

Financial Analysis of an Average Transport Company in the Czech Republic

Financijska analiza prosječne prijevozne kompanije u pojedinoj zemlji

Marek Vochozka

The Institute of Technology and Businesses in
České Budějovice, Czech Republic
e-mail: vochozka@mail.vstecb.cz

Zuzana Rowland

The Institute of Technology and Businesses in
České Budějovice, Czech Republic
e-mail: rowland@mail.vstecb.cz

Jaromír Vrbka

University of Žilina
Žilina, Slovak Republic
e-mail: vrbka@mail.vstecb.cz

DOI 10.17818/NM/2016/S128

UDK 656.07:657.6

Review / Pregledni rad

Paper accepted / Rukopis primljen: 31. 3. 2016.

Summary

The goal of this summary is to introduce shortly the financial analysis, the features typical for transport companies in general, and determine the financial characteristics of an average transport company in the Czech Republic. Financial analysis is an effective tool for the evaluation of enterprise financial efficiency. It is able to identify the strengths and weaknesses of a given enterprise. It is key tool for every transport company to measure and evaluate its efficiency. That will be helped by the balance sheet information, profit and loss statement information or cash flow statement. Ratios of profitability, activity ratios, Liquidity ratios, Debt ratios, absolute indicators, and the method of comprehensive evaluation of enterprise are used mainly. The data analysed in this contribution come from the Albertina database. It is the information of transport companies for the period of 2010 – 2014. Financial analysis of an average transport company is worked out based on the established data, and therefore the state of the future potential of transport in the Czech Republic. It can be claimed that the branch of transport is financially healthy and promising in the Czech Republic. Extension of growth, which has started already in 2011, is expected even further.

KEY WORDS

financial analysis
financial health
transport company
branch of transport

Sažetak

Cilj ovog sažetka je kratko uvesti financijsku analizu, značajke tipične za prijevozne kompanije općenito i odrediti financijske karakteristike prosječne prijevozne kompanije u Češkoj Republici. Financijska analiza je djelotvoran alat za procjenu financijske djelotvornosti tvrtke. Omogućuje identificirati dobre i loše strane kompanije. Ona je ključni alat za svaku prijevoznu kompaniju da bi se izmjerila i procijenila njena djelotvornost. Potkrijepljuje se informacijama bilance, informacijama o zaradi i gubitku ili izvaji o protoku gotovoga novca. Uglavnom se koriste omjeri profitabilnosti, omjeri aktivnosti, omjeri likvidnosti, omjeri duga, apsolutni indikatori i metoda opsežne procjene tvrtke. Podaci koji su analizirani u ovom prilogu su uzeti iz Albertina baze podataka. To je informacija o prijevoznim kompanijama klasifikacije branše ekonomskih aktivnosti u ČR (CZ NACE) za razdoblje 2010. - 2014. – međugradski putnički željeznički prijevoz, gradski i prigradski putnički kopneni prijevoz, kopneni teretni prijevoz i usluge seobe. Financijska analiza prosječne prijevozne kompanije je razrađena na utemeljenim podacima i stoga predstavlja stanje budućega potencijala prijevoza u CZ. Može se ustvrditi da je branša prijevoza financijski zdrava i obećavajuća za Češku Republiku. Povećanje rasta, koje je već započelo godine 2011. očekuje se i nadalje.

KLJUČNE RIJEČI

financijska analiza
financijsko zdravlje
prijevozna kompanija
branša prijevoza

1. INTRODUCTION

Financial analysis is an integrated process. According to [2] it informs about decision-making and its results should lead to the support of company viability. Financial analysis, including evaluation of the past, present and future is an efficient tool applicable in the evaluation of economic and financial efficiency of an enterprise [9]. An enterprise cannot exist without financial analysis, which presents a systematic analysis of obtained data, contained especially in financial statements [1]. It identifies financial strengths and weaknesses of an enterprise (also

in comparison to others), facilitates decision-making about investments and funding [2]. It analyses and interprets the data from accounting (mainly data from statement of accounts – from balance sheet, profit and loss Statement, cash-flow statement and notes to the financial statement), and therefore it identifies economic and financial aspects from the liquidity area, solvency, indebtedness, activity, efficiency and others [2]. The information obtained is the subject of interest from several external and internal users – from the management, investors,

banks, creditors, purchasers, competition, employees, state organs, etc. [1]. The basic methodical tools of financial analysis are according to [9] the ratios, that ensure a relatively exact and fast evaluation of financial situation. They include mainly the following: profitability ratios (Return on assets, Return on equity, Return on sales, Return on investment, ...), activity ratios (Total assets turnover, Fixed assets turnover, Inventory turnover, Accounts receivable turnover, Average collection period, ...), debt ratios (Debt ratio, Total debt to total assets, Equity ratio, Financial leverage, Debt to equity ratio, ...), liquidity ratios (Current ratio, Quick ratio, Cash ratio, ...), market value ratios, and indicators of work efficiency, property and productivity reproduction.

Also every transportation company should measure and evaluate its achievements. The source of information for financial analysis of transport companies comes according to [2] especially from the information on balance sheet and on Profit and Loss Statement. Analysing this information brings significant results which should be taken into account by managers during future planning. Financial analysis provides transportation companies with the basic information for decision-making, and that is especially in the investment area, for instance, while purchasing a new vehicle. [5]. The above mentioned traditionally used indicators of profitability ratios, activity ratios, liquidity ratios, debt ratios, market value ratios and leverage ratios.

Transport companies are divided into railway, road, water, aviation, and marine ones, while they can be public or non-public transport companies. In contrast to other companies, a transport company does not store the offered transportation services and its investments demand significant costs and a long time of construction, which may influence the efficiency of organization in the long run [6]. The process of globalization presents, according to [3], a current economical and political interconnection, while transportation companies are striving to meet the highest leading company standards. This change in the transportation market and the accelerating cycle of the external and internal changes in transport companies brings extraordinary demands on the top management in the area of management processes. [3]. Transportation companies focus mainly on the purchase and maintenance of vehicles, including their insurance. This is the characteristic that distinguishes them from other companies, for which the care of the rolling stock is only an additional activity. Besides these, much higher costs emerge in transportation companies, such as workshops, garages and other engineering facilities. In contrast, in other companies higher costs emerge, and these are costs on administration offices or warehouses.

The significant difference between transportation and other companies is the focus on ecology. Transportation companies have a much greater negative influence on the environment [10]. This influence was not being solved up until 1990. Nowadays, questions of ecology are bringing the whole world huge concerns, that is why they are often discussed and organizations are constantly forced to solve these environmental problems. These measures, of course, concern transportation companies much more than most other types of companies [10].

The most important factors determining the level of company competitiveness include the credibility of the company (recommendations from other customers, the time

of presence in the market), reliability of deliveries (promptness, accuracy, completeness), used means of transport (transport, reloading), transport route (distance), frequency of carriage, size of freight, delivery cost (price) and the level of alternative costs [4, pp. 406]. The customer in transportation companies perceives and takes into account especially the quality of service, fleet, customer service, promotional activities, prices and reliability of the company. Transportation companies should thoroughly focus on these factors [4]. These aspects are, except the rolling stock, important also for other companies.

Transportation companies almost never avoid damage cases (should it be the damage of transported goods or transported persons). Such damage causes the rise of not only direct costs (repairs), but also indirect costs, which include administration costs, costs for the temporary replacement, time costs of the driver and other employees or negative image for a company. These costs may be the same price of direct costs, but transportation companies do not realize this fact as often. In transportation companies the amount of insurance also unfolds from the level of damage [8]. If its degree is not as big, companies pay a lower insurance to insurance companies (the costs may be dramatically decreased in this way).

A transportation company needs educated and professional employees, while a permanent in-service education plays an important role. In these companies it is important to employ qualified employees in all the processes that define the quality of transportation service. A transportation company should, according to [7], know which qualifications are necessary for a certain workplace, it must analyze and draw up a catalogue of workplaces with the accompanying organigram, which graphically presents the company structure. A part of its qualification demands on transportation company employees comes from legislation. They then need to have the correct types of driving license or the workers must be accredited with driving motor forklifts to be professionally qualified for this job. Additional training of the employees may be run in external institutions or within the company. [3]. Planning is performed on several levels in transportation companies – especially strategic planning, annual planning and planning of the concrete and individual service. [8]. Goals must be measurable, but differ from other companies. Transportation companies have their goals connected again with means of transportation, it is for example to increase the amount of transportation by 10% compared to the previous year, or to decrease costs in general for the maintenance of rolling stock. [8]. (These companies keep detailed records and consequently analyze the data which monitor the implementation of services. An example of the simplest records is the fulfilling of work or travel orders which provide information about the person who drove the transport means, type of goods, and transport substrate, beginning of loading, beginning of transport, ending time of transport, average speed and standstills, end of unloading and return to garage [7, pp. 1169]. The customer requirements have to be determined and accepted in the form in which they insure ambiguity, transparency and precision in every sense. [7, pp. 1169]. Very process of transport service realization is very demanding because the time of delivery cannot be guaranteed with full certainty, due to numerous obstacles in transportation. It is possible to avoid these problems partially, using high-quality services, planning of the best route, regular

fleet maintenance, everyday controls of prepared activities etc. Careful handling of the goods and items during transportation is one of the basic preconditions for the realization of a high-quality transport service. [7, pp. 1170].

2. METHODOLOGY

The data to be analysed will come from the Albertina database. It is data about transportation companies from the following CZ-NACE groups (i.e. branch classification of economical activities in the Czech Republic): 4920 – Rail freight, 4930 – Other passenger rail transport, 4931 – City and suburban regular passenger land transport, 4941 – Road freight transport, 4942 – Relocation service.

Regarding the location and minimal importance of some types of transportation companies operating in shipping transport will not be included within the collection of companies.

The analysis requires a time series of five successive marketing years. The number of companies will be the following for the purpose of individual years of the analysis: 2010: 3144; 2011: 3233; 2012: 3261; 2013: 3143; 2014: 2268.

The analysis will require financial statements, balance sheet and Profit and Loss statements of all companies listed in particular. Financial characteristics of average companies may be determined by the average of values given in individual entries of all companies examined in a given year. The average value may seem to be rather deceptive. Of course, it is given by the fact that in general, extreme values on both scale poles may deviate the result into one or the other side. Often, one of the modifications of the average is used (for example the harmonized average) or modus or median. However, in this case it is not really necessary. The set shows a comparatively wide range of data. In each year, except 2014 more than 3,100 statements of transportation companies are available. Thanks to this amount we can assume that extreme values will exist on both sides of the scale and their amount will not influence the result significantly.

As soon as the financial statements of average transportation companies in the Czech Republic are obtained, an analysis following the goal of the evaluation of financial health of such a company and determining its potential for the following years, will be performed.

Specifically the absolute indicators, and turn indicators will be analysed, but also methods of a complex evaluation of a company will be included. The analysis of absolute indicators will be examining the development of chosen variables through time and/or their structure throughout time. In case of balance sheet mainly total assets will be analysed. Its rise or fall, as well as the final trend will be significant. Further, the structure of assets and liabilities for the period of 2010 – 2014 will be examined. Income statement will be analysed from the value added in time perspective. Further on it will be suitable to examine the structure of company income (how the operating, financial and extra economical outcome is made).

Average indicators will follow:

1. Profitability indicators:
 - a. ROA (Earnings Before Interest and Taxes / assets),
 - b. ROS 1 (Earnings Before Interest and Taxes / Revenues),
 - c. ROCE (Earnings Before Interest and Taxes / Equity + long-term Debt),

- d. ROE (Earnings after Taxes / Equity),
 - e. ROS 2 (Earnings after Taxes / Revenues),
 - f. cash flow/ Equity,
 - g. Wage costs of sales I = wages / revenues,
 - h. Wage costs of sales II = personal costs / revenues.
2. Activity indicators:
 - a. Asset turnover = Revenues / assets,
 - b. Time of asset turnover = assets / (Revenues/360),
 - c. Time of inventory turnover = inventory / (Revenues/360),
 - d. Time of Debt collection = debts / (Revenues /360),
 - e. Time of Maturity of short-term liabilities = short-term liabilities / (Revenues/360).
 3. Debt indicators:
 - a. Equity Ratio = Equity / assets,
 - b. Debt Ratio I. = Debt / assets,
 - c. Debt Ratio II. = ((Debt + other liabilities) / assets),
 - d. Debt Equity Ratio = Debt / Equity,
 - e. Interest Coverage I. Earnings Before Interest and Taxes / interest,
 - f. Interest Coverage II ((Earnings Before Interest and Taxes + depreciation) / depreciation),
 - g. Cash Flow / ((Foreign sources – Provision) / 360).
 4. Liquidity Indicators:
 - a. Net Working Capital = (current assets – short-term liabilities),
 - b. Working capital for assets = ((current assets – short-term liabilities) / assets),
 - c. Capitalization indicator = (long-term property / long-term capital),
 - d. Total liquidity = current assets / short-term liabilities),
 - e. Current ratio = ((Short-term liabilities + financial property) / short-term liabilities),
 - f. Financial liquidity = (FM / short-term liabilities),
 - g. Time of maturity of short-term liabilities = (short-term liabilities / (revenues / 360)).

Within methods of a complex evaluation of an enterprise the following will be used:

1. Bankruptcy and creditworthy models:
 - a. Altman indexes, specifically for companies negotiable in financial markets, companies unnegotiable in financial markets, modification suitable for Czech enterprises,
 - b. The Neumaier Indexes, i.e. IN 95, IN 99, IN 01, IN 05,
 - c. Tafler Index,
 - d. Grünwald Index,
 - e. The Rapid Kralick test (original and modified),
 - f. Solvency Index.
2. Economical Value Added (EVA Equity, EVA Entity).

3. RESULTS

With regard to the methodology the analysis of absolute indicators was performed first, specifically the analysis of individual items in the balance sheet. Table No.1 offers a shortened version of the balance sheet, specifically of the assets, an average enterprise (further on as AC). We would like to add, we claim that all total data is in thousands of CZK.

Table 2 presents a shortened version of a balance sheet, sources of coverage – passives – in particular.

Table 1 A shortened version of balance sheet – Assets

ASSETS		2010	2011	2012	2013	2014
	ASSETS IN TOTAL	68 748	120 898	111 522	115 538	159 524
A.	LIABILITIES FOR OWN SUBSCRIBED CAPITAL					
B.	LONG-TERM PROPERTY	54 414	105 201	97 415	99 304	140 106
B.I.	Long-term intangible Property	281	238	99	52	92
B.II.	Long-term tangible Property	49 984	100 797	96 333	98 108	138 499
B.III.	Long-term financial Property	4 149	4 166	983	1 144	1 515
C.	CURRENT ASSETS	13 649	14 892	13 099	15 431	18 521
C.I.	Inventory	1 377	1 318	824	866	1 037
C.II.	Long-term liabilities	429	631	452	247	293
C.III.	Short-term liabilities	9 153	9 869	8 458	9 743	11 244
C.IV.	Financial Property	2 690	3 074	3 365	4 575	5 947
D.	OTHER ASSETS – temporary asset accounts	685	805	1 008	803	897
D.I.	Accruals	685	805	1 008	803	897

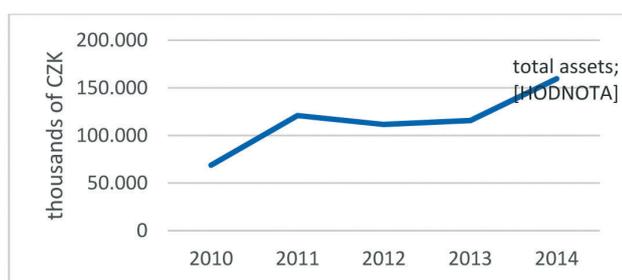
Source: authors

Table 2 Shortened version of balance sheet – liabilities

LIABILITIES		2010	2011	2012	2013	2014
	LIABILITIES IN TOTAL	68 748	120 898	111 522	115 538	159 524
A.	OWN CAPITAL	44 062	69 459	53 802	55 661	76 263
A.I.	Basic capital	27 403	26 554	19 710	20 938	27 829
A.II.	Capital Funds	18 575	18 386	11 920	12 438	16 623
A.III.	Provision Funds and other profit funds	748	771	742	898	1 145
A.IV.	Economic result of the previous years	35	608	1 304	1 072	1 842
A.V.	Result of economy of a current reporting period (+/-)	-2699	23140	20126	20315	28824
B.	FOREIGN SOURCES	24 055	50 702	57 256	59 404	82 397
B.I.	Provisions	797	674	687	789	967
B.II.	Long-term liabilities	5 667	8 384	5 096	5 334	7 421
B.III.	Short-term liabilities	11 974	19 049	18 127	17 930	23 015
B.IV.	Bank credits and supports	5 617	22 595	33 346	35 351	50 994
C.	OTHER LIABILITIES – temporary liability accounts	631	737	464	473	864
C.I.	Accruals	631	737	464	473	864

Source: authors

The obtained data clearly shows that the volume of enterprise assets and liabilities has more than doubled. This is demonstrated by the development of the enterprise total assets, which is presented in Picture No. 1.

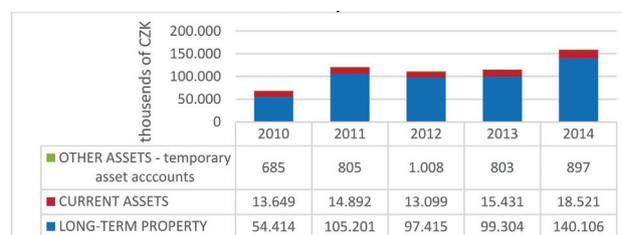


Source: authors

Picture 1 The development of total assets

In 2010 the total assets gains a value greater than 68 million CZK. In the following year it grows violently up to almost 121 million CZK. In 2012 and 2013 it decreases slightly, down to, approximately, 111 million CZK to reach, in 2014, the volume of almost 160 million CZK. That is caused predominantly by the change of two variables. On the side of the assets this is the growth of the volume of movables and collections of movables. On the side of liabilities it is the Average Company economy result growing primarily. We can claim that the change in

volume of both variables is desirable. In the case of profit the reason is the fact that liabilities from business relations are not growing rapidly. Thanks to that the enterprise has acquired more suitable means. The growth of movables implies the growth of the volume of means of production, respectively of means of transportation. That implies the prevailing optimism of transportation companies. They believe that the volumes of their performance will keep growing. The situation is confirmed by the graph in Picture No. 2.

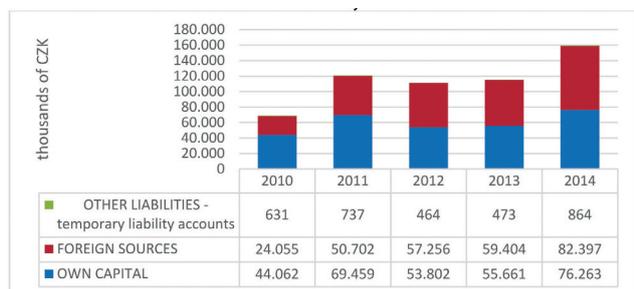


Source: authors

Picture 2 Structure of assets in individual years

The graph demonstrates the same directive of volume curve of total assets and long-term property. The volume of other assets is in fact imperceptible. The volume of current property does not change significantly. From the initial almost 14 million CZK it grows up to the final 19 million CZK. The mild growth is caused by a gradual raise in liability volume and the growth in

short-term property volume. Liabilities, which is positive, grow slower than the volume of Average Company performance. The growth of short-term financial property volume implies an effort to eliminate the decrease of enterprise liquidity in all of its three levels, thanks to the growing short-term liabilities. The Average Company passive structure is the matter of Picture No.3.

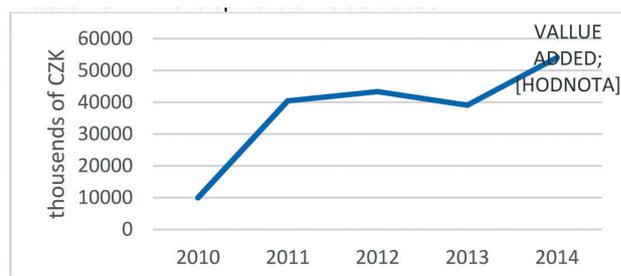


Source: authors

Picture 3 Structure of passives in individual years

As it has been mentioned above, the total sum of assets is getting higher throughout the time thanks to the growth of economical growth. The loss in 2010 may still be ascribed to the world economical crisis, Nevertheless, in other years the Average Company has demonstrated a profit which was growing in time. Regarding the fact that transportation companies are expecting following growth within the branch, the volume of foreign capital is growing as well. Except a significant increase in bank credits and supports, the volume of short-term liabilities has been growing as well. The growth of liabilities available to an enterprise free of charge, may be evaluated as positive in case of need of funding. The shortened Average Company profit and loss statement is given in Table no. 3.

Two variables, besides others, occur to be interesting. First, it is the development of Average Company Value Added (Picture No.4). Further on, the structure of economic result must not be omitted (Picture No. 5).



Source: authors

Picture 4 Development of value added

The value added has increased from less than 10 million CZK up to more than 54 million CZK. That is, in other words, an incredible leap. Average Company performance has more than doubled. On the other hand, personal costs in time have decreased. Fractionally, but have decreased.

The structure of economic result is also highly interesting. The increase of operating result, respectively the move of Loss in 2010 to Profit in 2014, may be perceived as rather positive (from -1 784 to +31 345). Operating result is generated from the main activity of an enterprise, i.e. transportation.



Source: authors

Picture 5 Development of economic result structure

Table 3 Chosen items of profit and loss statement

Item	2010	2011	2012	2013	2014
I. Revenues on goods sales	5393	5222	5172	5585	6135
A. Costs expended on sold goods	4850	4700	4718	5089	5643
+ BUSINESS MARGIN	543	522	454	496	492
II. Performance	40000	74011	70952	70127	90398
B. Performance Consumption	30607	34110	28096	31594	36843
+ VALUE ADDED	9936	40423	43310	39029	54047
C. Personal Costs	14250	13386	8428	10544	13511
D. Tax and Payments	1628	1767	1802	1922	2275
E. Depreciation of long-term intangible and tangible property	3959	8197	9087	7913	11003
* OPERATING PROFIT	-1784	24635	21817	21539	31345
X. Revenue interests	34	39	36	30	38
N. Cost Interests	279	351	294	277	331
* FINANCIAL RESULTS	-356	-1065	-1214	-757	-1845
Q. Income tax for current activity	567	482	347	460	689
** ECONOMIC RESULT FOR CURRENT ACTIVITY	-2707	23088	20256	20322	28811
* EXCEPTIONAL ECONOMIC RESULT	8	52	-130	-7	13
T. Transfer of an economic result share onto the shareholders	2	2	-7	1	1
*** Economic Result for Accounting Period	-2699	23140	20126	20315	28824
Economic Result before Tax	-2128	23612	20456	20780	29516

Source: authors

Table 4 Return indicators

Indicator	2010	2011	2012	2013	2014
ROA – Total Asset Return (EBIT / Assets)	-2.7%	19.8%	18.6%	18.2%	18.7%
ROS 1 – Return on Sales (EBIT / Revenues)	-4.1%	30.4%	27.3%	27.9%	31.0%
ROCE – Return on Capital (EBIT / (Equity + long-term debt))	-3.5%	25.3%	24.1%	23.2%	23.2%
ROE – Return on own capital (EAT / Equity)	-6.1%	33.3%	37.4%	36.5%	37.8%
ROS 2 – Return on Profit (EAT / Revenues)	-6.0%	29.3%	26.5%	26.9%	30.0%
Return from own financial sources (CF / Equity)	1.1%	44.0%	54.0%	50.3%	51.4%
Wage costs of sales I	23.1%	12.4%	8.1%	10.2%	10.2%
Wage Costs of sales II (from total personal costs)	31.5%	17.0%	11.1%	14.0%	14.0%

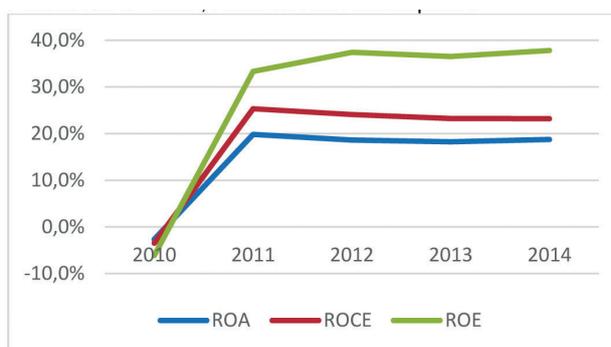
Source: authors

The Average Company generates Loss steadily from the second and third storey of economic result, i.e. from the financial and exceptional storey. The loss does not change much in time, and does not pull the Average Company total economic result into Loss. Such positive results must prove even in the indicators of average indicators. Table No. 4 presents the results of profitability indicators.

Indicators prove to be relatively negative in 2010. The positive trend is started in 2011 and in the following years. The whole situation is demonstrated through wage costs of sales (calculated in one case only from wages and in the second one from personal costs). In 2010 it reaches up to 23.1 %, respectively, up to 31.5%, and subsequently it falls down to 10.2% and 14%, that is by a half. But, even in this case the positive trend is apparent already from 2011. The loss in 2010 is apparent from both indicators of profit return. But, all changes in 2011.

Graph in picture No. 6 demonstrates the development of chosen types of return, specifically the return on assets, return on own capital and return on invested capital. For enterprise owners the most important information is return on own capital. More or less it informs on how much or how little the input capital has been evaluated. Generally we compare the result with similar investment opportunities in the market. In the case of Average Company the enterprise owner ... If they have not given up their investments straightaway, they could have expected a profit of almost 38% per year in the following years. Such a result is more than excellent. In case of Average Company the company owner evaluated 6,1% of his deposit in 2010.

From the owner's point of view, and in this case also the creditor's point of view, the ROCE indicator is also certainly very interesting. This indicator takes into account only invested means, those that are paid for by the investors (dividends and interests). From the investors' point of view it is then the evaluation for a given specific year. Based on the ROCE results they may consider using a speculative capital. In that case such an investment would be worthy in 2011 to 2014, when the indicator was moving somewhere between 22% and 25%.



Source: authors

Picture 6 ROE, ROCE and ROA development

The ROA indicator is generally a ratio of enterprise assets and profit. Based on its development we may document the efficiency of enterprise property use. In 2010 it shortly indicates a huge volume of non-efficiently used enterprise property. In the following years the indicator moves under the border of 20%. Regarding the increase of long-term property and whole total assets, the stable height reaching the mentioned value is a success. If the presumption of further enterprise growth is fulfilled, it is logical that the ROA indicator will grow and so the enterprise will be ready for its next life stage. Table No. 5 offers a development of Average Company activity.

Activity indicators evaluate the involvement of individual property items, and short-term liabilities into the main enterprise process, production. Revenues make up an integral part of each indicator. These are defined as monetary expressions of enterprise performance. Asset turnover informs on how many times per year assets turn into revenues. The indicator moves within the range of 0.6 and 0.66 within the period observed. Inventory turnover is a very similar indicator. It indicates how many times the inventory turns into revenues. The value moves within the range of almost 33 to almost 93. In case of turnover indicators we consider the highest value to be the most acceptable value for an enterprise. The higher the turnover indicators, the more efficiently the enterprise uses its

Table 5 Activity ratios

Indicator	2010	2011	2012	2013	2014
Asset Turnover (Revenues / Assets)	0.66	0.65	0.68	0.65	0.60
Inventory Turnover (Revenues / Inventory)	32.84	59.90	92.22	87.11	92.74
Time of asset turnover (Assets / (Revenues / 360))	547.36	551.32	528.35	551.40	597.12
Time of Inventory turnover (Inventory / (Revenues / 360))	10.96	6.01	3.90	4.13	3.88
Time of Liability Collection (Liability / (Revenues / 360))	639.63	723.86	620.19	643.94	676.99
Time of short-term liabilities Maturity (Short-term L. / (Rev. / 360))	95.33	86.87	85.88	85.57	86.15

Source: authors

Table 6 Indebtedness indicators

Indicator	2010	2011	2012	2013	2014
Equity Ratio (Equity / Assets)	64.09%	57.45%	48.24%	48.18%	47.81%
Debt Ratio I. (Debt / Assets)	34.99%	41.94%	51.34%	51.42%	51.65%
Debt Ratio II. ((Debt + other Liabilities) / Assets)	35.91%	42.55%	51.76%	51.82%	52.19%
Debt Equity Ratio (Debt / Equity)	0.55	0.73	1.06	1.07	1.08
Interest Coverage I. (EBIT / interest)	-6.63	68.27	70.58	76.02	90.17
Interest Coverage II. (EBIT + depreciation) / interest)	7.56	91.62	101.49	104.58	123.41
Cash Flow / ((Foreign sources-provisions) / 360)	7.17	220.10	184.99	171.82	173.28

Source: authors

property for its main process, production. Indicators of time of turnover follow, specifically indicators of assets and the inventory. Both indicators offer information on how many days are needed for turning full assets, or inventory into revenues. The smaller the value of this indicator, the better the situation for the enterprise. Two interesting indicators follow. It is the time of liability collection and time of liability payment. In the first case we require as low a value as possible. In the second case we require a value as longest (highest) as possible. Thanks to the optimal situation we keep the available monetary financial means within the enterprise. Thus we help funding the monetary cycle itself. The time of payment of short-term liabilities may be considered great, relatively long. In case of liabilities AVERAGE COMPANY cannot be content. The value is extremely long. Thus it is clear that there is a huge number of liabilities, which are impenetrable.

Table No. 6 presents the results of indebtedness indicators. It has already been mentioned, in the part devoted to the analysis of absolute indicators, that the Average Company indebtedness is relatively high.

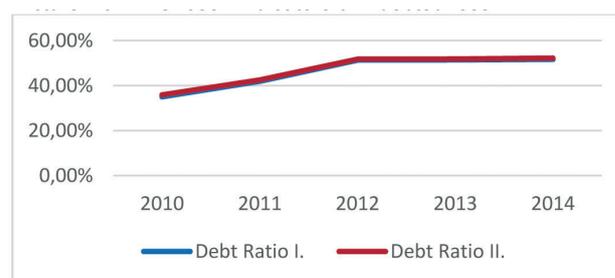
The Equity Ratio Indicator offers the ratio of own capital and total assets. The share in 2010 was more than 64%. It gradually decreased to almost 48%. If we observed the enterprise from the manufacturing company's point of view the value in 2014 would have been optimal. In such a case we may incline to the fact that it is a positive development. This is given by the revenue and volume growth of long-term property in a company. As it has been mentioned, this is the reflection of transportation companies' managers' optimistic view on the future development of the branch.

Debt Ratio Indicator gradually grows from 35, respectively 36% up to 52%. Regarding the fact that it is an inverse indicator to Equity Ratio, the resulting value is the difference of 100% and the Equity Ratio indicator.

The indicators of interest coverage are very important indicators. Interest coverage I is the share of revenue before interest and taxation and cost interest. The indicator observes how the enterprise is able to pay the interest to the creditors from

a generated profit. In case its value is 1 and higher it means that the enterprise is able to pay the interest, and the bank can still wait, even with its possible principal payment (if it knows that the enterprise will put up with its problems). Even when the indicator is slightly higher than 1, this still can be devastating for the enterprise. In such a case it is not only unable to pay off its credit, but it will not even ensure the reproduction of its property. Interest coverage II already assumes that the enterprise has to go on functioning. That is why it involves the depreciation within the calculation so that the reproduction of manufacturing resources is ensured.

Picture 7. offers a graphical expression of interest coverage indicators development in 2010 to 2014.



Source: authors

Picture 7 Chosen indicators of indebtedness

The value of both indicators is stable since 2012 and on a relatively high level. Table No. 7 offers the analysis of Average Company liquidity.

Total liquidity, current liquidity and monetary liquidity are considered to be the most important indicators. Their development is shown in Picture No. 8.

Total Liquidity and Current Liquidity are on a comparatively equal level, which is documented not only by the graph, but also by particular indicators. It means that Average Company shows comparatively low inventory. On the contrary, the value of both types of liquidity is comparatively higher than monetary liquidity. That is an evidence of the fact that a comparatively important role is played by liabilities within the enterprise. However, in regard of the total assets and performance volume,

Table 7 Liquidity ratios

Indicator	2010	2011	2012	2013	2014
Working Capital (Current Assets - short-term L.)	-1 998	-11 278	-12 264	-9 194	-11 763
Working capital for assets ((Current Assets - short-term L.) / Assets)	-2.91%	-9.33%	-11.00%	-7.96%	-7.37%
Capitalization indicator (long-term Property / long-term Capital)	1.03	1.11	1.13	1.10	1.09
Total Liquidity (Current Assets / short-term Liabilities)	0.90	0.58	0.53	0.63	0.62
Current Liquidity ((short-term L. + Financial Property) / short-term L.)	0.78	0.51	0.47	0.59	0.57
Monetary Liquidity (Financial Property / short-term L.)	0.18	0.12	0.14	0.19	0.20
Time of short-term liability payment (short-term L. / (Revenues / 360))	95.33	86.87	85.88	85.57	86.15

Source: author



Source: authors

Picture 8 Chosen indicators of liquidity

the level of liabilities is not as high. Generally it can be stated that Average Company shows a relatively lower level of total and current liquidity, and an optimal level of monetary liquidity. Management of such an enterprise would be rather inclined to take risks. Thanks to such an attitude there is a real risk that the enterprise will not be able to pay off its liabilities. On the contrary, it is marked by a high level of efficiency of working capital usage.

Having analysed the ratios we will transfer to the chosen methods of a complex evaluation of an enterprise. Table No. 8 offers the results of applied bankruptcy and creditworthy models.

All Altman indexes predict bankruptcy to Average Company soon. On the contrary, IN indexes predict the ability of the enterprise to survive a prospective financial distress. Tafler index evaluates the Average Company positively as well and claims that the enterprise is not reaching bankruptcy. Grünwald index, as well as Kralick tests evaluate the Average Company positively. Even the solvency index characterizes it as an enterprise with an extremely good solvency. So, to sum up, all methods except Altman indexes evaluate the Average Company positively, as a stable enterprise, promising and able to survive a possible financial distress. The second area of a complex enterprise evaluation is the chosen EVA methods. Table No.9. offers the EVA Equity indicator calculation.

The indicator evaluates the enterprise's benefit for its owner. It evaluates, in fact, the correctness of the implied investment with regard to other investment alternatives in the market. If the value is lower than 0, the investor should consider their trade. In 2010 such

Table 8 Bankruptcy and creditworthy models

	2010	2011	2012	2013	2014
Altman analysis – Enterprises negotiable in financial markets	0.482848956	1.471401512	1.435775901	1.422170195	1.403927309
Statement	Enterprise declines	Enterprise declines	Enterprise declines	Enterprise declines	Enterprise declines
Altman analysis – Enterprises innegotiable in financial markets	0.521013426	1.367788417	1.344042019	1.320111666	1.294774441
Statement	Enterprise declines	Enterprise declines	Enterprise declines	Enterprise declines	Enterprise declines
Altman analysis – Modification suitable for Czech enterprises	0.482848956	1.471401512	1.435775901	1.422170195	1.403927309
Statement	Enterprise declines	Enterprise declines	Enterprise declines	Enterprise declines	Enterprise declines
IN 95	0.187568557	10.12958792	10.18426578	10.7508803	12.30519534
Statement	Enterprise is reaching bankruptcy	Enterprise is able to survive possible financial distress	Enterprise is able to survive possible financial distress	Enterprise is able to survive possible financial distress	Enterprise is able to survive possible financial distress
IN 99	0.241924953	1.234642255	1.183119054	1.158601771	1.147181006
Statement	Enterprise is reaching bankruptcy	Economy is in the Grey zone			
IN 01	0.24611239	4.024089318	4.012291175	4.219745091	4.784455463
Statement	Enterprise is reaching bankruptcy	Enterprise is able to survive possible financial distress	Enterprise is able to survive possible financial distress	Enterprise is able to survive possible financial distress	Enterprise is able to survive possible financial distress
IN 05	0.618427568	0.652626886	0.592110672	0.604187444	0.61412122
Statement	Enterprise is reaching bankruptcy	Enterprise is reaching bankruptcy	Enterprise is reaching bankruptcy	Enterprise is reaching bankruptcy	Enterprise is reaching bankruptcy
Tafler Index	0.116156342	0.827977475	0.766114107	0.780408787	0.831361215
Statement	Enterprise is reaching bankruptcy	Enterprise is not reaching bankruptcy	Enterprise is not reaching bankruptcy	Enterprise is not reaching bankruptcy	Enterprise is not reaching bankruptcy
Grünwald Index	-9.210444406	79.30664535	11.60306763	30.11315697	175.7638491
Statement	Lame Duck	Solvent enterprise	Solvent enterprise	Solvent enterprise	Solvent enterprise
Fast Kralick Test - (original) Average mark	3.75	1	1	1	1
Statement	Lame Duck	Solvent enterprise	Solvent enterprise	Solvent enterprise	Solvent enterprise
Kralick Fast Test I (modified) – Average markl	2.75	2.5	2.5	2.5	2.5
Statement	Average enterprise	Average enterprise	Average enterprise	Average enterprise	Average enterprise
Solvency Index	-0,298520013	3.762166958	3.50758633	3.43904703	3.646122659
Statement	Bad Solvency	Extremely good Solvency	Extremely good Solvency	Extremely good Solvency	Extremely good Solvency

Source: authors

Table 9 EVA equity

Indication	Description	2010	2011	2012	2013	2014
r_f	Riskless Revenue	3.89%	3.70%	1.92%	2.20%	0.67%
r_{LA}	Indicators characterizing the company size	5.00%	5.00%	5.00%	5.00%	5.00%
$r_{podnikatelské}$	Indicators characterizing production power	10.00%	0.00%	0.00%	0.00%	0.00%
	XP	0.033	0.013	0.010	0.009	0.008
ROA	EBIT/Assets	-0.033	0.236	0.225	0.219	0.220
$r_{FinStab}$	Indicators characterizing relations between assets and liabilities	0.00%	10.00%	10.00%	10.00%	10.00%
	Total Liquidity	1.14	0.78	0.72	0.86	0.80
	Current Liquidity	1.02	0.71	0.68	0.81	0.76
WACC	Weighted Average Costs of Capital (NN)	18.89%	18.70%	16.92%	17.20%	15.67%
ROE	Profitability of own capital	-5.68%	48.89%	62.74%	59.96%	58.40%
r_e	Alternative Costs on Own Capital (NN)	21.50%	29.95%	36.98%	38.20%	35.00%
UZ	Corrupt sources (own capital + bank credits + bonds issued)	53 750	73 559	66 291	70 103	101 395
d	Tax rate on Corporate Income	120%	220%	320%	420%	520%
EVA	$(ROE - r_e) * \text{Equity (NN)}$	-12 908	8 963	8 263	7 371	11 550

Source: authors

Table 10 EVA entity

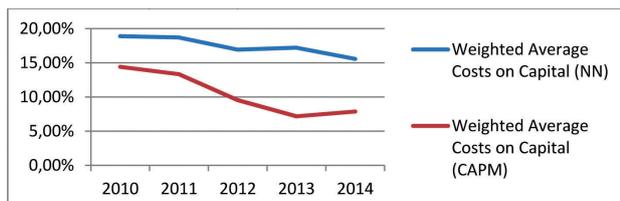
Indication	Description	2010	2011	2012	2013	2014
EBIT	Profit before credit and Tax	-1849	23963	20750	21057	29847
t	Income Tax Rate	19%	19%	19%	19%	19%
C	Total Capital	53112	69927	65426	69234	100348
D	Foreign Capital	5617	22595	33346	35351	50994
D/C	Foreign Capital / Total Capital	0,11	0,32	0,51	0,51	0,51
r_d	Foreign Capital Use Rate	4.97%	1.55%	0.88%	0.78%	0.65%
E	Own Capital	47495	47332	32080	33883	49354
E/C	Own Capital / Total capital	0,89	0,68	0,49	0,49	0,49
r_e	Alternative Costs on Own Capital (CAPM)	15.78%	16.73%	14.05%	10.69%	12.01%
r_f	Riskless Revenue	3.89%	3.70%	1.92%	2.20%	0.67%
$\beta_{leveraged}$	Beta in debt	0,90	0,75	0,60	0,49	0,59
$\beta_{unleveraged}$	Beta not in debt	0,99	1,04	1,11	0,91	1,08
$(r_m - r_f)$	Bonus for Risking	6.28%	7.28%	7.08%	6.05%	6.80%
WACC	Weighted Average Costs on Capital (CAPM)	14.54%	11.73%	7.25%	5.56%	6.18%
C*WACC	Costs on Capital	7721	8204	4744	3846	6197
EVA	$EBIT * (1 - t) - C * WACC$ (CAPM)	-9219	11207	12064	13210	17980

Source: authors

a situation arose. But, already in 2011 and further the value moved high above the threshold. Table No. 10 presents the calculation and results of EVA Entity.

The indicator evaluates the attractiveness of investment for the enterprise owners and creditors. Equally, the required value is above 0. The process is similar to EVA Equity case. The years 2011 to 2014 are interesting, when the EVA value moves high above 0 level.

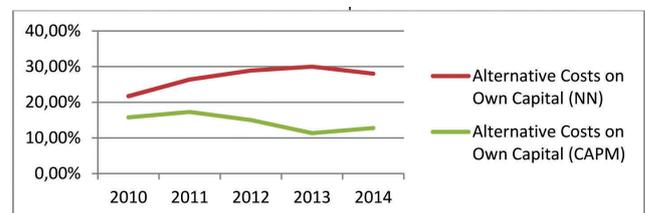
The following graphs offer a certain comparison of EVA Equity and EVA Entity. Specifically in Picture No. 9 the process of capital weighted average costs is showed.



Source: authors

Picture 9 Weighted average costs on capital

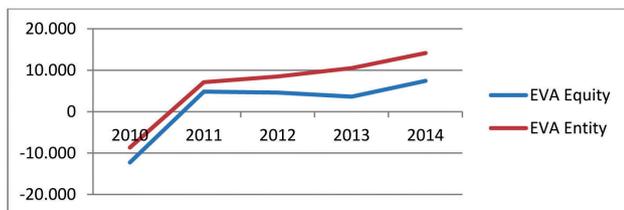
From this picture it is clear that capital weighted average costs in the case of EVA Equity are during the whole period higher than the value of EVA Entity capital weighted average costs. Picture No. 10 offers a comparison of alternative costs on the EVA Equity and EVA Entity capital.



Source: authors

Picture 10 Alternative costs on own capital

Even in this case the value of alternative costs on own EVA Equity capital is higher than alternative costs on own EVA Entity capital. That will, of course, with regard to EVA calculation, lead to a result that is pictured in Picture No. 11.



Source: authors

Picture 11 Economic value added

The EVA Equity surface is, therefore, during the whole period, lower than EVA Entity.

4. SUMMARY

Average Company is, according to the performed analysis a stable growing enterprise. It is possible to claim that in the beginning of the observed period it was stricken by a world economical crisis. It ended in the transportation branch and the enterprise grew up to more than doubled total assets. The enterprise proves great results in the area of Profitability. A slightly higher level of debt is understandable, and in its result it helps increase the efficiency of an enterprise economy. Even methods of complex enterprise evaluation perceive the future development of enterprise positively. From the perspective of owners and creditors it is an interesting investment not only in the short-term, but also in the long-term period.

The management can be given only two suggestions:

1. Regulate the growth so, that Average Company can control the whole process of services not decreasing their value
2. Observe the rate of enterprise indebtedness and in case it finds out that property is not used as expected, it should react selling the not needed and little used property.

5. CONCLUSION

The goal of this contribution was to settle the financial characteristics of an average transportation company in the CZ. A financial analysis of an Average company should have been performed based on the obtained data, and thus a future potential of transportation in the Czech Republic should have been discovered.

The goal has been fulfilled. An Average company has been determined and its analysis performed. It can be claimed that the branch of transportation in the Czech Republic is financially

healthy and promising. An extension of growth, which has already begun in 2011 can be expected.

The truth is that it is impossible to overlook the fact that we are presenting results of a branch through an Average company. It is then clear that some facts might be presented differently from a company conception. For example. It is suitable to highlight the fact that number of examined companies was changing throughout the time. Transportation Company Council went bankrupt. Thus the branch has become fresher in general, and Average Company was able to prove better results. A different partial interpretation, however, does not mean that there has been an extreme simplification of the situation. On the contrary, the situation has been simplified so as to become comprehensible and understandable, and at the same time to reflect the reality within the branch of transportation.

REFERENCES

- [1] Andekina, R., Rakhmetova, R. Financial Analysis and Diagnostics of the Company. *Procedia Economics and Finance*, 2012, Vol. 5, pp. 50-57. [http://dx.doi.org/10.1016/S2212-5671\(13\)00008-7](http://dx.doi.org/10.1016/S2212-5671(13)00008-7)
- [2] Grünwald, R., Holečková, J. *Financial Analysis and Planning of Enterprise* (1st ed.). Praha: Ekopress, 2007, 318 p.
- [3] Hrášková, D., Bartošová, V. Emergent Approach to Management of the Transport Company. *2Nd International Conference On Social Sciences Research*, 2014, Vol. 5, No. 1, pp. 92-96.
- [4] Lisinska-Kusnierz, M., Gajewska, T. Determinants of Competitiveness Level of Refrigerated Transport Services Companies. *Polish Journal of Natural Sciences*, 2014, Vol. 29, No. 4, pp. 405-413.
- [5] Majerčák, P., Berzáková, V., Šalaga, J. Financial side of the Transport Company. *Transport Means – Proceedings of the International Conference*, 2015, Vol. 19, pp. 321-324.
- [6] Quinet, E., Vickerman, R. *Principles of Transport Economics*. Cheltenham, UK: Edward Elgar, 2004, 385 p.
- [7] Rajsman, M., Pros, N. Integrated Management System of a Transport Company. *Technicki Vjesnik*, 2014, Vol. 21, No. 5, pp. 1165-1175.
- [8] Rienstra, S.A., Rietveld, P., Lindeijer, J.E. Economic Evaluation of Traffic Safety Measures for Transport Companies. *Accident Analysis*, 2000, Vol. 32, No. 5, pp. 679-687. [http://dx.doi.org/10.1016/S0001-4575\(99\)00104-9](http://dx.doi.org/10.1016/S0001-4575(99)00104-9)
- [9] Gazdikova, J., Sustekova, D. Selected statistical tools for financial analysis. *Ekonomicko-manazerske spectrum*, 2009, Vol. 3, No 2, 8-11. ISSN 1337-0839.
- [10] Rosillón, N., Alejandra, M. Análisis financiero: una herramienta clave para una gestión financiera eficiente. *Revista Venezolana De Gerencia*, 2009, Vol. 14, No. 48, pp. 606-628.
- [11] Seroka-Stoplka, O., Tomski, P., Pabian, A. Environmental Strategies in the Management of Transport. *4th International Conference on Advanced Logistics and Transport (Icalt)*, 2015, Vol. 4, pp. 122-127.
- [12] Klietnik, T. Quantification Effectiveness Activities Traffic Company By The Rules of Data Envelopment Analysis. In: *E & M Ekonomie a Management*, 2009, Vol. 12, pp. 133-145, Liberec, Czech Republic. ISSN 1212-3609.