

CONTROL OF FINANCIAL CYCLE ENTERPRISES WINE INDUSTRY

The article is dedicated to the essence and special features of financial cycle of enterprises of wine industry. The influence of components of financial cycle of wine industry enterprises and its duration, notably production lead-time, average time of offset of bill payable and bill receivable are also analyzed in the article.

***Kew words:** wine industry, financial cycle, anti-crisis financial management, production cycle, bill payable and bill receivable.*

Task assignment. Today`s market relations of management determine the necessity of provision of effective functioning of wine enterprises. For achievement of high results, activity of the enterprise should be based on introduction of effective operating assets management and its financing.

Operating assets management is connected with peculiarities of formation of its operating cycle, which is a period of full turnover of all sum of operating assets, during the process of which a change of its separate types takes place. It characterizes a period between production stock acquisition and receipt of cash assets from sales of products, produced from them.

Analysis of last researches and publications. Such scientists researched the management of enterprise`s financial cycle in their works: I. O. Blank [1], James K. Van Horn [2], V. V. Kovalyov [3], A. M. Podderiogin [4], R. A. Slavuk [5], V. M. Sheludko [6] and others.

Having analyzed the research works and publications on this topic, it is determined that a contemporary economic literature has two approaches to determination of economic essence of enterprise`s financial cycle. Such scientists as James Van Horn and R.A. Slavuk consider a financial cycle as a period of cash assets turnover, which is equal to the interval, during which operating assets are withdrawn from turnover. A second group of scientists – economists, among whom

are I. O. Blank, V.V. Kovalyov, A. M. Podderiogin, V. M. Sheludko, consider a financial cycle as a period between offset of bill payable for feedstock and materials and offset of bill receivable for sold products and goods.

Having analyzed the scientific publications on the researched topic, it is determined that all existing publications have only generalized definition and structure of financial cycle. The works have no peculiarities of financial cycles on the enterprises of wine industry and its management.

Statement of problem. A purpose of the research is special features of financial cycle on the enterprises of wine industry, definition of key factors of influence on it and its management.

The tasks of this article are discovery of essence of control of financial cycle on the enterprises of wine industry and definition of general characteristics.

Main results of research. Length period of financial cycle is an important factor, which influences on the needs of the enterprise in current assets. Duration of financial cycle is an important business index and efficiency of management of operating assets of the enterprise and depends on the negotiability of stocks and cash assets in settlements with purchasers and suppliers, and influences on the parameters of receipts optimization.

Length period of financial cycle can be calculated under the following formula:

$$FC = DTSC + DTBR - DTBP \quad (1)$$

where $DTSC$ – duration of turnover of stocks and costs, days;

$DTBR$ – duration of turnover of bill recieveble, days;

$DTBP$ – duration of turnover of bill payable, days.

V. V. Kovalyov in his work [3, c. 474] demonstrates that duration of turnover of stocks and costs and duration of bill receivable are inertial by its nature, and decision about the question – pay or not pay, is made by top-manager of the enterprise. Therefore, if we locate these factors according to the manageability level, on the first place will be bill payable, on the second – bill receivable and on the third – stocks of different materials. The more durable the financial cycle is, the more the enterprise needs assets for carrying out of activity of production and sales of products [7].

Thereby, as management criterion the duration of financial cycle should be minimal. Theoretically, it amounts to nothing, and its negative value shows that the enterprise takes the risk, financing its current activity by creation of bill payable for goods, works and services. Indices of duration of financial cycle of enterprises of wine industry of Ukraine are given in the table 1.

Table 1 – Length time of financial cycle of the enterprises of wine industry of Ukraine, days *

| Name company | Years | | | | | | Magnification (+) / Reduction (-) |
|---|--------|---------|--------|---------|---------|---------|-----------------------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | |
| JSC «Odessavinprom» | 233,8 | 163,9 | 134,5 | 63,9 | 92,8 | 208,4 | - |
| JSC «Odessa plant of champagne wines» | 243,3 | 180,2 | 170,0 | 226,0 | 243,8 | 271,8 | + |
| JSC «Kharchovyk» | 270,2 | 34,0 | 20,6 | 202,1 | 131,6 | 125,8 | - |
| JSC «Bolgradsky winery» | 850,0 | 988,0 | 352,0 | 796,0 | 117,0 | 366,0 | - |
| JSC «Ismail winery» | -211,0 | -522,7 | -80,4 | 928,0 | 45,0 | 21,0 | - |
| JSC «Viktoriya» | 14,0 | 3,7 | -3,6 | 92,0 | -26,9 | -19,0 | + |
| PJSC «Koblevo» | 100,6 | -27,0 | -64,1 | -23,7 | 29,9 | -80,7 | + |
| PJSC «Zolote pole» | 0 | -1434,0 | -602,0 | -1015,5 | -1323,4 | -3342,6 | + |
| JSC «Bakhchysaray wine-producing plant» | -441,9 | -119,2 | -185,0 | -237,1 | -120,0 | -324,0 | - |

* Is calculated by the author on the basis of financial statement of enterprises

On the assumption of data, indicated in the table 1, we can make a conclusion that on such enterprises, as JSC “Odessavinprom”, JSC “Kharchovyk”, JSC “Bolgrad wine-producing plant” and JSC “Izmail winery”, comparing 2012 with 2007, we can observe a shortening of duration of financial cycle with extension of period of negotiability of bill payable. On JSC “Odessa plant of champagne wines” we can observe extension of length period of financial cycle, which is influenced by increase of negotiability of stocks and bill receivable.

During 2011 and 2012 such enterprises, as JSC “Viktoriya”, PJSC “Koblevo”, PJSC “Zolote pole”, JSC “Bakhchysaray wine-producing plant”, had negative duration of financial cycle. Negative value of financial cycle certifies about the fact that the enterprise increases the usage of attracted cash assets in its turnover, and also

there is famine of cash assets, connected with low negotiability of bill receivable. Ex facte, this situation seems to be attractive, because the enterprise finances all its operating capital at the expense of its creditors, i.e. free of charge. But from another part, this situation is characterized by high financial risk and certifies about pre-bankruptcy status of the enterprise.

Analyzing the financial cycle, we should mark out and research its components, which influence on the length period of financial cycle. The structure of financial cycle of the enterprise of wine industry is indicated in the table 2.

Table 2 – Structure of financial cycle of enterprises of wine industry

| Name company Component FC | 1. JSC «Odessa vinprom» | 2. JSC «Odessa plant of champagne wines» | 3. JSC «Kharchovyk» | 4. JSC «Bolgradsky winery» | 5. JSC «Ismail winery» | 6. JSC «Viktoriya» | 7. PJSC «Koblevo» | 8. PJSC «Zolote pole» | 9. JSC «Bakhchisaray wine-producing plant» |
|---------------------------------|----------------------------|---|---------------------|-------------------------------|------------------------|--------------------|-------------------|-----------------------|---|
| 2007 y. | | | | | | | | | |
| DTSC | 239,7 | 283,8 | 379 | 296 | 325 | 63 | 147,5 | 0 | 1060,7 |
| DTBR | 69 | 104,8 | 125,9 | 643 | 79 | 47 | 260 | 0 | 235,4 |
| DTBP | 74,9 | 145,3 | 234,7 | 89 | 615 | 96 | 306,9 | 0 | 1738 |
| 2008 y. | | | | | | | | | |
| DTSC | 308 | 516 | 378 | 1624 | 408 | 81 | 96 | 1356 | 128,6 |
| DTBR | 72,9 | 82,9 | 145 | 1292 | 74,3 | 32,7 | 185 | 273 | 16,2 |
| DTBP | 217 | 418,7 | 489 | 1928 | 1005 | 110 | 308 | 3063 | 264 |
| 2009 y. | | | | | | | | | |
| DTSC | 340 | 315 | 410 | 1726 | 220,6 | 69,9 | 93 | 1211 | 161,7 |
| DTBR | 78,5 | 77,9 | 137,6 | 1880 | 79 | 36,5 | 196,7 | 1133 | 32,3 |
| DTBP | 284 | 222,9 | 527 | 3254 | 380 | 110 | 353,8 | 2946 | 379 |
| 2010 y. | | | | | | | | | |
| DTSC | 389,9 | 386 | 281 | 989 | 256 | 57 | 96,5 | 738 | 270,6 |
| DTBR | 101,5 | 129 | 102 | 1101 | 81 | 39,7 | 134,8 | 359,5 | 43,2 |
| DTBP | 427,5 | 289 | 180 | 1294 | 365 | 98,7 | 255 | 2113 | 550,9 |
| 2011 y. | | | | | | | | | |
| DTSC | 634,8 | 459 | 364 | 324 | 249 | 65,2 | 120 | 969,9 | 95,3 |
| DTBR | 189,7 | 152,8 | 108 | 416 | 80 | 69,9 | 73,7 | 916,7 | 96,7 |
| DTBP | 631,7 | 368 | 341 | 623 | 284 | 162 | 163,8 | 3210 | 267,9 |
| 2012 y. | | | | | | | | | |
| DTSC | 686 | 472 | 365 | 450 | 236 | 63,8 | 161,9 | 1772 | 173,5 |
| DTBR | 204 | 178,2 | 102 | 720 | 76 | 75,2 | 100,4 | 387,3 | 70,4 |
| DTBP | 681,6 | 378,4 | 342 | 804 | 291 | 158 | 343 | 5501 | 567,9 |

DTSC – duration of turnover of stocks and costs; DTBR – duration of turnover of bill receivable;
DTBP – duration of turnover of bill payable

The analysis of structure of financial cycle (see table 2) shows that typical for all enterprises is insignificant shortening of average time for offset of bill receivable during the analyzed period, despite of the enterprises, such as JSC “Odesavinprom”, JSC “Odessa plant of champagne wines” and JSC “Bolgrad wine-producing plant”, where we can observe its growth. Duration of turnover in stocks, comparing 2007 with 2012, increased on such enterprises: JSC “Odesvinprom”, JSC “Kharchovyk”, PJSC “Koblevo” and PJSC “Zolote pole”, and on all other researched enterprises we can observe acceleration of turnover in stocks, which positively influences on duration of financial cycle. As for prolongation of payment to the suppliers, comparing 2007 with 2012, it became longer on 6 enterprises and on JSC “Bolgrad wine-producing plant”, JSC “Izmail winery” and JSC “Bakhchysaray wine-producing plant” it became shorter.

Thus, negative and positive value of duration of financial cycle is determined, first of all, by the policy of relation of the enterprise to its current indebtedness. Among all enterprises, only PJSC “Koblevo”, PJSC “Zolote pole” and JSC “Bakhchysaray wine-producing plant” pursue a debt policy, on which a negative value of duration of financial cycle for the researched period has increased. Obviously, these enterprises have no enough money, which forms at the expense of bargaining from sales of products.

The financial cycle of the enterprise is a time, during which cash assets are withdrawn from turnover. So, to understand how cash assets transform on each stage of financial cycle, it is necessary to mark out the forms of assets on different stages of financial cycle of the enterprise (table 3).

Table 3 – Transformation of cash assets on different stages of financial cycle (drawn up by the author)

| Stages of financial cycle | Forms of cash assets | Turnover of cash assets | | |
|----------------------------------|---|-------------------------|-----------|-----------|
| Order of feedstock and materials | Free cash assets, assigned for payment of feedstock and materials | | | |
| Arrival of | Cash assets are in form | Production | Period of | Operating |

| | | | | |
|------------------------------------|--|---------------------------------------|--------------------------|-------|
| feedstock and materials | of stocks of unfinished production | cycle | turnover of bill payable | cycle |
| Payment of feedstock and materials | Flight of money flows | | Financial cycle | |
| Shipping of integrated products | Cash assets in form of integrated products | Period of turnover of bill receivable | | |
| Payment of integrated products | Cash inflow in form of money flows | | | |

Conclusions. Financial cycle includes: investment of cash assets in feedstock and materials for production of products, production process, sales of products (goods, works, services), acquisition of income (revenue) from sales of products (goods, works, services).

The executed analysis of financial cycle structure of wine industry enterprises showed that typical for its activity is insignificant time of offset of bill receivable and high specific weight of time for offset of bill receivable. It stipulates negative value of duration of financial cycle, intensification of financial subordination of enterprises, because rate of growth of bill payable for goods, works and services on the most of enterprises pass ahead of rates of growth of bargaining from sales of products.

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