

Chapter 1

THEORETICAL BASES AND MANAGEMENT MECHANISMS OF DEVELOPMENT THE ECONOMIC ENTITIES

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METHODOLOGICAL PROVISIONS AND TOOLS FOR FINANCIAL DIAGNOSTICS OF THE ENTERPRISE

Efficient functioning and development of modern enterprises directly depends on the financial management perfection, which objectively increases the requirements for management system flexibility and competence of the personnel, methods and tools for making informed operating and strategic decisions. It should be emphasized that the effectiveness of management decisions often depends not only on the amount of available information, but on its quality, on the perfection of the indicators system that characterize the financial condition of the investigated object, the depth of their processing, synthesis and representation of data in an appropriate and understandable form. This testifies to the urgency of the problem of developing a data collection holistic system, processing, transmission and storage, as well as their analysis in order to make decisions on managing the investigated object. All these tasks are solved by the development and implementation of an integrated system of financial diagnostics at the enterprise.

It should be noted that, despite the large number of scientific publications on the use of financial diagnostics in practical work, the organizational mechanism and methodological support for its implementation at enterprises should be improved. The solution to these issues is somewhat complicated by the fact that in the approaches of academics and practitioners there is no unity in understanding the nature

and definition of methods and practical tools of financial diagnostics: in particular, financial diagnostics is often identified with a financial-economic analysis, while these concepts are not identical.

Analysis (Greek) – decomposition – is a method of scientific knowledge of phenomena and processes, which is based on the study of the constituent parts, elements of the studied system. In the economy, the analysis is used to identify the nature, patterns, trends of economic and social processes, research results of economic activity at all levels (in the country, industry, region, in the enterprise, in private business) and in various spheres of the economy (production, social). The analysis serves as the starting point of forecasting, planning, management of economic objects and processes that occur in them. Economic analysis is intended to justify scientific decisions and actions in the field of economics, socio-economic policy, and promote the selection of the best options for action [1].

Diagnosis is a process for recognizing the status, identifying a problem, and deciding how to improve it. Financial diagnostics, which is sometimes equated with financial analysis, at the same time, is significantly different. Diagnostics solves the main problem: establishes the necessary and sufficient in qualitative and quantitative expression for comparison with the normative values of the research object indicators, taking into account the trends of economic entity, industry, society and tradition in order to further compare the current state of the research object parameters with currently recognized their optimal or promising values. Regarding the essence of financial diagnostics, S. Zhukevych and N. Kudlaieva state that it contributes to solving the issue of current movement of financial resources, their formation and use, current and long-term planning of activities; it is a means of combining financial and general management in terms of analysis, as well as financial support for enterprise strategy.” [2]. Table 1.1 presents approaches to the definition of the concepts of financial diagnosis and financial analysis of the enterprise.

While preparing for financial diagnostics at the enterprise, it is envisaged to solve the following programmatic and organizational-methodical tasks: definition of the purpose, subject and principles of financial diagnostics; formation of a target indicators system (targets are indicators that adequately characterize the investigated object - a process or phenomenon); Justification of the methods to be used at the stages of data collecting, processing and visualization.

Table 1.1

Approaches to definition of concepts “financial analysis” and “financial diagnostics”

Financial analysis is
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a deep, scientifically grounded study of financial relations and the movement of financial resources in a single production and trade process [3]
the process of studying the financial condition and main results of the enterprise financial activity in order to identify reserves to increase its market value and ensure effective development [4]
a process based on the study of data on the enterprise financial position and the results of its activities [5]
the research process, the main purpose of which is to develop the most substantiated proposals and forecasts for changing the financial conditions of the entity's operation [6]
the process of obtaining the largest number of key (most informative) parameters that give an objective and accurate picture of the financial state of the enterprise, and on the basis of which almost all users of financial reports take decisions on optimizing their interests [7]
Financial diagnosis is
the process of studying the financial condition of an enterprise to detect in the dynamics of symptoms of phenomena that can delay the set goals achievement and the tasks solving, creating a threat to the planned activity. This involves developing corrective solutions and/or reviewing goals and forecasts [8]
the process of assessing the state of the economic entity relative to the optimal criteria established at the moment [9]
managerial work on identifying problems and bottlenecks in the enterprise management system [10]
the process of assessing the state of an object, its liquidity and solvency through the methods of express analysis and in-depth analysis, which will enable to identify problems of the enterprise financial condition and their causes, and identify methods for improving the situation [11]
the way of installation, determining object attributes, causes of deformations and deviance from the norm, trends, plan, goals [12]
the method of analyzing the state of production system to detect and eliminate its disproportions, which contribute to the emergence of “bottlenecks”, that is, “diseases” of the production organism [13]
financial diagnostics is an essential element of financial management and audit. It acts as the prerogative of the highest and middle level management structures of the company, able to influence the formation of financial resources and cash flows, the effectiveness of management decisions related to price determination of products, replacement of equipment or technology, economic growth of the enterprise [2]

Table 1.1 (the end)

1
bankruptcy diagnostics is a kind of financial analysis, aimed primarily at identifying various failures and disadvantages in the enterprise as early as possible, potentially dangerous from the point of view of the bankruptcy possibility [14]
the system of rapid bankruptcy diagnostics provides early detection of signs of an enterprise crisis development and allows to take operational measures for their neutralization, and the fundamental diagnostics of bankruptcy allows you to get the most detailed picture of the enterprise financial crisis and specify the forms and methods of its future recovery [4]
analytical diagnostics is a process of decentralized analytical processing of economic information on the basis of PC using in order to develop an effective financial strategy of the corporation [15]

The essence of financial diagnostics is the ability to promptly recognize destabilizing factors and processes in the enterprise, to ensure the adoption of preventive management decisions in order to prevent the emergence of new problems in its development and increase the efficiency of the management system in general. All this calls for information that must meet the following requirements:

- be broad in scope and subject matter;
- to provide the base for both, a large number of consolidated calculations, cross-data, and for obtaining more differentiated structural data;
- to be sufficiently informative and exhaustive, on condition of an acceptable level of costs which is provided by a rational data collection system.

Among the tasks of financial diagnostics of the enterprise there are: the formation of a target indicators system (development of the integral indicator model) and the choice of methodology for the implementation of financial diagnostics; obtaining a quantitative estimate of the individual indicators level to justify programs and measures aimed at financial improvement of the enterprise and preventing or eliminating crisis phenomena.

The role and capabilities of financial diagnostics are determined by a set of functions it performs. Since the scope of application of financial diagnostics technologies is quite wide, it is characterized by various functions, which in practice are carried out simultaneously in the diagnostic process.

The main functions of financial diagnostics are:

- informational (reduction of information asymmetry between users of information responsible for making financial decisions and the object of management);
- control (tracking performance of scheduled tasks in the list of controlled indicators);
- actually diagnostic (identification of factors and their systematization of influence with the selection of positive ones, which determine the possibilities and indicate the level of enterprise financial potential, and negative, which are threats to the financial position of the entity, followed by an analysis of the tendencies for changing the indicators and the conditions for their formation);
- cognitive (formation of the basis for analysis and forecasting of the enterprise financial and economic development, which provides an opportunity to analyze and identify the qualitative side of the phenomena under study, as well as to reveal their essence);
- management (overhauling and adopting managerial orientation measures for improving management efficiency at all levels).

The purpose of financial diagnostics is to consider obtaining information on the level of impact in the financial and economic sphere on the basis of qualitative and quantitative analysis and evaluation of the relevant indicators for the development and approval of management decisions in the enterprise management system, forecasting the state of the object of diagnosis and informing the stakeholders.

The subject of financial diagnostics are: financial state of the enterprise – as a result of interaction of all elements of the enterprise financial relations system; effective indicators of financial activity of the enterprise as a result of the aggregate of production and economic factors implementation, reflecting the presence, placement and use of financial resources; business processes of the enterprise; financial management system of the enterprise; financial potential of the enterprise and its internal reserves.

The analysis of academic literature has shown that financial diagnostics as a process of scientific research (control, analysis, synthesis and forecasting) uses its tools and methods to achieve the goals and substantiate effective management decisions. Methodological basis of the financial diagnostics process are the methods and techniques used in its implementation.

The complex of scientific and methodical tools for financial diagnostics is consistent with the methods of its implementation, which, according to the degree of validity, are divided into formalized and non-

formalized.

The most objective methods are based on formalized methods of financial diagnostics, based on scientifically grounded, hard links and tested analytic dependencies – balance, differential, logarithmic, integral, chain substitutions, allocation of the individual factors influence, absolute differences, percentages, simple and complex interest rates, discounting, etc. [16].

Unofficial methods include methods based on the characteristics of analytical procedures at the logical level, built mostly on the intuitive sense, experience and knowledge of the analytics – psychological, morphological, comparative, analogy, expert estimates and predictive scenarios, the construction of indicators system, analytical tables, definition of absolute and relative changes in the values of various items of the balance sheet for the reporting period, calculation of the individual articles share in the total currency of the balance (studying the structure of the balance sheet items on the report date) [16].

The techniques used in financial diagnostics according to the depth of analysis are divided into simplified and deployed.

Simplified methods of financial diagnostics include [16]:

- vertical (structural) analysis – studying the structure of balance sheet items at the reporting date using a percentage determination of the influence of various factors on the final financial result (calculation of individual articles share in the total currency of the balance sheet);

- horizontal analysis (in dynamics) – comparison of each position of reporting of the current period with the previous one and determination of their absolute and relative changes;

- analysis with coefficients – studying the level and dynamics of relative indicators of financial condition, calculated as the ratio of balance sheet items value or other absolute indicators, derived from the forms of reporting (calculations of relations between individual financial indicators of the enterprise, the definition of indicators interrelations).

Extended techniques for financial diagnostics include:

- Trend analysis – comparing each position of reporting with the previous period and determining the trend as the main tendency of indicators dynamics, free from the influence of particular periods individual characteristics (using the trend extrapolation of the most important financial indicators for the perspective period, i.e., a forecast analysis of the enterprise financial state is prepared);

- comparative analysis – an internal analysis of consolidated reporting indicators for certain types of activities, as well as an inter-

industry analysis of enterprise performance versus competitors or medium-sized enterprises;

- factor analysis – determination of the individual factors influence on the resultant indicator of deterministic or stochastic methods of research. In this case, the factor analysis can be either direct (actual analysis), when the performance index is divided into separate components, and the reverse (synthesis), when its individual elements combine into a general performance indicator.

Financial diagnostics of the company provides a systematic and comprehensive assessment of its activities using different practices, techniques and methods of analysis. The main objective of an enterprise financial diagnostics is an objective, accurate and reliable assessment of the dynamics of enterprise development, its financial status and financial mechanism, which is a complex of specially developed and legally established forms, methods, levers, instruments and incentives, through which the formation and effective use of financial resources is provided in the process of economic activity in order to meet the needs of owners and population of the state.

Recently, the issues of financial condition diagnostics are becoming especially relevant; their results are used to substantiate managerial decisions in financial management. This necessitates the creation of a financial diagnostics system at the enterprise in order to study the financial stability and profitability of the enterprise; determining the efficiency of using current and non-current company assets; estimating company's own working capital; assessing the dynamics of enterprise liquidity and solvency; determining the state of the enterprise in the financial market; assessing business activity, competitiveness and efficiency of financial resources using; complex substantiation of investment projects and strategies of the enterprise; estimating financial support of enterprise investment activity and control over meeting target indicators.

The main features that categorize the types of financial diagnosis are presented in Table 1.2 [16].

Consequently, the financial diagnostics of an enterprise is a set of researches to find out the goals of its functioning, ways of achieving these goals, and identify deficiencies and internal reserves with the help of financial methods, tools and factors. Financial diagnostics is a method of knowing the effectiveness of the enterprise financial mechanism, the processes of formation and use of financial resources for its financial, operational and investment activities. The result of financial diagnostics

Table 1.2

Classification of enterprise activity financial diagnostics types

Characteristic	Diagnostics types
By scale of the study	Industry and inter-industry
By time lag	Predictive and retrospective
By subjects of diagnostics	Internal and external
By goal of diagnostics	Integrated (general) and selective (problem)
By functional area of the enterprise	Operational Investment Management Marketing Innovative

is the assessment of enterprise financial soundness, its property, the speed of capital turnover and its individual parts, the efficiency of using funds.

In market conditions, users of the information received as a result of financial diagnostics of the company are the following: shareholders and founders of the company, who are interested in the profitability of equity capital; managers of the enterprise, who receive reliable information about the efficiency of enterprise management from financial diagnostics; investors, who invest in a certain level of risk capital in order to generate income from it; lenders, interested in solvency of the enterprise and the risk of non-repayment of borrowed funds; employees of the enterprise, who are interested in obtaining information about the ability of the enterprise to pay wages on time; suppliers of material and technical resources, to determine the solvency of the entity; consumers of products (clients of the enterprise), who are interested in the stability of the financial state as a guarantee of timely supply of goods; State Tax Service, to find out revenues to the budget; insurance companies, to determine the possibility of an insured event; public administration bodies and public organizations, interested in the economic well-being of the state and the region.

Table 1.3 presents the basic principles on which the process of enterprise financial diagnostics is based. Taking into account the features of a particular subject area, it has been concluded that the system diagnosis of the enterprise financial state should be endowed with the properties of the developing system, that is, have a base shell to fill in information that can be modified and improved. Agreeing in general with the list of features of strategic diagnostics system of financial and economic activity, it should be noted that for the system of

financial state diagnostics of the enterprise the following features are indicative: purposefulness, integrity, completeness and transparency, flexibility, objectivity, dynamism, cyclicality, efficiency, adaptability and perspective.

Table 1.3

Principles of financial diagnostics of an enterprise [16]

Principle	Characteristics
Scientific character	Use of modern scientific methods and techniques of studying the state of object
Integration	Taking into account all factors of influence on the object of research
Consistency	Creation of financial diagnostics system in the context of a general strategy of enterprise economic development
Objectivity	Use of effective methods and techniques to minimize subjectivity in research
Specificity	Providing a clear target orientation of the financial relations (factors) study
Accuracy	Real financial processes study
Reliability	Providing company owners with reliable information about the results of financial diagnostics
Integratedness	Target and organic combination of business specifics and the interests of the enterprise owners
Expediency	Taking into account the dynamics of economic activity and the stasis of evaluations when preparing operational information about the state of the research object
Efficiency	Comparison of financial diagnostics results with current expenses for its implementation

Based on the research results, a methodical approach to the implementation of an internal diagnosis of financial condition, which includes the following main stages has been developed.

Stage 1. Identifying a goal and defining a list of targets. When conducting a diagnostics of the enterprise financial condition, the main groups of indicators are indicators of liquidity, indicators of business activity, indicators of profitability and indicators of enterprise solvency.

Stage 2. Organizing observation process (data collecting) and preparing information for diagnostics. Each group of financial condition indicators is assessed on the basis of an individual indicators set, which are formed in accordance with the standards of accounting and financial reporting and adapted for use in the system of enterprise financial management. For each of the indicators to be analyzed in the diagnostic

system of the enterprise financial state, it is necessary to establish the forms of data and information sources representation (operational data or data of reporting forms); timelines and responsible persons.

Financial diagnostics can cover a wider range of indicators than it is provided by financial reporting. In case the data in the form for diagnostics is not available (previously no such analysis has been carried out), it is necessary to develop new forms and forms of reporting for the divisions, to appoint persons responsible for submitting such information, and, if necessary, organize special sample surveys.

Stage 3. Evaluation and primary analysis of unit indicators. Different methods are used to find the level of indicators and their interpretation in the practice of analysis. Thus, in particular, when assessing individual financial sustainability indicators for each calculated parameter, certain limits of its changes in time are determined. This proceeds from the assumption that for any parameter it is possible to determine which parameter values are acceptable, normal or crisis, taking into account the current state of the enterprise.

Stage 4. Calculation of group and integral indicators of the enterprise financial condition.

Stage 5. Analysis and interpretation of data, development of recommendations for improving the financial performance of the enterprise. At this stage, it is expedient to carry out a multidimensional analysis, which provides an analysis of financial status indicators and indicators of financial capacity. The evaluation (interpretation) of the results obtained, namely, conclusions about the state and trends of the target indicators change, evaluation of dynamics of the studied processes is the basis for making management decisions, developing and adjusting the strategy of financial development of the enterprise.

Stage 6. Short-term forecasting of target indicators is carried out in order to identify trends in their development in the prevailing conditions. Forecasting involves (as a mandatory stage) the construction of relevant one-dimensional and multidimensional models.

Stage 7. Visualization and documentation of data (drawing up a report based on the results of financial diagnostics). According to the results of diagnostics, it is recommended that enterprises compile two types of reports: for internal use in the process of financial development management and for external users - stakeholders. Internal use information should be more detailed and allow analyzing at the level of primary and intermediate data as well as performance indicators.

The application of financial diagnostics methods at various stages of

managing business facilities activity will promote the understanding of business and its driving factors; identification and assessment of financial and business risks; analysis of key indicators of financial activity; asset quality analysis and constant cash flows; understanding the financial effects of tax schemes that the company uses.

A large number of methodological approaches to financial diagnostics of the enterprise, which are used in science and business practices, necessitated their systematization. Let us consider some of the features and criteria by which it is possible to systematize the methods of financial diagnosis (Table 1.4).

The information basis of financial diagnostics are: internal data of accounting and reporting, statistics, external information about trends of industry development and economy as a whole, market dynamics, potential of enterprises, conclusions of experts on the main factors of their success.

Legally regulated diagnostic techniques include models implemented by state authorities, among which there are the Ministry of Finance of Ukraine and Bankruptcy Agency methods. State methods of diagnosing financial condition and threats of bankruptcy are mandatory for use in certain specified situations. Scientific methods are developed and offered by scientists, financial analysts, used in the process of diagnosis by choice of analysts [17].

According to *the method of forming (generalizing conclusion) of the diagnosis*, modern methodological approaches can be combined into two large groups [18]:

- 1) those that involve the formation of a summary conclusion (diagnosis) subjectively;
- 2) those that involve obtaining a summary conclusion by means of a certain processing of the research results in separate areas and on the basis of various techniques application.

By way of information processing methodological developments on diagnostics are divided into manual (non-automated) and automated. The latter provide all necessary calculations and the diagnostic conclusion on the basis of a PC using by applying specially designed software products.

According to the methods of the valuation indicators study, the following methodological approaches have been disseminated:

- 1) dynamic (retrospective) analysis of certain indicators, which provides their study in dynamics;

Table 1.4

Classification of financial diagnostics methods

By information basis		Financial diagnostics methods				By methods of indicators research	
		By status	By forming general conclusion	By ways of data processing			
External	Internal	State methods (required)	Scientific methods (recommended)	By subjective methods	By objective methods	Non-automated	Automated
		According to evaluation criteria	According to diagnostic conclusions	According to indicators and their information support	According to indicators and their information support	By method of indicators determination	By method of indicators determination
Detection of pathologies	State identification	Descriptive models	Predictive models	Quantitative Indicators	Quantitative Indicators	Coefficient approach	Index approach
		Normative models		Accounting and statistic reports	Managerial Accounting	Aggregation approach	
Individual research				Combined	Qualitative Indicators		
				Respondent	Expert		
				Mixed indicators	Mixed indicators		
						Financial position	Organization and management
						Resource support	Combined approach
						Results of economic and financial activity	

2) comparative analysis, the basis for which is a comparison of the actual achieved value of the indicator with the average or the average of the group of similar enterprises;

3) benchmark analysis, which involves comparing the actual achieved value of the indicator with a certain standard, which is defined as the permissible (critical) limit of its change.

The reference analysis is considered the most basic one, however, the mandatory prerequisite for its implementation is the availability of an effective system of benchmarks for valuation indicators.

Accurate diagnosis of a company's condition is possible only if there are certain criteria – quantitative and qualitative characteristics, scales, knowledge bases, etc.

From this perspective, it is common to distinguish three types of diagnostics [18]:

1) detection of pathology – a study in which the state of the enterprise is compared with a certain standard (norm), which allows identifying the presence of “bottlenecks” – deviations and their size;

2) identification of the state (i.e. belonging to a certain class, group, aggregate) – a study in which the state of the enterprise is compared with a certain statistical sample;

3) an individual study carried out in the absence of analogues and the impossibility of using the comparative method, based on the use of knowledge and skills of the subject analyst. In this case, the state of the enterprise is studied as a unique combination of characteristics (resources, results, management systems, etc.), and the determined diagnosis is of an expert nature.

According to the diagnostic conclusion in international practice, it has been decided to allocate the following types of models: descriptive, predicative, normative [19].

Descriptive models are the main ones, such as: creation of a balance sheets system, presentation of financial reports in various analytical sections, vertical and horizontal analysis of reports, trend analysis of performance indicators, analysis of relative indicators and coefficients, comparative or spatial analysis, factor analysis, system of analytic coefficients.

Predictive models are models of predictive nature. They are used to forecast the company's income and expenses, its future financial position.

The most common of these are:

- calculations of critical sales point (analysis of break-even);

- construction of prognostic financial reports;
- models of dynamic analysis;
- models of situational analysis.

Normative models are models that allow comparison of actual results of the enterprise with normative ones. These models are usually used in the internal financial analysis; their essence is to set standards for each article of expenditure for the relevant technological processes, types of products and to find out the reasons for the deviations of the actual data from these standards.

By the nature of indicators and information provision of the diagnostic process, existing methodological approaches to its implementation may involve the use of exclusively quantitative, qualitative or mixed information [19].

The most appropriate is the combination of the using quantitative and qualitative indicators of the enterprise, since the separate application of only quantitative (objective) or only qualitative (subjective) information has significant disadvantages. The main disadvantages of quantitative information are: static, possible incorrectness, the use of only quantitative indicators does not always provide an early diagnostics of bankruptcy, the crisis precursors identification. The use of only qualitative information gives conclusions of diagnostics subjective character depends on personal professional qualities of an analyst, experience of work, correctness of databases formation.

The following methodological approaches can be identified by the method of determining the following estimated indicators [20]:

- 1) coefficient approach, which involves the calculation and use of various coefficients;
- 2) index approach, which involves the calculation of dynamic indicators of change in the state of research object in time (growth rate, growth, etc.);
- 3) aggregate approach, the essence of which is to calculate the valuation units – absolute estimates, calculated by special methods.

According to the directions of research, the functional orientation of the evaluation indicators, methodological approaches to the diagnosis can be focused on the study of such areas of the enterprise:

- 1) financial and property condition;
- 2) results of enterprises economic activity in certain areas (operational, financial, investment);
- 3) organization of enterprise management;
- 4) resource potential of enterprises;

5) combined approach (balanced system of diagnostic indicators in the context of various aspects of enterprise activity, such as resource, client, financial, managerial (process) component).

The combined approach should be considered as the most correct and expedient to use, which enables to summarize almost all components of the emergence and course of crisis phenomena in the enterprise.

The number of features and aspects by which it is possible to classify the methods of financial diagnostics of an enterprise is so big that it is impossible to consider all in the framework of this research. In addition, certain sectoral or thematic approaches are proposed, the most famous of which are: bankruptcy diagnostics, fundamental diagnostics of the enterprise, and diagnostics of certain industries enterprises [21].

The most important part of effective management is to ensure the stable development of the enterprise, which is a prerequisite for its financial condition optimization. This determines the necessity of creating a system of financial state diagnostics of the enterprise as a result of the interaction of all financial management elements, an indicator of the company provision with the necessary financial resources for effective economic activity and timely settlement of their obligations. Financial diagnostics is a multi-factor support system for making managerial decisions based on a new management concept. Such a system is designed to provide a comprehensive identification, analysis, elimination and promotion of enterprise problems with a view to developing outreach measures aimed at achieving its strategic and tactical objectives.

In Ukraine, the use of foreign diagnostic methods has certain limitations: the parameters used by foreign analysts, significantly different from domestic ones; models of financial diagnostics are developed using examples of other countries' enterprises; the indicators of Ukrainian enterprises activity are more influenced by factors of a noneconomic nature; the limits of stability offered by foreign analysts are often unattainable for domestic enterprises. Problematic aspects are also discrepancies regarding the definitions of the main concepts of the enterprise financial condition, the indicators and the algorithm for their calculation, as well as the dynamism of legislation and contradictions in various methods of assessing financial and economic activity.

Consequently, the advantages of using financial diagnostics in the management of the enterprise should include the possibility to reasonably approach the definition of goals and objectives not only in

relation to the object of diagnosis, but also the enterprise as a whole; the flexibility of the diagnostic system provides the possibility of its use in management through development and use of an appropriate system of diagnostic indicators; the diagnostic system complexity involves monitoring the state and trends of the diagnostic object components and ensuring the interaction of all structural units in order to manage the financial and economic performance of the enterprise, eliminate deviations from the planned values of indicators, prevent crisis phenomena and achieve the set goals.

In order to implement the proposed conceptual model for the formation and functioning of financial diagnostics system in the activities of enterprises in order to ensure their financial stability and profitability, the development of the corresponding structure is required. The main elements of such a system should be the system of proper diagnostics of the enterprise financial potential and the state of the environment; strategic analysis and strategic planning; system of diagnostics of the performance level; system of motivation; strategic control; certification system for compliance with international standards in the field of management: quality; social responsibility and information security. The introduction of the proposed system of financial diagnostics will facilitate the activation of enterprises to secure financially sustainable development, increase their competitiveness in the national and international markets through the formation of a positive image, achievement of high level of performance in all spheres.

The research has revealed that comprehensive financial diagnostics is an effective tool for substantiating managerial decisions in the system of financial management and the formation of a qualitative financial strategy of the enterprise. Analysis of financial diagnostics results can be performed not only on the basis of a “paper report”, but also in an interactive mode (by studying the information structures of the corresponding database with the help of PC). Visualization and documenting the results of financial diagnostics may involve the preparation of a report and the preparation of information for display in two modes: interactive analysis and synthesis of final reports. The process of financial diagnostics needs to adapt the management system to a range of tasks that are solved in the field of financial management, which determines the need to develop an appropriate diagnostic system. This will help to increase the responsibility of the enterprise for the results in the financial and economic management, both at internal and external levels; establishing a dialogue with interested sorrows in order

to ensure the expectations of each of them, taking into account their own capabilities and interests of the enterprise; growth of trust and image improvement and, consequently, increase of the market share of the enterprise and its competitiveness.

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