



**Original Article: FINANCIAL-ECONOMIC STATE OF THE OCHAKOVO COMPANY
AND FORECASTING OF SALES, SALARY AND PROFIT
IN THE BEER INDUSTRY**

Citation

Kurus A.A., Zhuravleva E.A. Financial-Economic State of the Ochakovo Company and Forecasting of Sales, Salary and Profit in the Beer Industry. *Italian Science Review*. 2017; 7/8(50/51). PP. 18-22.
Available at URL: <http://www.ias-journal.org/archive/2017/july-august/Kurus.pdf>

Authors

A.A. Kurus, Kuban State University, Russia.
E.A. Zhuravleva, Kuban State University, Russia.

Submitted: July 14, 2017; Accepted: August 20, 2017; Published: August 30, 2017

Ochakovo Company is a big producer of alcoholic and nonalcoholic drinks at the South of Russia. All operation carried out in Ochakovo Company are divided according to their departments.

The marketing department performs a relation with all divisions of the entity branch. Thus, it receives and transfers: information on new products; promotional materials for placement in the territory of work, according to the approved schedules and plans of advertising campaigns; acts of the performed works; information on schedules of pouring of drinks; information about competitors; information on any changes in accounting policy of the entity which are directly connected with activities of marketing department.

Advertising of products is the main operation in the marketing department. The entity Ochakovo performs the following marketing efforts:

- local actions like “collections of promotional bottle covers” (Krasnodar, Penza, Tyumen);
- creation of thematic labels and distribution on the priority cities (on February 23, the Victory Day);
- participation in exhibitions, fairs ("The Nizhny Novgorod fair", "The Kursk nightingale", etc.);

- outdoor advertising.

Besides, the comprehensive program of social activity where charitable projects, directed to support children and old men, are carried out.

Ochakovo is a philanthropist of the Mercy project – the largest social service of Orthodox church. The company annually sponsors one of the largest charitable festivals in Russia which is called "A white flower".

The program of social activity Ochakovo includes support of the actions directed to promotion of a healthy lifestyle: sports meets, children's thematic holidays.

In this case, we are going to make analysis of the financial activities of Ochakovo Company over the last three years which are presented in Table 1.

Financial Statements is a set of accounting figures reflected in the form of certain tables and characterizing the movement of assets, liabilities and financial position of the company during the reporting period. Financial accounting is a system of financial position of the company, financial results of its operations and changes in its financial position which is compiled on the basis of accounting data.

We are going to present calculation of financial ratios of Ochakovo Company

based on its financial statement the results of which are shown in Table 2.

The first quarter of 2016 became the most profitable for the company: it has managed to set record levels of revenues and profits due to holiday sales. Revenues amounted to about 75.9 billion and the profit to 18.4 billion (+ 0.4 billion). However, in the next quarter the company was less profitable for the first time during a long time.

Analyzing a company's inventories and receivables is a reliable means of helping to determine whether it is a good investment play or not. Companies stay efficient and competitive by keeping inventory levels down and speeding up collection of what they are owed.

A leverage ratio is any one of several financial measurements that look at how much capital comes in the form of debt (loans), or assesses the ability of a company to meet financial obligations. Liquidity ratios attempt to measure a company's ability to pay off its short-term debt obligations. The results are in Picture 1.

In spite of such indicator it is not obligatory to consider the situation critical. Taking into account macroeconomic problems and currency fluctuations on the important for the company markets, reduction in sales of key products was inevitable, while the company had successful diversify of its product line added 4.35 billion for the profit, which is 62% more than last year.

Next step we are going to show the impact of financial indicators on profit of the company by means of the multiple linear regression model. We have chosen such indicators as sales of beer, average amount of salary among workers, profit of beer companies and years of observation and have made the multiple regression model (Table 3).

R-squared is the coefficient of determination. In our example we have 0,969992 which is equal 96,99%. This means that the estimated model parameters explain 96,99%. of the relationship between

the studied parameters. It is better for our model to have higher coefficient of determination.

The standard error of the mean is a quantity that characterizes the standard deviation of the sample mean, calculated from the size of the sample from the general summation. Our standard error is equal 0,888241.

SS is squares sum of regression, MS - the average sum of the squares of the regression sum of squares divided by the number of variables m , F is Fisher criterion value, Significance F is a calculated value of the probability density distribution with Fisher degrees of freedom, df is number of degrees of freedom (Table 4).

To make our prediction using the simple linear model we have to substitute the necessary data in the equation. To find the "y" we add b_1 and b_2 and multiply it by found x . The results are presented in Table 5.

After analyzing this data, we can make a conclusion that there is a tendency to increasing of indicators. It means that if the situation does not change during these years they will increase their financial results such as sales, average salary and profit in the beer industry.

As a conclusion, we have to note that analyzing is not full without prediction of development prospects. In modern conditions the economic forecasts are needed to identify the most probable and cost-effective options of operating, to study the main directions of economy or to foresee the consequences of taken and implemented decisions in each activity.

References:

1. Kalashnikov, A. E. 2014. Socio-psychological climate in the workplace. Psychology, Sociology and Pedagogy. Number 5.
2. The official website of "Ochakovo" Company. URL: <http://ochakovo.ru>

Table 1

Perpetuity Stream with Interest Rate and Growth Rate of the Ochakovo Company

Time	CF, \$	Interest rate, %	DR, %	DF	PV, \$	Cumulative PV, \$
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
0	-	-	-	-	-	-
1	563617	9	0,09	0,917431193	517079,82	517079,82
2	742231	7,75	0,16100625	0,861321806	639299,75	1156379,56
3	743974	8	0,259712	0,793832241	590590,55	1746970,11
					NPV (Sum)	1746970,11

Table 2

Common-Size Financial Statement of the Ochakovo Company

#	Indicator	Years			Growth (+, -), %
		2014	2015	2016	
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
Part 1 Performance Measures					
1.2	Return on equity (ROE), %	36,51	154,76	72,06	1,973
1.3	Return on assets (ROA), %	0,170	0,183	0,14	0,823
Part 2 Efficiency Measures					
2.1	Asset turnover	0,88	1,008	0,74	0,8409
2.2	Inventory turnover	86,59	99,49	101	1,1664
2.3	Days in inventory	2,756	3,298	3,981	1,4445
2.4	Receivables turnover	7,1	7,4	7,5	1,0563
2.5	Average collection period	48,18	49,27	51,42	1,0672
2.6	Profit margin	0,21	0,22	0,21	1
2.7	Operating profit margin	0,287	0,304	0,278	0,9686
Part 3 Leverage Measures					
3.1	Long-term debt ratio	0,12	0,18	0,23	1,9167
3.2	Long-term debt-equity ratio	0,259	0,446	0,588	2,2703

3.3	Total debt ratio	0,518	0,588	0,601	1,16
Part 4 Liquidity Measures					
4.1	Net-working-capital-to-total-assets	0,021	0,03	0,086	4,0952
4.2	Current ratio	1,08	1,108	1,352	1,2519
4.3	Quick ratio	1,046	1,079	1,32	1,2619
4.4	Cash ratio	0,395	0,516	0,849	2,1493

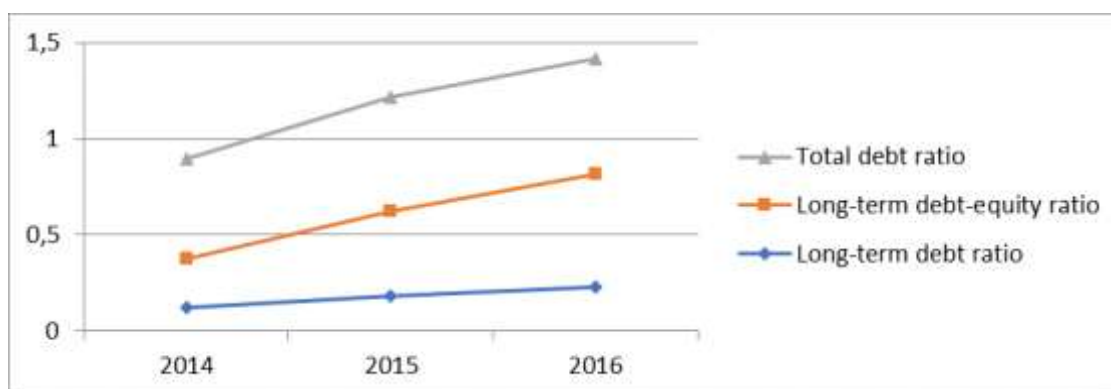


Fig. 1 – Leverage Measures and Liquidity Measures

Table 3

Results of Multiple Regression - Regression Statistic (Part 1)

Indicator	Volume
Multiple R	0,984882
R-square	0,969992
Normalized R-square	0,965375
Standard Error	0,888241
Observation	16

Table 4

Results of Multiple Regression (Part 2)

<i>Indexes</i>	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	331,5389	165,7695	210,108	1,26E-10
Residual	13	10,25665	0,788973		
Total	15	341,7956			

Table 5

Forecasting of sales, salary and profit in the Beer Industry

Year	Sales, thousand units	Salary, thousand rubles	Profit, thousand rubles
2017	42,83	33,90	3217
2018	43,42	40,21	3431
2019	46,15	40,34	3478
2020	48,44	41,38	3659