the overall performance of the company, should be compared with something else.

For this reason it is necessary to do:
a) Comparison between different indicators of the specific company in a specific year.
b) Calculation of the indicators of a specific company for a number of years and their comparison over time, in order to determine any improvement or deterioration of these indicators over time.
c) Calculation of indicators for a number of years for some representative companies in the industry (and in particular the main competing companies) and comparison of these indicators with those of the company, in order to draw conclusions about the performance of the company in the competitive market environment.
d) Calculation of the indices for a sufficient number of comparable (similar) enterprises of the sector, to which the enterprise belongs, as well as of the average index of the branch with the corresponding indices of the enterprise, in order to
drawing conclusions about the performance of this company in relation to the average performance of other, similar companies in the industry.
It is noted that, in the last two cases, appropriate data should be used so that the comparative analysis is done between companies with similar characteristics.

Basic categories of financial indicators

The financial analysis of the financial data of the company is done, either by external analysts, ie by people outside the company, or by internal analysts, ie by people inside the company and, usually, by the person in charge of its financial operation.
External analysts (eg banks, other creditors, equity investors, etc.) focus on the analysis and evaluation of those indicators that reflect the performance of the company in the specific sector that interests them most.
For example:
Banks, which consider the case of granting short-term loans to a company, are mainly interested in those indicators, which reflect the short-term financial condition or liquidity of the company.
Conversely, if banks, or other creditors, consider granting long-term loans to finance a company's investment programs, their focus is primarily on those indicators that reflect the firm's ability to make profits, even operating (ie gross profits and operating profits) on a short-term and long-term basis.
Moreover, investors in equity securities will focus mainly on the ratios, which reflect the growth and long-term profitability of the company, without, of course, omitting the analysis of the indices of the other categories.
The management of the company, finally, is interested in all its sectors from its ability to meet its short-term liabilities to its ability to grow and make profits for its shareholders in the medium to long term.It is therefore useful to classify the indicators in the following six basic categories, each of which includes a series of indicators.

2 Liquidity Indicators

Liquidity Ratios are a set of criteria whose main purpose is to measure the ability of the company to meet its overdue liabilities and, more generally, its current short-term liabilities.
In this category we will examine the following indicators:
a) Traffic (general) liquidity ratio.
b) Index of direct (specific) liquidity.
c) Cash liquidity ratio.
d) Index of average receivables collection period.
e) Index of traffic speed of collection of receivables.
f) Index of average payback period of accounts payable.
g) Traffic speed index of accounts payable.
h) Cash maintenance ratio.

3 Activity indicators (traffic speed)

Activity or traffic speed indicators measure the number of revolutions made by a company's assets as a whole or in groups or individually in a financial year. These indicators determine the degree of effective use or utilization of available business resources.
In this category we will look at the indicators:
a) Traffic speed index of total assets (or invested
funds).
b) Turnover rate of current assets.
c) Inventory traffic speed index.
d) Traffic speed index of receivables.
e) Cash flow rate indicator.
f) Net asset turnover rate.

4 Capital structure or leverage ratios

The main purpose of these indicators is to measure the extent to which the company has used (financed with) loan funds for its development. These indicators, on the one hand, determine the relationship between the 3
assets and capital of the company and on the other hand the degree of dependence of its assets on foreign capital is measured.
In this category we consider the following indicators:
a) Index of total loan burden.
b) Index of coverage of financial expenses.
c) Index of degree of coverage of fixed assets with long-term capital.
d) Degree of coverage of current assets with permanent capital traffic.
e) Fixed cost coverage ratio
f) Total coverage ratio
g) Index of long-term liabilities to equity.
h) Index of foreign equity.
8) Index of degree of property consolidation.

5 Efficiency ratios

Profitability indicators measure the profitability of the company in relation to sales, net worth and total invested capital.
In this category we examine the following indicators:
i) In relation to sales:
a) Gross profit margin ratio on sales
b) Gross profit margin ratio on cost of goods sold
c) Cost of goods sold to total sales revenue
d) Index of net profit margin before taxes
e) Net profit margin ratio after taxes
ii) In relation to net worth:
a) Return on equity
iii) In relation to the total invested funds

a) Return on total assets
b) Operating efficiency index (total efficiency)

6 Indices of investments in equity securities

These ratios are used by investors to select stocks. In this category we will consider the following indicators:
a) Earnings per share
b) Price index to earnings per share (R / E)
c) Price index to book value per share (P! BV)
d) Dividend yield or share yield
e) Percentage of distributed profits
f) Cash flow per share
g) Price ratio to gross cash flow (P / CV)
h) Price Earnings Growth PEG Index
i) Stock market index
j) Total market (capital) value of a company
k) Index of market value (capital) of a company for share sales
l) Rate of volatility in relation to the stock market index
(BETA Coefficient)

7 Growth-growth indicators

These Indicators express the ability of the company to grow and maintain its competitive position in a competitive environment and in general, in a dynamically developing economy.
The following indicators belong to this category:
a) Rate of increase in sales revenue.
b) Net profit growth rate.
c) Rate of growth of net profits per share.
d) Dividend growth rate per share.
e) Rate of growth of average purchase price per share.
f) Rate of increase of book value per share

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