1. Introduction

The subject of the analysis is the financial performance of non-financial enterprises during 1996 and 1997. The analysis covers the balance sheet, the income statement, the cash flow statement, the structure of costs, and the key coefficients (liquidity coefficients, capitalization and leverage coefficients, profitability coefficients and operation coefficients). All data has been processed on the level of activity according to the unique classification of activities. Additionally, enterprises have been grouped by one of the following status: newly established private enterprises, privatized enterprises and non-privatized enterprises. The primary aim of research is to comprehend the status, performance and trends within the economy as a whole in the period when transition has already come to its final stage, and to get a picture of the efficiency of operation with private, privatized and non-privatized enterprises along with the features of each group separately.

In 1997, there was an improvement in the financial performance due to the increased sale in the domestic market (a 13% increase) and to foreign markets (33%), while costs for salaries revealed relative decrease at the same time. The great increase with the sales on foreign markets results from the depreciation conducted in the middle of the year. The decrease in costs for salaries is a result of the decreased number of employees in privatized and non-privatized enterprises. The only considerable increase in the costs for salaries was noticed with the newly established private enterprises which is a clear sign of the growth within this sector.

The computed liquidity coefficients point to serious problems in the regular operation and servicing liabilities in everyday operation. The average payment of debts amounts to some 160 days, which is not surprising when the cash flow report is read showing that the basic means to maintain liquidity is not to realize liabilities. The reasons to such a status should be looked for in the insufficient and expensive cash offer, the toleration of non-privatized enterprises generating losses and untimely meeting their liability, and in the inefficiency of the judicial system in the solving of business dealings and forced payment.

The ratio between the non-financial enterprises’ capital and their debts is one-to-one. Although this indicator reveals high capitalization of non-financial enterprises, it should be borne in mind that these are book values established during pre-privatization assessments. In most cases, the capital of enterprises gains much lower price in the market; moreover, no owner may be found for some of these enterprises, even if they are offered free to potential investors. On the other hand, the debt structure is highly unfavourable. In particular, more than 70% of liabilities is towards suppliers and workers, only 10% being long-term liabilities towards financial institutions. The lack of high-quality banking finance is compensated by non-financial enterprises by not paying liabilities to each other and to their employees. This induces the shift of non-liquidity from one enterprise to another and creating a ‘magic debtor circle’.
2. Non-Privatized Enterprises

In spite of the advanced stage of the privatization process, non-privatized enterprises’ share in the total amount of assets of the non-financial enterprises was 46%. The reason to this should be sought in the huge capital of public enterprises dealing with infrastructure and in the still not begun privatization in huge capital-intensive enterprises and agricultural enterprises. However, despite the high value of assets with non-privatized enterprises, they have an extremely low cash turnover; in other words, they need three years to come to sales equal to the value of their assets. This is why their share in the total sales amounts to only 20%. Such enterprises have an extremely high capitalization (two thirds of the liability side), yet in spite of that their balances have a share of as much as 60% in the total of long-term debts of non-financial enterprises towards financial institutions.

3. Privatized Enterprises

The share of privatized enterprises’ assets in the total assets is almost 40%, this share being identical with the total sales of non-financial enterprises as well. Their share in the total losses decreased in 1997. All financial indicators on privatized enterprises are typical for the whole sector of non-financial enterprises and lie between indicators of non-privatized and newly established private enterprises. The turnover coefficient (sales/ assets), although twice as high as the one with non-privatized enterprises, amounts to only 0.6 and indicates the unwise asset usage. The capitalization coefficient i.e. the ratio between the total liabilities and the equities of enterprises is one to one.

4. Newly-Established Private Enterprises

The share of newly established private enterprises is only 17% in the total assets of non-financial enterprises, yet they make up almost 40% of the total sales. The asset turnover coefficient is 1.3, much more than with other groups of enterprises. This indicates that this group of enterprises has the best usage of engaged assets. The capitalization of newly established private enterprises is low. The ratio between liabilities and equities is 7 to 1. This is not surprising at all as these are small enterprises that start their operation with very low-level capital. Additionally, they have no access to the banking sector that still prefers to deal with huge enterprises neglecting the potential of small newly established enterprises. This is why these enterprises mostly finance their development by delays in the payment of duties towards suppliers. In particular, the newly established private enterprises are the only ones that have a negative working capital, that is, their current assets are less than their current liabilities. According to the income statement, these enterprises have minimal losses; yet, this fact should be taken with a doze of reservation due to the widespread practice of hiding real results from tax authorities.

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