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AUDIT ASSESSMENT OF THE COMPETITIVENESS OF TRADE ENTERPRISES

The article investigates the importance and justifies the necessity of assessing the competitiveness of trade enterprises. The main provisions of the methodology of its evaluation in the audit system are presented. The rankings of trade enterprises are determined by means of the integral indicator of the economic growth rate, the integral estimation of the distance from the standard of the individual factors of the financial condition, and also on the basis of calculation of the operating leverage indicator.

Keywords: trade enterprise, economic activity, competitiveness, audit, analytical procedures, profitability, liquidity, financial sustainability.

Барабаш Н., Рипа Т. Аудиторская оценка конкурентоспособности предприятий торговли. В статье исследовано значение и обоснована необходимость оценки конкурентоспособности предприятий торговли. Представлены основные положения методики ее оценки в системе аудита. Определены рейтинговые позиции предприятий торговли с помощью интегрального показателя темпа экономического роста, интегральной оценки расстояния от эталона отдельных коэффициентов финансового состояния, а также на основе вычисления показателя операционного рычага.

Ключевые слова: предприятие, хозяйственная деятельность, конкурентоспособность, аудит, аналитические процедуры, рентабельность, ликвидность, финансовая стойкость.

Background. In modern conditions of enterprise competitiveness management, various methods of its evaluation are used, each of which corresponds to certain areas of strategic management. Among them the most widespread are:

- a methodology based on the assessment of management efficiency of supply, production and sales of sold products (goods, works, services);
- a methodology related to the assessment of the quality of products (goods, works, services);

- a methodology for assessing the enterprise competitive advantages by M. Porter [1];
- a method of benchmarking based on the study and use of successful competitive enterprises achievements and increase on this basis the competitiveness of its own enterprise;
- a method of competitive elements recruitment.

The use of competitive techniques can be convenient in different situations, depending on the strategy chosen by the enterprise and the specifics of the industry to which it belongs. The results of assessments, as well as the methods of their receipt, differ significantly, and the final assessment of competitiveness acquires subjective nature, since the final choice depends on the analyst.

On this basis, it may be noted that most of the techniques mentioned do not give the auditor confidence that the result corresponds to the actual level of competitiveness of the enterprise. That is why, in order to assess the competitiveness of trade enterprises, taking into account the specifics of the industry, a method of recruiting competitive elements should be used, as it provides a step-by-step study, starting with a comparative assessment of the most important financial and marketing indicators and ending with a generalization of the obtained estimates by integrating individual indicators based on the use of matrix methods of strategic analysis.

Analysis of recent research and publications. The research of various aspects of the analytical assessment of enterprise activities was conducted by such domestic and foreign scientists as I. Blank, I. Mnykh, A. Butko, O. Bolshakova, H. Kravchenko, M. Nykonovych, M. Boliukh, V. Burchevskiy, M. Horbatiukh, O. Hetman, V. Shapoval, D. Norton, R. Kaplan, H. Mytrofanov, O. Kuzmin, N. Petryshyn, A. Mazaraki, D. Psheslinskyi, I. Smolin, L. Malyarets, A. Shtereverya, A. Mischenko, M. Kyzym, A. Pylypenko, V. Zynchenko, O. Skybytskyi [2–15], and many others.

Marking out of unsolved parts of general issue to which the article is dedicated. Assessing the contributions of scientists mentioned above, it should be noted that, while exploring the methodological aspects of economic analysis, they did not set the task of developing a comprehensive assessment of competitiveness in accordance with the audit requirements. Thus, despite the presence of a large number of modern publications on the formation of a system of economic indicators of an enterprise, the problem of providing analytical audit competitiveness have largely been lost beyond the interests of researchers. At the same time, the intensification of competition in the conditions of market relations development actualizes the issue of complex audit evaluation of the enterprise competitiveness with the use of both individual and integrated analytical indicators.

The **aim** of the study is to develop methodological approaches to the analysis of the trade enterprises competitiveness in accordance with the requirements of the audit.

Materials and methods. The information base of the article is represented by scientific works of domestic and foreign scientists [1–15], domestic legal documents [16], as well as statistical data [17].

The basis of the research is the scientific methods, among which it is advisable to distinguish the following: analysis and synthesis, comparison, idealization and abstraction, as well as systematization and generalization – when formulating the conclusions as a result of the study.

The results of the research. To assess the competitiveness of an object, a system of methodological support should be used that includes methodological techniques for internal financial analysis (methods for assessing economic growth, financial condition and operational and financial risks of enterprises), marketing analysis (methods for assessing the dynamics of market value of enterprises and their share in the goods market, assessment of the competitiveness of goods and services of enterprises) and strategic analysis (methods of integrated assessment of the competitiveness according to financial and marketing indicators, which led to separate ratings of enterprises). It is this approach to the formulation of the methodology that allows us to provide a reasoned integrated (complex) assessment of the competitiveness of the enterprise.

The deterioration of the economic situation in Ukraine during 2013–2017 has led to unprofitableness of enterprises of the trading sector all in all during four years. According to the State Statistics Service [17], during this period, almost a third of large and medium-sized enterprises had losses and negative equity values. This does not mean that the definition of the competitiveness of loss-making enterprises is impossible, but in terms of coverage of the competitive analysis methodology, their inclusion in a group of competitive enterprises is not feasible, except in some cases when outsiders compete for leadership positions. Equally, the negative value of equity, although possible in modern conditions, leads to the removal of a number of financial ratios from the calculations, which does not allow the full disclosure of the valuation technique.

In order to maintain and disclose the methodological provisions of the competitiveness analysis, profitable trade enterprises with a positive value of equity were selected, which, according to the Economic Code of Ukraine [16], were classified as medium-sized, whose activities on the Kyiv commodity market comprise at least 5 years. On these grounds, for the analysis of competitiveness, the following retail companies were selected: «Velyka Kyshenya» trading network store (hereinafter – E1); «Eco-Market» trading network store (hereinafter – E2); «ATB-Market» trading network store (hereinafter – E3); «Silpo» trading network store (hereinafter – E4).

A quantitative characteristic of the competitiveness of enterprises can be applied to a specific market, which has a certain number of competitive enterprises. That is why the correct definition of the investigated market boundaries is an indispensable condition for an objective assessment of the competitiveness of individual enterprises [9, p. 142].

Strengthening the role of financial analysis is conditioned primarily by the fact that managerial decisions of a financial nature are dominant in the management of economic entities, both in the internal and external sides. In addition, the zone of uncertainty of competitive behavior and business cooperation highlights the need for profound argumentation and parity of the benefits of such a partnership, an objective assessment of possible dangers and threats and thorough advantages, recognition of additional guarantees and risk assessment [13, p. 13].

Methodical techniques of internal financial analysis allow comparing the competitiveness of enterprises by the following indicators:

- integral indicators of enterprises economic growth rates (for generalization of income growth rates, financial results, expenditure return, turnover and profitability of enterprises);
- integral indicators of distance from the standard (for generalization of financial condition coefficients);
- indicators of risk of loss of the trade enterprises operating profit as a result of lower income from sales of products (goods, works, services), calculated by the operating leverage method.

Among the methods for determining the competitiveness of enterprises according to the above mentioned groups of financial indicators, preference is usually given to methods based on expert assessments of each participant involved in the generalization of the indicator, which is assigned the appropriate number of points, depending on its size. The order of the distribution of points between the indicators with differentiation from the smallest to the highest value of each indicator is set by a group of experts. The most detailed rating of enterprises based on expert opinions on the quality of financial indicators is stated by O.M. Skibitskyi [15].

Let us dwell in more detail on determining the company's rating based on the calculation of the integral indicator of the rate of economic growth. Among the factors of competitiveness of the enterprise, the most important are those that determine the intensity of its development, namely the rate of change in income and financial results, which directly affect the rate of change in expenditure return, turnover and profitability of enterprises. The latter are, to a certain extent, derived from the rate of change in income and financial results, but this does not mean that they can be deduced from the scope of the study of the development intensity. Because accelerated growth of expenses, assets or capital in comparison with the growth of incomes and financial results will lead to a decrease in turnover and profitability of the enterprise and in turn will negatively affect its competitiveness.

For the integral estimation of trade enterprises economic growth, some of the most common indicators are used, the change of which allows for a general assessment of the competitive enterprises development. If necessary, any indicators characterizing the underlying developmental situation may be included in the generalization. Important for the formation of a system of indicators characterizing the growth of enterprises is the removal of indicators that duplicate the same phenomenon.

Decelerated growth, or even a decline in the rates of change of individual indicators that negatively affect the integral assessment, necessitate in-depth analysis of factors that are the reason for a change of this or that indicator. Therefore, if the deterioration of the integral indicator of economic growth is associated with low growth rates or a decrease in the enterprise's income, it is advisable to consider the dynamics of its components according to the type of activity or structural units in which income is generated. Deceleration of growth or decrease of such indicators as net profit, expense returns and net profit margin requires the inclusion of data on the dynamics of certain types of income and expenses according to the type of activity or structural divisions of the enterprise. The reasons for reducing turnover can be accelerated growth of the economic potential of the enterprise compared with the growth of income.

Table 1 shows the rate of economic growth of four competitive enterprises, the main activity of which is retail trade.

Table 1

**Determination of the ratings of trade enterprises
by the integral indicator of the economic growth rate in 2016**

Indicators for calculation of change rate	Rate of indicator change over the year			
	Enterprise code			
	E1	E2	E3	E4
Income	1,016	0,988	1,065	1,076
Net profit	0,700	0,917	1,015	0,924
Total expenditure return ratio	0,980	0,975	0,961	0,982
Asset turnover rate	0,999	0,983	1,044	1,030
Owner's equity turnover rate	1,407	1,055	1,143	1,245
Net profit margin	0,689	0,947	0,953	0,858
Net return on assets	0,687	0,904	0,995	0,883
Return on capital	0,969	0,979	1,089	1,065
Indicator output	0,652	0,765	1,280	1,010
Economic growth rate	0,948	0,967	1,031	1,001
Enterprise rating	4,000	3,000	1,000	2,000

The assessment of enterprises according to these indicators allows not only to calculate the growth rate and determine the rating of each enterprise, but also to draw conclusions about the factors that influenced the formation of the integral indicator.

Analysis of the indicators given in *Table 1*, indicates that all competitor enterprises should pay attention to the rate of change in net profit, the dynamics of which indicates a decrease in this indicator over the year.

Given the dynamics of the indicator presented, we consider it expedient to apply the additive model of formation of net profit in order to determine the factors whose negative impact needs to be corrected in the next period. Such factors can be, Both types of activities and separate structural units receiving income or undertaking expenditures can be such factors. The more factors are involved in factor analysis, the more accurate the result

obtained by the analyst will be. In some cases, the reason for loss of profit share may be unprofitable goods and/or services, as well as balances of goods that are not realized on time for one or another reason.

It is a decelerated growth of net profit (enterprise E1), comparing to income, or its decrease during the year (other enterprises) that resulted in a reduction of net profit and assets margin of enterprises. The exception is the growth rate of net return on equity (enterprises E3, E4), the growth of which is the result of a decrease in the balance of equity capital during the year.

The next step in assessing the competitiveness of trade enterprises is to determine the company's rating based on the calculation of the operating leverage index. The study of operational risks, namely the risk of reducing operating profit, is important for assessing enterprise development indicators, as it directly affects the formation of net profit and ensuring net margin of the enterprise. The operating leverage indicator, which characterizes the dependence of operating profit on the change in net income from sales of goods, is used for its calculation.

In *Table 2* an estimation of risk of decrease of trade enterprises operating profit is presented according to the operating leverage method.

Table 2

**Estimation of risk of decrease
of retail trade enterprises operating profit in 2016**

Indicator name	Enterprise code			
	E1	E2	E3	E4
The level of operating leverage	5,31	4,87	1,06	1,62
Risk of loss of the trade enterprise operating profit share due to reduction of net income from sales of goods by 1 %	-5,31	-4,87	-1,06	-1,62
Enterprise rating	4,00	3,00	1,00	2,00

Consequently, the calculation of operational risk has confirmed the ratings, determined on the basis of the integral coefficient of economic growth. According to the data presented in *Table 2*, E3 has a low risk (-1.06), E4 has a moderate risk (-1.62), and enterprises E1 and E2 have a high risk level (-5.31 and -4.87 respectively).

It should be noted that the improvement of profitability and turnover of assets and capital indicators is directly related to the efficiency of financing of enterprises, whose priority should be the directing of equity capital in working capital. The acceleration or deceleration of the turnover of assets and capital, as well as the increase or decrease in income and net profit of the trading company depend on the placement of financial resources attracted during the year in the assets of an enterprise. Therefore, the next stage in assessing the competitiveness of an enterprise is the analysis of indicators of the financial state, which directly affect the results of activities. Commonly accepted financial ratios [3, 6–8, 10–15], which are sufficient to assess the financial condition of competitors, such as solvency ratios (absolute, fast and current liquidity ratios), are used to determine the

ranking of trading companies by the method of integrated assessment of the distance from the standard; indicators of financial sustainability (coefficients of autonomy, long-term capital leveraging ratio, maneuvering, equity ratio in current assets, debt capital structure, financial leverage).

The method of integral estimation of distance from the standard does not limit the number of indicators involved. However, duplication of assessment due to the inclusion of indicators characterizing the same phenomenon or parameter of the object being studied should be avoided. The versatility of this technique allows it to be used to assess the competitiveness of trade enterprises according to a variety of indicators, including expert scores and intermediate ratings.

The integral coefficient of distance from the standard chosen for generalization allows us to determine the position of a separate indicator characterizing the financial condition of an enterprise at the time of evaluation relative to the value of the best (standard) value of this indicator (*Table 3*).

It is worth noticing that a significant deviation points to the risk of a probable bankruptcy. Therefore, the higher its level is, the worse the rating position of the enterprise will be comparing to competitors (*Table 3*).

The integral indicator of the distance from the standard points to the threat of loss of financial stability and solvency of enterprises E1 and E2 (4,80 and 4,54 respectively). The best situation is observed in E4, since the level of the indicator is the lowest (2,34).

Table 3

Determination of trading enterprises ratings according to the integral coefficient of distance from the standard of financial state indicators in 2016

Indicator name	The coefficients of the distance of the actual value indicator from the standard			
	Enterprise code			
	E1	E2	E3	E4
Absolute liquidity ratio	0,34	0,30	0,48	0,20
Quick liquidity ratio	0,12	0,06	0,16	0,03
Current liquidity ratio	0,17	0,15	0,12	0,13
Coefficient of autonomy	0,74	0,82	0,57	0,32
Long-term capital leveraging ratio	0,11	0,20	0,70	0,62
Coefficient of maneuvering	16,73	16,39	2,00	1,69
Coefficient of equity ratio in current assets	2,05	1,60	3,68	1,28
Coefficient of debt capital structure	0,54	0,18	0,91	0,77
Coefficient of financial leverage	2,27	1,06	0,56	0,45
The sum of the coefficients of the distance of the actual values indicators from the standard	23,07	20,58	9,18	5,49
Integral coefficient of distance from the standard, calculated on the basis of solvency and financial stability indicators	4,80	4,54	3,03	2,34
Enterprise rating	4,00	3,00	2,00	1,00

The negative trend is only partly a result of the shortcomings of the financial management service of the investigated enterprises, since profitable enterprises with a positive value of the balance of equity capital have been selected for the study of competitiveness. However, as of the beginning of 2017, an overwhelming majority of domestic trade enterprises had a negative value of equity in the total amount of funding sources. This indicates that the high financial risks of enterprises are largely a consequence of the crisis phenomena in the country's economy. The ratings of enterprises, determined on the basis of the study of financial status indicators (*Table 3*), confirm the ratings of enterprises with high risk of potential bankruptcy (E1 and E2), (shown in the *Tables 1* and *Tables 2*).

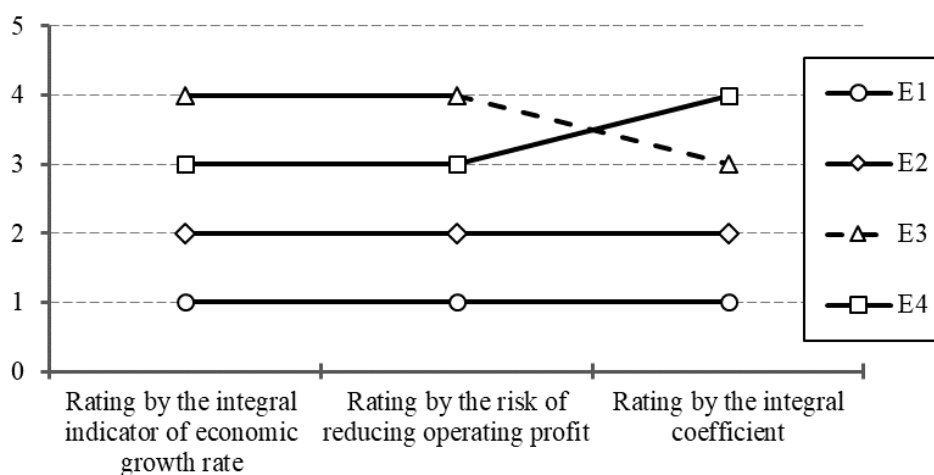


Figure. Definition of generalized rating positions of trade enterprises in 2016

Generalized information on the rating positions of the investigated trade enterprises is presented on *Fig.*

According to *Fig.* among trade enterprises we selected, the highest level of competitiveness is observed in the enterprise E4, while the enterprise E1 has the worst dynamics of indicators. This tendency is largely due to the crisis situation, but to determine the reasons, the factors of the flow of activity indicators should be considered in more detail.

Conclusions. At the current stage of an open economy development, the analysis in the system of audit of the trade enterprise competitiveness acquires great importance due to the stiff competition in the domestic market of goods and the aspirations of trade enterprises to take leadership positions. The necessity for the use of analytical procedures in the audit determines the need for a careful study of the methodology of analytical assessment of the trade enterprises competitiveness in accordance with the purpose and objectives of the audit.

We have considered the main aspects of trade enterprises competitiveness analysis based on calculating the integral index of economic growth,

reducing the risk of operating profit and integral factor of distance from the standard indicators of financial reporting.

The use of the methodology of the analysis of trade enterprises competitiveness in the audit is aimed at increasing its efficiency in a competitive environment.

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Барабаш Н., Ріна Т. Аудиторська оцінка конкурентоспроможності підприємств торгівлі.

Постановка проблеми. Використання методик конкурентоспроможності може бути зручним у різних ситуаціях залежно від стратегії, обраної підприємством та специфіки галузі, до якої воно належить. Результати оцінок суттєво відрізняються, а кінцева оцінка конкурентоспроможності набуває суб'єктивного забарвлення, оскільки остаточний вибір залежить від аналітика. Виходячи з цього,

більшість методик не дає аудитору впевненості у тому, що отриманий результат відповідає дійсному рівню конкурентоспроможності підприємства.

Аналіз останніх досліджень і публікацій. Дослідженням різних аспектів аналітичної оцінки діяльності підприємств займалися такі вітчизняні та зарубіжні вчені як І. О. Бланк, Є. В. Мних, А. Д. Бутко, О. Ю. Большакова, Г. О. Кравченко, М. А. Болюх, В. З. Бурчевський, М. І. Горбатов, О. О. Гетьман, В. М. Шаповал, Д. Нортон, Р. Каплан, Г. В. Митрофанов, О. Кузмін, Н. Петришин, А. А. Мазаракі, Д. М. Пиеслінський, І. Д. Смолін, Л. М. Малярець, А. В. Штереверя, А. О. Міщенко, А. А. Пилипенко, О. М. Скібіцький, М. Портер та ін.

Мета дослідження полягає в розробці методичних підходів до аналізу конкурентоспроможності підприємств торгівлі відповідно до потреб аудиту.

Матеріали та методи. Інформаційна база статті представлена науковими працями вітчизняних та зарубіжних вчених, вітчизняними нормативно-правовими документами, статистичними даними. Основою дослідження є наукові методи: аналіз, синтез, порівняння, ідеалізація, абстрагування, систематизація та узагальнення.

Результати дослідження. Для оцінки конкурентоспроможності об'єкта слід використовувати систему методичного забезпечення, яка включає методичні прийоми внутрішнього фінансового, маркетингового та стратегічного аналізу. Саме цей підхід до формування методики дозволяє надати обґрунтовану інтегральну оцінку конкурентоспроможності підприємства.

Висновки. Необхідність застосування аналітичних процедур визначає потребу в ретельному дослідженні методики аналітичної оцінки конкурентоспроможності підприємств торгівлі відповідно до мети та завдань аудиту. Використання в аудиті методики аналізу конкурентоспроможності підприємств торгівлі спрямовано на підвищення його ефективності в умовах конкурентного середовища.

Ключові слова: підприємство, господарська діяльність, конкурентоспроможність, аудит, аналітичні процедури, рентабельність, ліквідність, фінансова стійкість.