
Financial and Marketing Monitoring in Power Selling Sector

Bondarenko V.A.¹, Voronov A.A.², Zimina A.A.³, Penyugalova A.V.⁴

Abstract:

Due to the topicality of the problem of timely revealing the factors that influence the financial standing of a power selling enterprise and the degree of its influence the authors propose a methodology of financial monitoring to control not only the current financial standing, but the financial and material flows of a power selling company.

The goal of the article is to work out the methodology of the financial monitoring of power sale enterprises. This methodology allows assessing the company development and can practically assist managers to take timely and adequate managerial decisions or to correct target parameters of the company financial development.

Keywords: *Financial management, financial monitoring, energy industry, financial results.*

JEL Classification Codes: D10, D11, D30, D39.

¹D.Sc., Professor, Head of the Chair of Marketing and Advertising, Rostov State University of Economics, Rostov-on-Don, Russian Federation, b14v@yandex.ru

²Doctor of Economic science, Professor of the Chair of Marketing and Trade, Kuban State University, voronov.a@mail.ru

³Postgraduate Student, Chair of Economic Analysis, Statistics and Finance, Kuban State University, Head of the Electricity Sales Department of the Krasnodar Branch of OJSC «Kubanenergobyt», Krasnodar, Russian Federation, zimina@mail.ru

⁴Doctor of Economic science, Professor, Head of the Chair of Economic Analysis, Statistics and Finance, Kuban State University, Krasnodar, Russian Federation, penugalova@mail.ru

1. Introduction

Production processes, processes of transferring and the final consuming of electrical energy unite all energy industry enterprises. Under modern unstable conditions it is necessary to control financial and material flows of the united energy household system. Power sale enterprises are significantly influenced by different economic factors with the main one the tariff components: the volume of sales premium, tariff for transmission and other services.

Nowadays one of the topical problems in the power sale enterprises' activity is the problem of debt and solvency. To solve this problem, it is useful to conduct financial and economic monitoring which is a tool of diagnosis of economic activity of energy companies conducted based on public reporting data and internal analytical material. Financial monitoring of the power sale enterprises is a subject matter of this research.

2. Financial monitoring of the power selling enterprises activity

In the scientific and practical researches originally, the term “monitoring” meant the processing the data about the state of the environment and the system of observation, control over environmental changes due to human activity (Kiselev, 2009). With market relations development this notion started to be used by Russian economists. At that time monitoring was considered as a process to assess and to forecast company's financial standing to minimize the possibility of crisis situations and to boost the financial management efficiency of the enterprise.

In modern economic researches monitoring is a tool to manage economic processes, including financial at micro- and macroeconomic levels. According to Kovalev (2011), company's financial monitoring can be characterized as a major subsection of the financial management, and its main peculiarities are to optimize balance, to mobilize recourses and to place them, to optimize internal activities, to be based on operational and accounting data with limited number of people having the access, to take operational decisions. The other peculiarities are flexible software and counting procedures, a combination of criteria in natural and value gauge and a high level of subjectivity. In our opinion continuous observation and analytical assessment of the dynamics of the company's financial standing, revelation of changes and negative trends of its financial development is the main feature of the financial monitoring process (Anureev, 2017).

Thus, financial monitoring can be defined as a system of continuous observation, analysis and forecasting of the main indicators of the financial and economic standing of a company to timely work out and take optimal managerial solutions and assess their efficiency. Let us also give the definition of financial analysis to distinguish these two contiguous notions. Financial analysis studies main indicators, parameters, coefficients and multipliers which give assess objectively the company's

financial standing and company stock value to take capital allocation decisions (Vasilyeva, 2006). Financial monitoring concept is wider and includes financial analysis as a tool to reveal the peculiarities and regularities of the company's financial standing. Financial analysis in difference from financial monitoring does not comprise the processes of continuous observation, forecasting and assessment of the managerial solutions efficiency, but gives the basis (for example, identified reserves) to take and to implement financial solutions (Kuznetsova *et al.*, 2017).

Financial monitoring is important while tracing the trends in energy company parameters changes to support the certain level of competitiveness and successful cooperation with counter agents. Stable financial standing guarantees the company partners to protect their economic and financial interests. It is possible to say, that financial monitoring takes the main place in the energy company management system, performing the function of the information support to take management decisions.

At present territorial divisions of the Ministry of Economic Development and Trade of the Russian Federation, as well as the Regional Energy Commissions are responsible for the financial monitoring of energy companies. Territorial bodies implementing financial monitoring apply standard methodology of the Russian Federal Service for Financial Recovery and Bankruptcy, but as a rule, the monitoring results does not always allow timely forecast crisis situations. Therefore, we consider that financial monitoring is to be implemented by the energy company managers. Currently the number of companies–bankrupts in the Russian electrical and energy industry is growing due to the lack of efficient financial monitoring system and efficient crisis prevention system which would allow timely reacting to negative processes in the company's financial system.

It is known that non-payments have remained the main financial problem for the power industry enterprises for the last decade in Russia. Therefore, it is especially important to assess energy companies' solvency, including power sale companies, effectively. The methods of financial monitoring and financial analysis proposed by different authors to assess debts and solvency of enterprises, agrarian organizations, banks and other commercial organizations are poorly adapted for the power sale companies. It is due to the specific features of the electric power industry, namely, the specific features of the commodity itself – electric power.

Russian scientists such as Bakanov (2005), Kovalev (2011), Sheremet (2005), Getman (2001), Samsonov and Vyatkin (2001) and Barilenko (2015) contributed much in the development of the methods of financial monitoring and financial analysis. Notable foreign specialists Taylor (1911), Braley and Mayers (2008), Fayol (1992), Helfert (2003), Scholes (1991), James *et al.* (2008) and others developed the methods of financial monitoring and financial analysis.

Kovalev (2011) argues that financial monitoring is based on the accounting

statements analysis; according to him only with the analytical coefficient systems it is possible to forecast bankruptcy and identify continuous changes in the company financial flows.

At present many scientists study the issues of the financial analysis methods development applicable to different industries (Alekseeva, 2006; Karaseva and Revyakina, 2006; Brigham and Gapensky, 2001; Savitskaya, 2007; Dontsova and Nikiforova, 2004; Polyak, 2006). However these works do not deal with the development of methods of the financial standing monitoring of the power sale company. In our opinion the financial standing monitoring of the power sale company is to include continuous observation over financial standing of the organization, information collection, analysis of the company activity key indicators and proactive and preventive management solutions. Using the financial monitoring results based on the efficient methods the company managers will be able to set the correspondence between intermediate results of production activities and the objectives set for these stages, timely to identify signs and preconditions of the company financial standing worsening, to reveal unused reserves to boost financial activity efficiency.

The existing methodology of financial standing analysis of the power sale company, approved by the Decree of the Russian Federation of 04.05.2012 No. 442, in our opinion, has certain drawbacks such as the opacity of the source data, the discrepancy between the content of financial ratios and the specifics of the electricity industry, the incorrectness of the recommended normative values of these coefficients. Thus, there is an objective necessity to improve the methodology of financial standing analysis of the power sale company.

3. Authors' approach to implement monitoring procedures in marketing and operational activity of the power sale company

To implement an efficient financial monitoring, it is necessary to pay attention to the quality of its information support. The information is to meet the requirements of completeness, accuracy, timeliness and efficiency. Information basis as a rule is formed from internal and external sources of information. The indicators of macroeconomic development of the country and the energy industry in Russia in a whole, stock and money market conjuncture indicators, performance indicators of counterparties of energy companies (banks, consumers, and network organizations) and major competitors are among the external sources. Two groups of indicators can be referred to the external sources of information: company financial and management accounting. The first group, in our opinion, is the basis of the financial monitoring information base, and analysis, planning and decision making in all spheres of the power sale company financial activity can be based on it. Balance sheet, financial performance statement, cash flow statement, equity report and notes to financial statements refer to accounting indicators (Fedoskina, 2016).

Management indicators of the power sale company are used by managers to control financial activity and to formulate financial strategy and policy. Energy companies organize management accounting in accordance with international standards, forming the blocks of indicators in the context of regions, individual structural units and divisions, as well as types of goods (electricity and power). Having formed full and truthful information basis it is possible to start the second stage of the power sale company financial monitoring to identify qualitative changes of the fund structure of the company and their sources together with the trend of such changes. All sections of the balance sheet (non-current assets, current assets, capital and reserves, short-term and long-term liabilities) are analyzed where vertical and horizontal analysis methods are applied. Meanwhile it is necessary to use not only the dynamic range over several years but do quarter analysis for three years to identify patterns of changes in the basic parameters of the balance sheet, and to predict their values.

At this stage it is expedient to compare the economic indicators of the company financial activity with similar indicators of other companies of the same industry or branches of the same company as well as with averages in the industry and general economic indicators. And it is also important to observe the homogeneity of the indicators compared, apply the same measurements, use the same number of days as well as use the same calculation methods. If it is necessary it is possible to apply the correction factors and implementation of the recalculation of indicators to reduce to the same conditions. This analysis consists of several stages:

- to select objects to compare;
- to confirm the comparability of the selected comparison objects and compared indicators;
- to collect and process economic data about objects;
- to perform comparative analysis of the financial indicators;
- to assess the obtained results, to sum up them.

The third stage of the financial monitoring method is to select and calculate the financial standing indicators to analyse company financial statement, namely: balance sheet, loss and profit statement, cash flow statement. Indicators can be divided into three groups according to the monitoring frequency: operational (weekly), current (monthly) and strategic (quarterly) monitoring. First, let us consider the indicators which are the indicators of the financial standing of a supplier of last resort in accordance with Appendix 1 of the RF PP dated 04.05.2012 No. 442:

- accounts payable turnover;
- share of overdue payables in total payables;
- the ratio of revenue to short-term borrowed capital (debt coverage limit).

The fourth stage financial monitoring method of a power sale company is to analyze

the accounts receivable on key criteria and indicators necessary to monitor the amount of cash and, as a result, the formation of debt due to non-payment by consumers. The table allows considering the major activity indicators in the context of the main industries (the territorial net organizations, industry, agriculture, transport and communication, construction, housing, energy supplying organizations, population, budget, etc.) as well as analyzing only overdue receivables (taking into account the volume of debts that are already pending in court or assigned to a moratoria and hopeless group to be recovered).

Let us consider the basic inputs necessary to analyze receivables and other indicators of the energy supplying activity, which in the financial monitoring course are to be reflected in the analytical table in the context of the major industries:

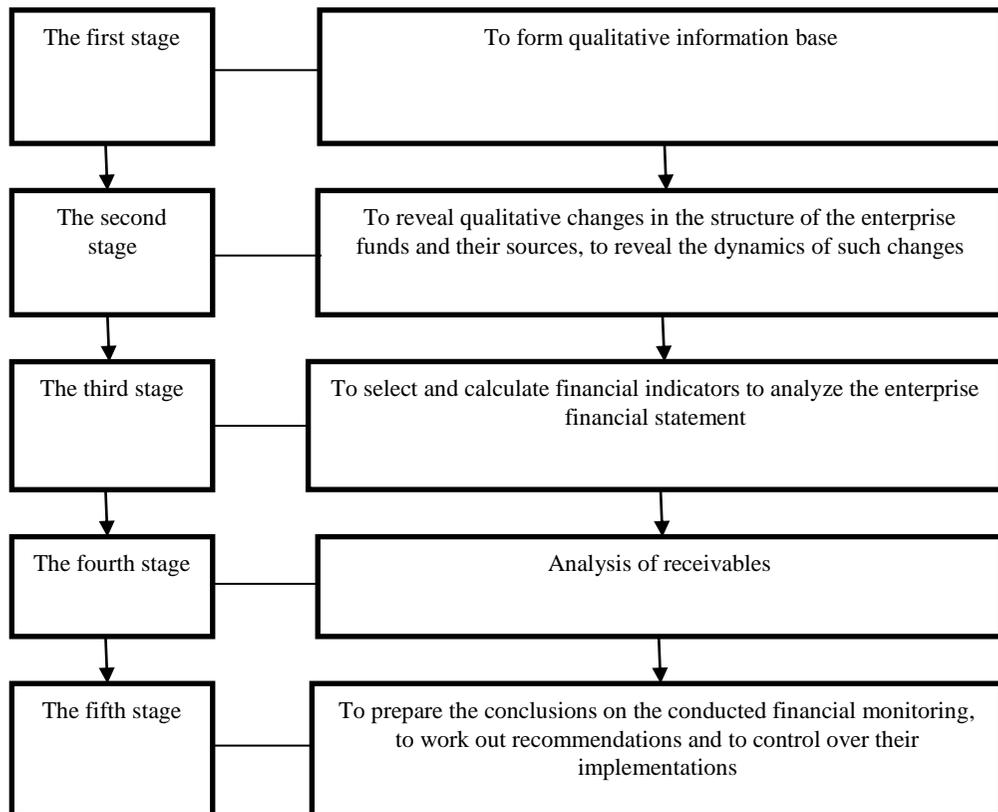
- receivables at the beginning of the period in question;
- payables at the beginning of the period in question;
- cost of the supplied energy with VAT for the period in question;
- payment for the entire period under review;
- receivables at the end of the period in question, including the current, operational, restructures, lawsuit, according to the rules of execution, other unstructured moratoria and hopeless;
- payables at the end of the period in question.

Then the list of the consumers with unstructured debts are to be compiled. Such group of consumers shows the drawbacks in the energy company personnel work, i.e. timely measures were not taken to collect debts. The fifth stage of the proposed financial monitoring methodology of the power sale companies is to prepare conclusions on financial monitoring conducted, work out recommendations to take timely management solutions and to improve company financial management efficiency. At this stage the control over the results of managerial impacts and the establishment of positive dynamics on the basis of the implementation of the proposed management decisions is implemented.

Thus, the proposed financial monitoring methodology of the power sale companies has stages shown in Figure 1.

4. Conclusion

The proposed methodology ensures the comprehensive analysis of all conditions of the modern power sale company functioning in the region; and is based on the use of major financial indicators, considering historic experience and the specificity of market functioning and industry development. This financial monitoring methodology can be recommended to power sale companies and other energy enterprises to apply as analytical support for management solutions.

Figure 1. Algorithm of methods of the financial monitoring of the energy complex enterprises**References:**

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