## A COMPREHENSIVE PUBLICATION ("Finansinė analizė" ["Financial Analysis"], a textbook, Vilnius University Publishing House, 2014, 483 p., Prof. Dr. Habil. J. Mackevičius, PhD. L. Giriūnas, PhD R. Valkauskas)

Not only the competitive and dynamic but also the complex and challenging business environment of the world and the European Union markets triggers the need to easily measure and comprehend the available business information as well as to communicate it in a clear manner. The language of business is most commonly the language of numbers, the skillful command of which is based on the fundamental principles of information gathering, processing, perception, and use.

The language of business targets to convey the information about the company's competitive possibilities and advantages in an objective and reliable manner as well as to predict its prospective performance. The purpose of the language of business is to provide a more detailed information on the company's activities in the areas of investment, production or finance. The language of numbers should facilitate the spread of the available information on the cash flows, fields of activities in terms of risks, current and forthcoming information on the value, price, cost, solvency, liquidity, turnover, and similar features, comprehensive and suitable to meet the diverse needs of a customer. A proper command of the language of business helps both the company managers and owners to achieve better financial results, to increase the company's performance, and to measure its sustainability.

One can claim that the language of business expressed in figures is a financial analysis. This is a set of instruments for an objective, consistent and comprehensive investigation of the company's performance. The financial analysis is also a constituent part of the corporate management system conducting the functions of the internal control, evaluation and synthesis of information, decision-making, etc. to help provide a timely disclosure of the company's business risks, identify the weaknesses of performance, and provide the means to address them, to reveal the internal and external reserves to improve the company's performance.

The financial analysis is one of the most objective ways deployed to properly assess the company's financial condition and the performance outcomes. The appropriate financial analysis helps to evaluate whether the decisions adopted by the management in

the past were reasonable, or the logical and reasoned management solutions for the company's future prospects are possible. The financial analysis not only reveals the reserves for improving the company's performance, but also identifies its most risky areas.

In terms of the contemporary dynamic and competitive business environment, seeking to survive in the world and the European Union market and to ensure business sustainability, companies must be equipped with the objective information about their performance and its value among its competitors. The financial analysis is able to provide this type of information.

The financial analysis is one of the most important subjects included in the study programmes on Economics and Management and Administration provided by universities and colleges. The studies of financial analysis provide students with a lot of specific information about the company's financial condition, performance outcomes, cash flows, revenues and profitability, liabilities and solvency, the most risky activities, the likelihood of bankruptcy, etc. Upon completion of the course on the financial analysis, the students are able to calculate the key financial indicators, to interpret their meanings, to evaluate the current status and prospects of a particular company. The knowledge attained in the field of the financial analysis is a valuable tool for studying other subjects such as Auditing, Business Risk, Business Organisation, etc. In particular, the expertise of the financial analysis develops the students' individual abilities not only to gather information but also to perform its classification, comparison, evaluation as well as to draw conclusions and make proposals.

The experience gained from delivering the course on financial analysis in Lithuanian universities and colleges is relatively low. This subject was included in the study programmes only a few years after Lithuania's independence had been regained. Therefore, the faculty often raises the issues on what themes should be included or on the consistency of their delivery, which financial relative indicators should be included and how to assess them, what cases of financial and operational conditions of a company should be considered or what practical tasks should be solved, etc. The replies have been sought for in textbooks and educational books on financial analysis, however, the availability of the sources in the Lithuanian language has been limited for a long time. In the recent years, the gap of this field observed on Lithuania's market has been filled in by the publishing houses of universities which have published a number of textbooks and course books written by different researchers tackling the issues of financial analysis: "Finansinė analizė" [Financial Anglysis] (J. Mackevičius, D. Poškaitė, 1999), "Finansų analizė" [Financial Anglysis] (E. Buškevičiūtė, J. Mačerinskienė, 2009), "Finansinių rezultatu analizė" [Anglysis of Financial Outcomes] (E. Buškevičiūtė, R. Kanapickienė, M. Patašius, 2009), and "Finansinė analizė" [Financial Analysis] (J. Mackevičius, D. Poškaitė, L. Vilis, 2011) However, these textbooks either do not address some of the key issues of the financial analysis or lack in-depth examination. Therefore, the current textbook "Finansinė analizė" [Financial Analysis], written by J. Mackevičius, L. Giriūnas and R. Valkauskas, is a valuable contribution to the Lithuanian market in terms of the increasing significance of the financial analysis under the global commercial market conditions where the students (including practitioners) will undoubtedly feel the growing need to update their knowledge. The textbook "Finansinė Analizė" ["The Financial Analysis"] written by J. Mackevičius, L. Giriūnas, R. Valkauskas, consists of three parts: 1) the Theoretical Background of Financial Analysis, 2) the Analysis of the Financial Condition, Performance Outcomes and Cash Flow, 3) the Evaluation of the Company's Performance by Calculating the Relative Indicators.

The first part, entitled "The Theoretical Background of the Financial Analysis", examines the meaning and role of financial analysis in the company's management system, its object, method, and sources. The authors describe the types of financial analysis, information users, methods of the analysis, as well as provide a visual layout of the financial analysis results in the form of tables, graphs, and other visual tools. Much attention has been paid to the absolute and relative financial indicators in terms of their classification and evaluation.

The second part "The Analysis of the Financial Condition, Performance Outcomes and Cash Flow" provides the methodology applied to analyse tangible fixed assets, intangible assets, financial assets, current assets, equity, liabilities, cash flows, and profit.

The third part "The Evaluation of the Company's Performance by Calculating the Relative Indicators" addresses the key indicators of solvency (short-term and long-term), profitability (sales, property, and capital), capital market, operational efficiency (cost and asset turnover), provides the formula for calculating these characteristics and assessments of their values. A lot of attention is paid to the analysis of business development and sustainability measures.

In terms of the delivery of the theoretical background of the financial analysis, the authors present the original picture highlighting the importance of the financial analysis (p. 25). A particular emphasis is laid on the main objectives of the financial analysis: 1) validation of the managerial decisions adopted in the past, validation of the efficacy of the current managerial solutions, 3) the assessment of the need and the validity to adopt prospective managerial decisions (p. 27). It is noteworthy that the authors have developed a professional ethical model of the analyst that involves the key qualities of the analyst, i.e. the appropriate knowledge the analyst needs to be equipped with, skills to have gained, abilities to understand and assess (p. 45).

In describing the significance and role of financial analysis in the process of managing the company, the authors also described a significant role played by the financial analysis as a subject of science and studies. This question should have been set out in more detail, i.e. the further examination of links of the financial analysis with other economic and non-economic disciplines, in terms of knowledge and information provided

by this subject, etc. This publication will encourage students to study financial analysis and master its latest research techniques.

The course book contains not only an in-depth presentation of the object, content, method of the financial analysis as well as sources and the users of information, but also a concise introduction to the most essential types of analysis, i.e operational, retrospective, prospective, horizontal, vertical, relative, etc. (p. 68–79). However, students would easier understand the key features of the diverse types of the financial analysis if actual examples were provided.

Much attention is paid to the research methods of financial analysis. It should be noted that most books on finance published in Lithuania or in foreign countries largely deal with only the most commonly applied economic approaches (comparison, grouping, elimination, relationship of balance, etc.) and mathematical methods (decision-making theory, investigation of operations, statistics, econometrics). The authors have been pioneers in the field to have explicitly described heuristic methods of the research (analogy, association, brainstorming, group discussion, expert evaluation).

A great competitive advantage of the textbook is the fact that it provides a comprehensive description of absolute and relative financial indicators by themes, their classification, assessment as well as the information they provide. The authors identified three groups of absolute financial indicators (to be presented in current financial accounts):

1) the financial condition, 2) performance outcomes, 3) cash flows (p. 146).

The authors have classified all the relative financial indicators according to the following two features: 1) the nature and homogeneity of the indicators; 2) the elements of financial reports (p. 175). This issue could have been developed by the authors in more detail; instead, the presumably most important financial ratios to assess the outcomes of the performance were presented (Classification 1, p. 176). It would have been appropriate to highlight and examine a variety of financial relative indicators suggested by the Lithuanian and foreign scholars as well as to provide their critical assessment, analyse their differences, etc. The classification of the relative financial indicators presented by the authors is authentic, but, the reader has the impression that it is considered as the only correct one.

The second part of the textbook, which presents the indicators of the analysis of the financial condition, the performance outcomes and cash flows, should be considered exclusive. The suggested analytical methods should be valued as genuine and authentic. To facilitate their comprehension, they are presented in the form of the pictures that show the consistency with which the analysis of certain indicators needs to be conducted. There is no doubt that the proposed methodologies of the analysis will facilitate the performance of practitioners (financial analysts, accountants, auditors, etc.). The description of the methodology targeted to analyse the tangible fixed assets and current assets (especially stock) is comprehensive, clear, and consistent. Another advantage of the current

textbook is that so far the financial analysis literature has not examined the methods of the financial analysis of financial assets and intangible assets. The authors of the textbook have made an attempt to create the methodology for the analysis of this type of assets, even though they are less clear and consistent as compared with those applied to analyse tangible and short-term assets.

It is noteworthy that the methodology applied for the analysis of short-term and long-term liabilities should have been more explicitly developed, i.e. the phases of analysis presented in Fig. 57 should have been described in more detail (p. 233). Also, the phases of the analysis of the revenue and the cost analysis as indicated in the figures of revenue (p. 245) and costs (p. 251) are highly significant, thus they should have been described in more detail by giving practical examples like it was done in a similar description of the methodology of the profit analysis. The analysis of factors affecting profit has been thoroughly examined. The authors present specific examples and formulas for the calculation of the impact of one or another factor on the change in profit.

The third part of the textbook is devoted to the assessment of a company's performance by calculating its financial relative indicators. The authors identified seven groups of financial indicators: 1) short-term solvency, 2) long-term solvency, 3) profitability, 4) capital market, 5) cash flows, 6) operational efficiency, 7) likelihood of bankruptcy, sustainability, and development of business.

Each group includes the key financial relative indicators, their calculation formula and assessment are presented for each group. The consistency is characteristic of the authors in examining all of the above-mentioned groups of indicators, which helps students and other readers of the textbook to better understand the textbook and facilitates the assimilation of the methodology of calculation of this or that indicator as well as carrying out its assessment. However, the fact that certain indicators are described quite in detail whereas others lack the authors' attention may be assessed as a weakness of the publication.

At the end of the textbook, the authors present a practical example of the analysis conducted in a real company with a focus on its financial condition, performance outcomes, cash flows, and probability of bankruptcy as a summary of the theoretical material covered by the textbook. The students who are involved in writing their final thesis on the topic of financial analysis may benefit from the example described above.

Another great advantage is a comprehensive list of the recommended literature in the Lithuanian, English, Polish, Russian languages provided at the end of the textbook. In order to facilitate the assimilation of the methodology of the analysis of certain financial indicators, a total of 95 analytical tables and 90 figures are presented. Each of the themes encompasses a number of self-testing questions and tasks presented to draw the attention of students to the core issues of each of the themes.

The textbook is targeted to students of the Vilnius University. Undoubtedly, the textbook contains information useful to the university professors and doctoral students in their academic and pedagogical activities. Students of other universities of the country, as well as a variety of professionals and employees, i.e. accountants, financial analysts, auditors, economists, and others, may also use it. This textbook deploys a well-structured business language to communicate a wide range of measures that enable to carry out a comprehensive measurement, assessment, and understanding of a company's performance. The book facilitates the development of students' skills in compiling information, grouping it together, comparing, evaluating, drawing conclusions, and making proposals.

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