

FINANCIAL RECOVERY COMPANIES: CRITERION, STRATEGIES. METHODS

Armenian State Economic University,
Ashot Matevosyan Varazdat
Decan, Accounting and auditing, Associate Professor, Ph.D.,
matevosyan07@rambler.ru. matashan@mail.ru.

Any entity in a market economy with unfavorable *gopriyatnyh* circumstances it may be in crisis financially. Plurality *krizisoforniruyus-chih* factors indicates the need for special management activities of the company to its financial recovery, since the adoption of balanced and effective management decisions can greatly mitigate the negative effects of the crisis. A significant problem in the theory and practice of crisis management of the enterprises is inadequate evaluation methodologies appropriate to STI-financial rehabilitation, because they focus primarily on the current financial situation of the enterprise and do not account for its capacities of the. Thus, there is a need to perfect methods of Bani crisis recovery company focused on the account of its potential in the process of decision-making.

Financial recovery is used to restore the solvency of the debtor and the debt repayment in accordance with the schedules. This procedure is introduced for a period not exceeding two years. The imposition of financial recovery is always solved by the arbitral tribunal. The court issues a ruling on the introduction of financial recovery, which can be appealed, but is subject to immediate execution. This definition must be specified period of financial recovery for up to two years and include debt repayment schedule. In addition, the definition should include information on the enforcement of obligations (in the case of the provision of security), individuals who provided security, and its size and methods of implementation.

Financial strength is determined by the production company (research and production), organizational and social potential, as well as the results of their use in industrial and economic activity. Financial strength is characterized by a number of formal and informal criteria. Formal criteria - financial ratios - make it possible to assess the financial condition of the

company and based on an analysis of their dynamics to identify trends in its changes, including predicting the creditworthiness and solvency. However, they are insufficient to decide on measures to improve the financial condition, since it does not disclose the possibility of using these potentials. In crisis management it is important to understand the origins (causes) the origin of the crisis. As a rule, the earliest signal the birth of the crisis is slowing upgrade technology and manufactured goods, which will inevitably affect the position of the enterprise market. They will vary approximately as follows: loss of competitiveness - reducing demand - reducing the share of the enterprise market - declining revenue and profit - reducing the possibility of self-financing development - increased leverage in the capital of an enterprise - reducing return on equity - reducing the creditworthiness and solvency of the company. To interrupt this process, you must have the art of management, first of all, strategic control exercised by management¹.

Research work has shown the absence of domestic economists unambiguously determine the financial recovery in the conceptual apparatus of crisis management. Financial recovery is most often defined as the process of development activities in the area of financial management to restore the solvency of the enterprise. In fact, economists consider only certain activities in the financial recovery, described without their systematization and relation to each other. However, the financial crisis as an indicator of the contradictions in the financial system is a consequence of the influence of a peculiar-tion “synergistic” effect of the crisis on different types of enterprise, and because the fragmented approach to financial recovery, which emphasizes only on the financial management is one of the causes of failures in the recovery crisis enterprises.

The analysis discussed in the definitions of the essence of the financial-dorovleniya Lake, led to the conclusion that their common disadvantage is the orientation of the Xia-only restore the solvency of the enterprise².

Restoration of solvency is to only the initial stage of rehabilitation

1 K. A. Soloveychik. Methodical approach to industrial clusters' modeling. *ECO-NOMICS AND MANAGEMENT*. N 1 (63) 2011, pp 42-46.

2 The economy of the enterprise (company): Textbook / Ed. Professor. O. Volkov and Assoc. O. Devyatkina. - 3rd ed., Revised. and add. - Moscow: INFRA-M, 2007. 601 p.

of the enterprise, enabling to prevent the development of the situation of bankruptcy. However, the financial recovery of companies under-who understands the creation of conditions for the stable maintenance of its solvency and financial stability. Necessary basis for the maintenance of long-term financial viability of the enterprise creates only the most efficient use of all of its assets, enabling more fully realize the potential of the enterprise.

Existing methods of assessing the possibility of restoring solvency indicators are based on the financial condition of the company, which, for various reasons, are well-deserved criticism. First, any accidental or intentional distortion of financial statements of the enterprise leads to incorrect results analysis¹. This in turn implies the threat of bankruptcy, which is actively used in the implementation of an intentional or fraudulent bankruptcy, which allows, in the end, at minimal cost to acquire a potentially effective and profitable business. Second, the application of this technique leads to the neglect of internal reserves of the company, which can be brought into action in the near future, which also facilitates the possibility of the sale of property companies in liquidation value, which is generally underestimated.

Criterion for evaluating the appropriateness of financial recovery is on the presence of an enterprise-unused potential of radiation ensure profitable operations. Thus, a challenge to determine the feasibility of financial recovery, it should apply to such economic categories as “the potential of the enterprise.” The study of the various capacities indicated that with the magnitude of the resulting financial performance of companies related to financial capacity.

Existing definitions emphasize the availability of financial resources of the enterprise that characterizes most of his financial soveo state, while the concept of “potential” should reflect the integrated capabilities and features of the economic system to achieve the desired result².

Financial capacity of the enterprise can be defined as the maximum

1 V. L. Belousov, D. G. Voronov. Organization of clusterbased innovative infrastructure creation. ECONOMICS AND MANAGEMENT. N 1 (63) 2011, pp 46-51.

2 A.N. Lazarev, G. F. Sherbina. Building holdings in system of enterprise associations: tendencies and development problems. ECONOMICS AND MANAGEMENT. N 1 (63) 2011. pp 63-68.

possible value of all of its assets, subject to the best and most effective use.

Analyzing methods for assessing the financial capacity of the company, you will notice that most of the developed techniques involve the use for the purpose of indicators of financial condition of the company. The above methodology for assessing the financial capacity based on expert assessment of the values of these parameters by assigning a certain number of points, the total value of which determines the level of the qualitative characteristics of financial capacity of the enterprise. However, according to the author of the proposed approach to the determination of financial capacity, indicators of financial stability, solvency and profitability can not be used to evaluate it, since they do not train on the potential of the company, nor the value of its assets. They describe only the financial condition of enterprises in the period ended already. Evaluative criteria for financial capacity, in our opinion, is the cost of the enterprise or business value.

To assess the financial capacity necessary to use the market value of the enterprise (business), reflecting its ability to maximize the formation of financial results, provided the best and most efficient use of resources. It is important to emphasize that the market value of the company shall be calculated exactly with the principle of highest and best use¹.

Existing methods of assessing the financial feasibility of Ozdoyevrovleniya company focused on forecasting the possibility of recover a its solvency. financial recovery of companies it is advisable only if the crisis is caused by failures of management and preacceptance is not exhausted its potential, which consist in the presence of unused financial capacity. In our view, in assessing whether financial recovery is necessary to prove that the value of the expenditure required for the recovery of the crisis of an enterprise (the value of the contribution) does not exceed the unused amount of financial capacity of the enterprise (the value of the impact of financial recovery.).

Considering the financial capacity of the enterprise as the maximum possible value of all of its assets, subject to highest and best use for the

¹ Conoco, D., K. Rozhkov How to get out of the crisis, large enterprises // Issues of theory and practice of management. In 2008. Number 4. - S. 88-93.

calculation of this value should be changed, when the discounted cash flow (Eq. 1), since this approach to the assessment of financial capacity gives a quantitative characterization of the potential of the company to establish the maximum financial results.

$$C_{\text{nomenu}} = \sum \frac{DP_i}{(1+r)^i} + \frac{\left(\frac{DP_p}{r-g}\right)}{(1+r)^n}, (1)$$

Where:

DPi - cash flow in the i-th year,

DPp - cash flow in the first year postprognoz period,

r - the discount rate,

g - the expected long-term average annual revenue growth in postprognozny period.

The level of financial capacity of the enterprise, characterized rizuyus-chiysya present value, when evaluating the feasibility of recovery should be calculated on the basis of the forecast financial results of the activities of the enterprise in the absence of effort on his financial-Ozdoev roveniyu that in line with the concept of assessing the “value of the company as a going concern” . “The cost of the enterprise as a going concern” is the value of some existing businesses and excreted by the capitalization of its profits (Eq. 2).

$$C_{\text{mek}} = \frac{I}{R} + S, (2),$$

Where:

I - periodic income,

R - the capitalization rate,

S - liquidation value of the other (unused) assets.

However, such an approach to assessing the current value of the enterprise may be used only in a situation where the company makes a profit. In the case of an enterprise unprofitable, to use Vat hybrid estimation methods that combine features of the income and cost approach estimates the value of business (such as Black-Scholes model). The value of the contribution is determined by the cost of implementing tactical and stra-

tegic activities of the program of financial rehabilitation of an enterprise, which by its content should implement option-Sheha best approximation and best use of existing assets of an enterprise (Eq. 3).

$$F = F_1 + F_2, (3)$$

Where:

F_1 - the value of the cost of implementation of tactical measures for financial recovery,

F_2 - the value of the cost of implementing the Strategic measures for financial recovery.

However, during the financial recovery of companies is often a need for investment projects. In this case, the costs of implementing such a project and it generated cash flow should be considered separately, since the implementation of new investment projects creates “extra” cost of the enterprise, that is, increase its financial capacity (Eq. 4,5).

$$C_{oon} = \sum_{j=1}^n NPV_j, (4)$$

$$NPV = \sum_{t=1}^n \frac{D_t}{(1+r)^t}, (5)$$

Where:

D_t - cash flow on the investment project in year t to the value of investments;

r - the discount rate.

Using the proposed criteria and methodology for assessing desirability of financial recovery would greatly formalize the procedure for making decisions about the attractiveness of investment in Ozdov rovlenc-crisis business. It is possible to use techniques developed in the bankruptcy of the debtor, for example, when deciding on the need for restorative-state, or liquidation procedures that will prevent or hamper the implementation of deliberate bankruptcy of economic entities.

Financial recovery program should be based on the definition of the universe together information to make managerial decision along on the activities of financial recovery an Enterprise. Such information can be ob-

tained as a result of diagnosis, which aims at early detection of signs of the crisis-term development of the enterprise and the diagnosis of his “health” based on the observed trends. Traditionally, in the process of diagnosis is recommended to use the indicators of solvency and financial sustainability enterprise, as well as a variety of models to estimate the probability of a crisis. However, the diagnosis of the state enterprises should not only diagnosis but also the background information for project development management decisions. Thus, the main disadvantage of using indicators of financial companies in the spin state for diagnostic purposes, in our opinion, is their low capacity informative, as the results of the analysis of these indicators do not provide the necessary baseline data for management decisions on financial improvement of enterprises.

The basis for the development and implementation strategy for financial recovery of the introduction of the company creates the elements of crisis management. The study of approaches to managing the crisis state enterprises covered in the foreign literature, validated the need for crisis teams responsible for developing and implementing a strategy of financial recovery company. In the process of crisis management is necessary to develop the following basic documents: a report on the results of estimates of the faults viewed by the financial potential of the company, a report on the results of diagnostic state enterprises, financial strategy and plan of the enterprise-healed.