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RESEARCH ON RELEVANT ISSUES OF ANALYSIS OF FINANCIAL REPORTING IN HEALTHCARE ESTABLISHMENTS

Abstract: This scientific paper is devoted to research, generalization of theoretical provisions and development of practical recommendations for improvement of the methodology of analysis of financial statements of healthcare institutions for informational support of management process, taking into account their reorganization. When it comes to reorganization of healthcare institutions, it is difficult for users to interpret financial statements of accounting and analytical information that would allow assessing the state of the healthcare facility. The aim of the research is to substantiate the theoretical, methodological and practical provisions of the methodology of analysis of financial statements of healthcare institutions on the example of the municipal enterprise “Rivne Regional Children’s Hospital” of Rivne Regional Council. To achieve this goal, the following tasks are defined:

- to explore theoretical principles of analysis of financial statements of medical institutions in modern conditions of reforming;
- to consider the peculiarities of the methodology of financial reporting analysis in healthcare institutions;
- to offer directions for improving the analysis of financial statements in healthcare institutions.

Both general and specific research methods were used in the study: historical – to study the development of the categories “financial reporting” and “public sector” in regards to healthcare institutions; analysis and synthesis – to study financial statements; induction and deduction – to develop models of analysis; summarizing and fleshing out – for the purpose of theoretical generalization and formulation of conclusions when clarifying problems and directions of improving the analysis of financial statements of public sector entities; graphic – for visual representation of the results of the research; economical-mathematical and statistical – to identify trends in the development of a medical institution based on the financial statements. Scientific work consists of an abstract, introduction, presentation of basic material, conclusion and suggestions, and a list of 23 sources used. The work contains 11 tables.

Keywords: financial reporting, public sector, analysis, medical organization, medical reform, relevant issues.

1. Introduction

The reform of the healthcare sector together with the process of autonomization of healthcare facilities has led to dramatic changes in accounting and financial reporting. Qualitative analysis of financial statements of healthcare institutions enables us to make optimal management decisions, develop a sound development strategy, and identify strengths and weaknesses of an entity.

Issues related to the analysis of financial statements have been considered in the works of domestic scientists such as: P. Y. Atamas, F.F. Butynets, T.R. Joga, K.P. Germanchuk, A.A. Gryshchenko, V.V. Sopko, S.O. Levitskaya, N.M. Poznyakovskaya, N.I. Sushko, T.I. Khomulak, L.V. Chernychuk and others.

Noting the significant contribution of scientists to the study of these areas, the question of improving the organizational and methodological provisions of the analysis of financial statements of healthcare institutions in the conditions of their reorganization into communal non-profit enterprises remains an important area of scientific research.

The aim of this research is to substantiate the theoretical, methodological and practical provisions of the methodology of analysis of financial statements of healthcare institutions on the example of the municipal enterprise “Rivne Regional Children’s Hospital” of Rivne Regional Council. To achieve this goal, the following tasks are defined:

- to explore theoretical principles of analysis of financial statements of medical institutions in modern conditions of reforming;
- to consider the peculiarities of the methodology of financial reporting analysis in healthcare institutions;
- to offer directions for improving the analysis of financial statements in healthcare institutions.

The subject of the research is a set of theoretical, organizational, methodological and practical principles of preparation of financial statements and analysis of its indicators. The practical value of the results of the study is to apply to healthcare institutions recommendations on the features of preparation and analysis of financial statements in the period of reform of this sector of the economy. The scientific novelty of the obtained results is to improve the theoretical, methodological and organizational approaches to the preparation of financial statements and its analysis on the basis of the reporting of the municipal enterprise “Rivne Regional Children’s Hospital” of Rivne Regional Council.

In the course of the research the following scientific results were obtained:

- the existing approaches to the conceptual apparatus of the process of compiling and analyzing the financial statements of the hospital in terms of reorganization are generalized and systematized;
- modern regulatory requirements for preparation of financial statements and their analysis are investigated;

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- organizational bases of analysis of financial reporting indicators of medical institutions on the example of the municipal institution “Rivne Regional Children’s Hospital” of Rivne Regional Council are considered;
 - a method of analysis of comparative financial reporting indicators of the municipal institution “Rivne Regional Children’s Hospital” of Rivne Regional Council was developed;
 - the methodology of predictive analysis of the municipal institution “Rivne Regional Children’s Hospital” of Rivne Regional Council was worked out, strengths and weaknesses of the institution were identified.

Possible further development:

- interpreting the category “financial statements” as an object of accounting and analysis;
- organization of the process of preparation and analysis of financial statements using suggestions given by the authors of the research.

2. The main material

In accordance with the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine on Improving the Legislation on the Activities of Healthcare Institutions” (Kabinet Ministriv Ukrainy 2016) budgetary healthcare establishments were transformed into municipal non-profit enterprises (hereinafter – MNE) and transferred to commercial accounting, which raised many questions about the financial statements of the newly created MNE. This law defines the organizational and legal forms of healthcare institutions, sources of funding for medical care, requirements for constituent documents, the procedure for reorganization of healthcare institutions, etc.

Unlike healthcare institutions, which are budgetary institutions whose activity planning is in accordance with the norms of the budget legislation, planning of the activity of healthcare establishments –communal non-profit enterprises– takes place in accordance with the norms of the economic legislation of Ukraine.

According to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” (Verkhovna Rada Ukrainy 1999), financial statements are statements that contain information about the financial position and results of operations of an enterprise. The National Accounting Standard (NAS) “General requirements for financial statements” gives an identical definition.

The financial statements of the NAS 1 Standard are defined as statements that reflect the financial position of the enterprise and the results of its activities for the

reporting period (Ministerstvo finansiv Ukrainy 2013). The purpose of such reporting is to provide the general information needs of a wide range of users who rely on it as the primary source of financial information in making economic decisions.

According to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” (Verkhovna Rada Ukrainy 1999), the regulation of accounting and financial reporting methodology is carried out by a central executive body that ensures the formation and implementation of state accounting policy. Changes in the regulatory framework for the preparation and submission of financial statements for medical MNEs are presented in table 1.

Table 1. Legal regulation of financial reporting of medical MNEs

№	Before making changes		After making changes	
	General characteristics of the activity	Rule of law	General characteristics of the activity	Rule of law
1.	The order of filling in the forms of financial reporting in the public sector, approved by the order of the Ministry of Finance dated 28.02.2017, № 307	Article 56 of the Budget Code	Methodological recommendations for completing the financial statements, approved by the order of the Ministry of Finance dated 28.03.2013, № 433	Article 11 of Law № 996
2.	NPSAS 101 “Presentation of Financial Statements”	Part 6, Article 6 of Law № 996	NAS 1 “General requirements for financial statements”	Part 6, Article 6 of Law № 996
3	Financial reporting procedure approved by the Kabinet Ministriv Ukrainy Resolution dated 28.02.2000 № 419 (hereinafter – Procedure № 419)	Item 1, 2 of Order № 419	Order № 419	Item 1, 2 of Order № 419
4.	Nonprofit Income Statement (if a budget institution was registered as a nonprofit).	Order of the Ministry of Finance dated 17.07.2016 № 553 “On approval of the form of the Report on the use of income (profits) of a nonprofit organization” (hereinafter – Order № 553)	Nonprofit Income Utilization Report (if MNE is included in the Nonprofit Register)	Order № 553. The procedure of keeping a register of non-profit institutions and organizations, approved by the Kabinet Ministriv Ukrainy Resolution dated 13.07.2016 № 440

Source: the authors’ own development based on (Kabinet Ministriv Ukrainy 2016; Kabinet Ministriv Ukrainy 2013; Ministerstvo finansiv Ukrainy 2013; Ministerstvo finansiv Ukrainy 2009).

Let's develop the example of the public utility "Rivne Regional Children's Hospital". On the basis of Rivne Regional Council Decision № 955 of May 18, 2018 "On Reorganization of the public utility "Rivne Regional Children's Hospital" of Rivne Regional Council", the public utility "Rivne Regional Children's Hospital" of Rivne Regional Council" was reorganized by transformation into a municipal enterprise "Regional Children's Hospital of Rivne Oblast Council" (table 2).

Table 2. Reorganization of medical MNEs

Change ownership and name	Public utility "Rivne Regional Children's Hospital" of Rivne Regional Council	Municipal enterprise "Regional Children's Hospital of Rivne Oblast Council"
Financing	Budget funds	- budgetary funds - funds of legal entities and individuals - funds received under contracts with local governments and other HCOs
Status	Manager of budgetary funds	Recipient of budgetary funds

Source: the authors' own development based on the documentation of the researched unit.

The composition of the MNE financial statements for 2019 is as follows:

1. Balance sheet (statement of financial position)
2. Income statement
3. Cash flow statement
4. Equity statement
5. Notes to the annual financial statements

The financial statements of the enterprise are used by the owners themselves to analyze and control the fulfillment of contractual obligations, to analyze the economic activity and to plan for the future. One of the peculiarities of utility companies' economic activity is their obligation to prepare and execute an annual and quarterly financial plan for each subsequent year. The financial plan is the main planning document according to which the enterprise receives income and expenditures and determines the amount and allocation of funds to perform its functions during the year in accordance with the constituent documents (Uteka 2).

The need to draw up a financial plan also has to do with the change in the CNP's status from a spending unit to a payee. The Budget Beneficiary (HCO-MNE) uses the budget funds provided to it by the Principal Managing Authority on the basis of the budget utilization plan which contains the allocation of budget appropriations approved in the budget estimate of this Budget Manager. That is, in the case of financing healthcare at the expense of the local budget, the local council (or other body authorized by it) estimates in its budget the amount of expenditures for the purchase of medical services allocated by the local council for the budget program. Such funds are transferred to HCO-MNE on a non-refundable basis under the budget utilization plan. The company can only spend these funds on the intended purpose, focusing its efforts

on achieving good efficiency indicators which are defined in and can be calculated according to budgetary programs.

Formation of information on the activity of the medical MNE, in particular its financial side, is done using accounting methods and tools which are mainly maintained by the accounting department that generates information for the management system. Managing the management information influences the activities of the MNE since it is information that can streamline business operations and processes, ensure a relative balance between internal and external needs of the institution and therefore become the basis of its financial and economic prosperity.

In order to regulate the financial and economic relations of an entity and to accurately reflect business transactions, newly established MNEs must develop accounting policies that are determined on the basis of national accounting standards. The accounting policy for these utilities is defined in an ordinance that sets out the valuation methods, accounting, types of segments and their priority, and procedures to be applied by the MNE and for which more than one option is envisaged in accounting regulations. Medical MNEs are required to consistently apply accounting policies so that the financial statements meet all the requirements of national accounting standards (Uteka 1).

To be an effective management and control tool, reporting must meet all the requirements for accounting. It must accurately reflect the resources of the enterprise, their use and financial performance. Reporting indicators should be objective, substantiated by verified current accounting data and supported by appropriate documents.

For public sector entities, the analysis of financial statements is, as a rule, limited to monitoring budgetary compliance, accounting policies and accounting standards. At the same time, the most pressing question about the effectiveness of spending budgetary funds allocated for financing the activity of a public sector entity often remains without a substantiated answer (Uteka 2).

In the period of reformation and socio-economic changes in the medical sector, the role of economic analysis as one of the important functions of governance is growing since survival in tough competition is not possible without the implementation of economic methods, the effectiveness of which becomes real only with a deep and comprehensive analysis of the use of all available resources. Financial reporting and economic analysis show that the state of healthcare establishments can not always be evaluated positively.

We have analyzed the financial statements of municipal enterprise “Rivne Oblast Children’s Hospital” of Rivne Oblast Council for the last two years, 2017 and 2018. In accordance with the changes in the legislation, since 2019 this company has been reporting since 2019 according to national accounting standards for enterprises. The reporting for the analyzed period has been prepared in accordance with national standards for the public sector (Rivnenska oblasna dytyacha likarnya). The structure and dynamics analysis allows you to analyze changes in individual reporting items and, if necessary, predict their value. This type of analysis is advisable to perform according to all forms of financial statements.

The analysis of the structure and dynamics of the asset and liability was carried out according to the balance sheet for the two previous years – 2017 and 2018. The results of the structural and dynamic analysis of the asset are presented in table 3.

Table 3. Analysis of asset structure and dynamics of “Rivne Regional Children’s Hospital” for 2017-2018

№	Indicators	Amount (UAH)			Growth rate (%)
		2017	2018	Deviation	
1.	Assets of all, including:	62,438,051	78,610,577	16,172,526	125.90
2.	Non-financial assets, including: (% of assets)	61,888,543 99.12	78,321,327 99.63	16,432,784 0.51	126.55 x
2.1.	property, plant and equipment (residual value) (% of non-financial assets) (% of assets)	49,048,709 79.25 78.56	51,328,270 65.54 65.29	2,279,561 -13.72 -13.26	104.65 x -
2.2.	inventories (% of non-financial assets) (% of assets)	12,839,834 20.75 20.56	26,993,057 34.46 34.34	14,153,223 13.72 13.77	210.23 x x
3.	Financial assets, including: (% of assets)	540,636 0.87	289,250 0.37	-251,386 -0.50	53.50 x
3.1.	current receivables % of financial assets % of assets	471,396 87.19 0.75	178,652 61.76 0.23	-292,744 -25.43 -0.53	37.90 x x
3.2.	cash and cash equivalents in national currency % of financial assets % of assets	69,240 12.81 0.11	110,634 38.25 0.14	41,394 25.44 0.03	159.78 x x

Source: the authors’ own development based on the documentation of the researched unit.

During the analysis of the structure and dynamics of the balance sheet asset it was found that the total value of non-financial assets in 2018 increased by 16,432,784 UAH, which is 26.55%. The share of non-financial assets in the value of the assets of the institution has not undergone significant changes – only 0.51%.

In 2018, as compared to 2017, the value of fixed assets also increased by 2,279,561 UAH, which is 4.65%. In 2018, the value of inventories increased by 14,153,223 UAH, which is 110.23%. Due to the increase in the value of inventories at a faster rate than fixed assets, and the increase in the value of non-financial assets exceeding the growth rate of fixed assets in the balance sheet asset, the value of fixed assets decreased by 13.26%.

Analysis of financial assets shows their decrease in 2018 compared to 2017 by 251,386 UAH, which is 53.50%. In the balance sheet asset structure, financial assets account for only less than 1% in both 2017 and 2018. This is primarily due to the particularity of the activity of the utility and is a sign of its non-profitability.

The reasons for this decrease are the decrease in the value of current receivables by 62.10% compared to the previous year. Despite a 545.64% and 56.20% increase in the national currency in cash and in the treasury, this situation did not affect the growth of

financial assets since cash comes only from unused balances from annual financing, so these financial assets cannot amount to considerable amounts. Although compared to 2017 the share of cash in the structure of non-financial assets is 37.12%, which is 25.44% more than in the previous year, the share of cash in the structure of the balance sheet currency has not changed significantly and at the beginning of 2019 is only 0.14%.

The results of structural and dynamic analysis of liabilities – sources of formation of property of the institution, are presented in table 4.

Table 4. Analysis of equity and liabilities structure and dynamics of “Rivne Regional Children’s Hospital” for 2017-2018

№	Indicators	Amount (UAH)			Growth rate (%)
		2017	2018	Deviation	
1.	Equity and liabilities of all, including:	62,438,051	78,610,577	16,172,526	125.90
2.	Equity and financial result, of which: (% of equity and liabilities)	53,613,633 85.87	57,094,093 72.63	3,480,460 -13.24	106.49 x
2.1.	added capital (% to equity) (% of equity and liabilities)	51,492,417 96.04 82.47	57,084,611 99.98 72.62	5,592,194 3.94 -9.85	110.86 x x
2.2.	capital in revaluation (% to equity) (% of equity and liabilities)	1,754,068 3.27 2.81	1,754,068 3.07 2.23	0 -0.20 -0.58	100.00 x x
2.3.	financial result (% to equity) (% of equity and liabilities)	367,148 0.68 0.59	-1,744,586 -3.06 -2.22	-2,111,734 -3.74 -2.81	-475.17 x x
3.	Payables (% of equity and liabilities)	8,824,418 14.13	21,516,484 27.37	12,692,066 13.24	243.83 x

Source: the authors’ own development based on the documentation of the researched unit.

The analysis of the structure and dynamics of the liabilities shows that its value of equity in 2018 increased by 3,480,460 UAH, which is 6.49%, compared to 2017. The increase was due to the increase in the value of paid-in capital by 5,592,194 UAH, which is 10.86%. The capital in the revaluations over the last two years has not changed and remained in the stable value of 1,754,068 UAH. What has gotten significantly worse is the financial result – if in 2017 it amounted to 367,148 UAH, then in 2018 it received a negative result in the amount of 1,744,586 UAH.

The share of equity and financial result in the balance sheet liability structure decreased by 13.24% over the last year. This is due to the fact that the growth rate of the balance sheet currency exceeds the growth rate of capital growth. Similarly, there is a decrease in the value of paid-in capital in the structure of the balance sheet liability by 9.85%, which is also explained by the differences in the growth rates of the balance sheet currency and the value of equity capital, respectively. However, there is a 3.94% increase in the share of paid-in capital to the value of equity and financial result.

The analysis of the structure and dynamics of the obligations of the utility shows that their growth in 2018 compared to 2017 was by 12,692,066 UAH, which is 143.83%. Enterprise commitments are only current liabilities. They cannot be analyzed in terms of absolute deviation and growth rates as their unstable structure has been observed over the last two years. This is primarily due to the fact that the obligations of the utility company arise from the lack of funding and are largely independent of the institution itself. The analysis of the structure and dynamics of income, expenses, and elements of expenses on exchange transactions was made according to the income statement for the two previous years – 2017 and 2018 respectively. The results of the structural and dynamic analysis of income are presented in table 5.

Table 5. Analysis of income structure and dynamics of “Rivne Regional Children’s Hospital” for 2017-2018

№	Indicators	Amount (UAH)			Growth rate (%)
		2017	2018	Deviation	
1.	Income of all, including:	73,886,231	84,189,945	10,303,714	113.95
2.	Income from exchange transactions, of which:	70,382,496	78,742,467	8,359,971	111.88
	(% of income)	95.26	93.53	-1.73	x
2.1.	Budgetary appropriations	69,853,150	77,936,963	8,083,813	111.57
	(% of income from foreign exchange transactions)	99.25	98.98	-0.27	x
	(% of income)	94.54	92.57	-1.97	x
2.2.	Income from the supplies of services	4,545	10,929	6,384	240.46
	(% of income from foreign exchange transactions)	0.01	0.01	0.01	x
	(% of income)	0.01	0.01	0.01	x
2.3.	Income from sale of assets	1,880	11,996	10,116	638.09
	(% of income from foreign exchange transactions)	0.00	0.02	0.01	x
	(% of income)	0.00	0.01	0.01	x
2.4.	Exchange transactions income	522,921	782,579	259,658	149.66
	(% of income from foreign exchange transactions)	0.74	0.99	0.25	x
	(% of income)	0.71	0.93	0.22	x
3.	Non-exchange transactions income	3,503,735	5,447,478	1,943,743	155.48
	(% of income)	4.74	6.47	1.73	x
4.	Deficit for the reporting period	1,689,142	2,111,734	422,592	125.02

Source: the authors’ own development based on the documentation of the researched unit.

The analysis of the structure and dynamics of income of the utility shows that they have increased by 10,303,714 UAH, which is 13.95%. All types of income from both exchange and non-exchange transactions are characterized by growth. Despite the significant increase in revenues from the provision of services and revenues from the sale of assets – by 140.46% and 538.09% respectively, in the structure of revenues both

from exchange operations and in the structure of revenues in general, budget allocations occupy the largest part – 98.98% and 92.57% respectively in 2018.

This is first and foremost related to the peculiarity of the activity of public sector institutions – their financing comes from the State or local budgets and is aimed at ensuring the activities of the institution by covering the costs. Therefore, as the analysis of structure and dynamics shows, other types of exchange transactions do not bring significant income. Revenues from exchange operations in the structure of revenues of the budgetary institution make 6.47% at the end of 2018, and 4.47% for the same period of the previous year. As a trend, revenue from non-exchange transactions during the period under review is not an effective source of revenue for the enterprise.

The results of the analysis of the structure and cost dynamics of the institution are presented in table 6.

Table 6. Analysis of structure and dynamics of costs of Rivne Regional Children's Hospital for 2017-2018

№	Indicators	Amount (UAH)			Growth rate (%)
		2017	2018	Deviation	
1.	Costs of all, including:	75,575,373	86,301,679	10,726,306	114.19
2.	Expenses for exchange transactions, of which: (% of total costs)	72,862,918 96.41	81,458,246 94.39	8,595,328 -2.02	111.80 x
2.1.	Expenditure on the implementation of budget programs (% of exchange costs) (% of total costs)	72,369,554 99.32 95.76	80,719,507 99.09 93.53	8,349,953 -0.23 -2.23	111.54 x x
2.2.	Production costs (% of exchange costs) (% of total costs)	493,364 0.68 0.65	738,739 0.91 0.86	245,375 0.23 0.20	149.74 x x
3.	Exchange costs (% of total costs)	2,712,455 3.59	4,843,433 5.61	2,130,978 2.02	178.56 x
4.	Deficit for the reporting period	1,689,142	2,111,734	422,592	125.02

Source: the authors' own development based on the documentation of the researched unit.

The conducted analysis of the structure and dynamics of costs shows the increase in costs both in total and in terms of costs from exchange and non-exchange operations. In this situation, this is assessed positively as the increase in expenditures in public sector institutions is explained by the increase in the costs of performing one or another socio-cultural function – in this case, the provision of medical services and the quality of the provision of certain services provided by the budgetary institution. In the same way as in the structure of revenues, expenditures for the implementation of budget programs play a significant role in the structure of expenses, namely 95.76% in 2017 and 93.53% in 2018. This means that the budgetary institution covers most of its expenses through budget financing. The increase in the cost of providing services is positive – by 245,375 UAH, which is 49.74%. This may indicate an increase in the quality

of services. Expenditure on non-exchange transactions also increased significantly amounting to 2,130,978 UAH, which is 78.56%. However, in the structure of total expenditures, these expenditures are only 3.59% in 2017 and 5.61% in 2018.

As a result of economic activity for two years studied, the municipal enterprise “Rivne Regional Children’s Hospital” ROP received a deficit for the reporting period – 1,689,142 UAH in 2017 and 2,111,734 UAH in 2018. This indicates an excess of expenses over the institution’s revenues. The reasons for this excess may be: insufficient government funding, raise of the minimum wage, rise of the utility tariffs, and more.

The fourth section of the income statement reflects the actual costs of exchange transactions in accordance with accounting data. The results of the analysis of the elements of costs for exchange transactions are presented in table 7.

Table 7. Analysis of the cost elements of exchange transaction structure and dynamics of “Rivne Regional Children’s Hospital” for 2017-2018

№	Indicators	Amount (UAH)			Growth rate (%)
		2017	2018	Deviation	
1.	Total exchange transaction costs, including:	72,862,918	81,458,246	8,595,328	111.80
2.	Salary expenses (% of total costs)	45,500,477 62.45	51,481,879 63.20	5,981,402 0.75	113.15 x
3.	Costs of social contributions (% of total costs)	10,112,863 13.88	11,420,917 14.02	1,308,054 0.14	112.93 x
4.	Material costs (% of total costs)	12,965,339 17.79	15,242,817 18.71	2,277,478 0.92	117.57 x
5.	Depreciation (% of total costs)	4,284,239 5.88	3,312,633 4.07	-971,606 -1.81	77.32 x

Source: the authors’ own development based on the documentation of the researched unit.

The analysis of the structure and dynamics of the cost elements of exchange transactions shows that all types of expenses except for depreciation are increasing. In 2018, compared to 2017, wage costs increased by 13.15% which is primarily due to the increase in the minimum wage rate. Deductions for social events increased by 12.93% as wages increased accordingly. Material costs, i.e. the costs of materials used in the provision of services, also increased by 2,277,478 UAH, which is 17.57%. The increase in this type of costs indicates an improvement in the quality of services provided. Expenditures on exchange transactions account for the largest share of labor costs: 62.45% and 63.20% in 2017 and 2018 respectively.

The analysis of the dynamics of cash flows was conducted according to the statement of cash flows for the last two years. The results of the analysis are presented in table 8.

Table 8. Analysis of the cash flow dynamics “Rivne Regional Children’s Hospital” for 2017-2018

№	Indicators	Amount (UAH)			Growth rate (%)
		2017	2018	Deviation	
1.	Operating cash flow				
1.1.	Operating income	75,059,659	85,348,789	10,289,130	113.71
1.2.	Operating expenses	75,055,584	85,310,196	10,254,612	113.66
1.3.	Net operating cash flow	4,075	38,592	34,517	947.04
2.	Investment cash flow				
2.1.	Investment income	10,155,864	5,592,194	-4,563,670	55.06
2.2.	Investment expenses	10,155,864	5,592,194	-4,563,670	55.06
3.	Net cash flow for the reporting period	4,075	41,358	37,283	1,014.92
4.	Balance at the beginning of the year	64,659	69,140	4,481	106.93
5.	Balance at year-end	68,734	110,598	41,864	160.91

Source: the authors’ own development based on the documentation of the researched unit.

The conducted analysis of the dynamics of cash flow indicates the growth of cash flow from operating activities. Operating income and expenses changed almost in the same range, growth rates increased by 13.71% and 13.66% respectively. Net operating income increased by 847.04%. All the above changes are evaluated positively.

As a result of the movement of funds from investment activity, income and expenses are equal and have decreased by 55.06% over the last reporting period, which is estimated negatively.

Net cash flow in 2018 increased by 37,283 UAH, which is 914.92% and is estimated positively. This indicates an increase in cash flows from the institution’s business activities. Equity dynamics analysis was performed according to the 2017 and 2018 equity report. The results of the analysis are presented in table 9.

Table 9. Analysis of equity dynamics of Rivne Regional Children’s Hospital for 2017-2018

№	Indicators	Amount (UAH)			Growth rate (%)
		2017	2018	Deviation	
1.	Balance at the beginning of the year	43,409,377	53,613,633	10,204,256	123.51
2.	Adjusted balance at the beginning of the year	43,425,064	53,613,633	10,188,569	123.46
3.	Deficit for the reporting period	-1,689,142	-2,111,734	-422,592	125.02
4.	Other changes in equity	10,123,643	5,592,194	-4,531,449	55.24
5.	Total equity changes	10,188,569	3,480,460	-6,708,109	34.16
6.	Balance at year-end	53,613,633	57,094,093	3,480,460	106.49

Source: the authors’ own development based on the documentation of the researched unit.

The analysis of the dynamics of equity shows that in 2018 the value of equity has increased by 3,480,460 UAH, which is 6.49%. This is estimated positively. The in-

crease in the deficit by 25.02% over the reporting period is estimated negatively, which indicates that there is insufficient revenue to the institution to cover its own expenses.

When transitioning a medical facility to an autonomous form there are some difficulties in the analysis of financial statements. When accounting standards change, financial reporting items may change. The financial statements of the hospital under study highlight the key financial statement indicators that are key to analyzing the financial statements and can be compared (table 10).

Table 10. Analysis of indicators of the statement of financial position in terms of reorganization on the example of “Rivne Regional Children’s Hospital” for 2017-2019

Indicators	Amount (UAH)			Absolute deviation (thousands UAH)		Relative deviation (%)	
	2017	2018	2019	2018-2017	2019-2018	2018/ 2017	2019/ 2018
Assets, of all	62,438.0	78,611.0	91,544.1	16,173.0	12,933.1	25.9	16.5
Property, plant and equipment	49,048.1	51,328.0	59,693.8	2,279.9	8,365.8	4.6	16.3
Inventories	12,839.1	26,933.0	24,230.6	14,093.9	-2,702.4	109.8	-10.0
Equity	53,613.1	57,094.0	58,030.8	3,480.9	936.8	6.5	1.6
Liabilities	8,824.0	21,517.0	33,513.3	12,693.0	11,996.3	143.8	55.8

Source: the authors’ own development based on the documentation of the researched unit.

In the healthcare system, the company is represented by a healthcare facility. The definition of the institution is given in the Fundamentals of Legislation on Public Health of Ukraine (Verkhovna Rada Ukrayiny 1993). A healthcare facility is an enterprise, institution or organization whose purpose is to meet the diverse needs of the public in the field of healthcare through the provision of healthcare, including a wide range of preventive and therapeutic measures or services of a medical nature, as well as other functions on the basis of the professional activity of medical professionals.

Owners, creditors, managers of the enterprise are interested in a detailed analysis of financial flows in order to make management decisions on the basis of the information received which will regulate the formation of financial resources and contribute to the growth of the enterprise’s own revenues. Today’s healthcare system of Ukraine is of most interest to investors and they are the main subjects of financial analysis of the system.

Timeliness of reporting is an indispensable condition for its usefulness. The most reliable information loses its value if it is not provided to users in a timely manner, so the reporting should be prepared and submitted to the relevant authorities within the time limits set by the normative acts which ensure its effective use for management and control.

An important way to improve the level of financial reporting analytics should be to properly construct its financial statements in such a way that it facilitates the study of the economic relationships reflected in them (ILF 2018).

The current trends in the development of financial statements require a stronger emphasis on notes and explanations for financial statements, the main purpose of which is to disclose, to make adjustments, to clarify and to supplement information disclosed in the main reporting forms. Improving the annotations and explanations should be, first and foremost, their deeper attachment to the main forms which will increase their analytical value.

In this way, we propose ways to improve the methodology of financial reporting which will facilitate the work of accountants and make the information that is disclosed more accessible and understandable to users. As we can see, the analytical support of these institutions to make effective decisions is not sufficient.

The day-to-day operation of a healthcare facility should be provided with financial resources, taking into account the interests of prospective development, determining and evaluating the effectiveness of their use as well as constant monitoring of the financial condition of the institution.

One of the important problems in analyzing financial statements in the process of substantiating economic decisions is to obtain benchmarks. In the unstable conditions of functioning of the reformed medical institutions, which implies the choice of methodological bases of financial accounting, this problem is exacerbated. As a consequence, increased attention must be paid to the process of choosing accounting principles, methods and techniques in the formation of financial statements.

The introduction into accounting practice of a choice of principles, methods and techniques of its management in the formation of financial statements allows to adapt the reporting data to the conditions, objectives and functional structure of each individual entity, which contributes to the fullest use of financial accounting performance indicators (Stelmashchuk 2018).

It is important to remember that in order to evaluate the performance of an entity, it is necessary to identify and explain the relationship between the components of the financial statements. Analysis of financial status has two main goals: to study the dynamics of financial and economic activity of the enterprise and to prepare the information that is necessary for forecasting.

To conduct a qualitative analysis of the financial and economic activity of the company requires not only knowledge of methods and techniques of financial analysis but also the ability to apply them correctly. The quality of the financial analysis results depends on many factors. Yes, it is very difficult to analyze financial statements that are not completely accurate. For example, in the case of a newly created MNE the reporting data of the two related years cannot be compared and analyzed because the reporting was made by two different standards. In this case, without further information, it is impossible to make an objective assessment of the enterprise.

To analyze the financial condition it is advisable to use a system of interdependent indicators based on the accounting and statistical reporting of the enterprise. This kind of analysis is sometimes called external because it focuses only on the public reporting

of the enterprise. The reliability of the raw data determines the value of the metrics that are being calculated.

When analyzing the financial and economic activity of an enterprise using financial ratios it is advisable to use data of other institutions in this sector of the economy and the average data in a particular industry as a whole. This allows you to determine how effective the activity of a particular enterprise compared to other enterprises in the industry is and which reserves the enterprise has to increase in order to assure the efficiency of its activities. It should be borne in mind that there are different methods of calculating financial ratios (Chernysh 2010). Therefore, when comparing the results of the analysis of the activities of several business entities, it is necessary to have information on the methods of calculating financial ratios and to carefully approach the interpretation of the results of the comparison.

In the comparative analysis of enterprises, one should also pay attention to the differences in accounting for fixed assets and inventories. Businesses can use different methods of depreciation and inventory accounting which affects the main financial performance of the enterprise, including the book value of current and non-current assets, balance sheet and net income, cash flow from operating activities and more.

In order for the financial statements to more accurately reflect the true state of an entity's assets and resources it is necessary to use the averages obtained from the primary accounting records. This averaging significantly reduces the impact of random fluctuations on individual reporting items.

Analysis of the financial statements helps to identify the shortcomings and to determine the prospects of production in a competitive environment. In order to improve accounting regulation it is advocated that all interested users have access to information and reporting that provides an objective picture of the entity's financial position and results of operations. Governmental regulation is subject to accounting aspects related to the compilation of information and the required reporting to external users.

When evaluating the activity of a medical institution in a comprehensive manner, the following principles should be considered:

- it should be based on a comprehensive multidimensional approach in assessing such a complex and multifactorial phenomenon as the activity of a medical institution;
- it should evaluate hospital activities on the basis of official public reporting;
- to rank medical institutions for comparative assessment, one should take into account the highest achievements in various fields of medical care organization of all institutions that form a competitive environment;
- one should use comparisons of best practices that have been sufficiently tested in practice.

It is not enough to make any kind of analysis of economic activity using only financial statements to further select priority development paths. It is worth considering the factor that the annual financial notes are presented only in the form of standardized

tables. This does not give a clear idea of the external or internal position of the enterprise. In this case, it is also advisable to conduct a SWOT analysis.

SWOT analysis involves first identifying strengths, weaknesses, opportunities and threats, and then establishing links between them that can be further used to formulate an organization's strategy. M. Porter's theory of the organization's competitiveness in its own industry is based on this methodology of analysis.

We conducted a SWOT analysis based on the activity of the municipal enterprise "Rivne Regional Children's Hospital" of Rivne Regional Council (table 11). This healthcare facility in Rivne Oblast is not significantly different from medical institutions in other regions of Ukraine which are also transitioning to autonomy. Therefore, this analysis will be relevant and may be used by other healthcare providers to assess their own health.

Table 11. SWOT analysis of "Rivne Regional Children's Hospital"

Strengths (S)	Weaknesses (W)
<ul style="list-style-type: none"> - effective structure of the primary care network - high level of material and technical base - available website of the institution - optimization of the bed fund in accordance with the established standards - the medical facility is included in the list of pilot healthcare facilities for the implementation of the Diagnostic Affiliated Groups (DRG) system 	<ul style="list-style-type: none"> - depreciation of fixed assets, including premises of healthcare institutions - low staff of primary care doctors, one third of whom are retirement or of retirement age - insufficient provision of equipment - poor implementation of industry computerization - existence of corporate competition for spheres of influence - moderate level of customer service - there is no financial system for staff motivation - low level of knowledge on the use of medical technologies
Opportunities (O)	Threats (T)
<ul style="list-style-type: none"> - powerful support from local authorities - low level of competition among other municipal institutions - the Ministry of Health is actively implementing a number of bills to improve the health sector - cooperation with the business sector of the region and civil society 	<ul style="list-style-type: none"> - lack of a detailed agreed and approved national strategy for the development of healthcare facilities - low salary of medical staff and loss of its motivating functions - reduced budget financing and lack of capital improvements - competition from private medical centers

Source: the authors' own development based on the documentation of the researched unit.

The results of the SWOT analysis of the "Rivne Regional Children's Hospital" activity indicate a greater number of threats and weaknesses. This is due to the reform process and instability that has been actively occurring in the industry in recent years. However, there are also strengths and opportunities. In this case, financial statements can serve as an effective tool for reflecting the financial health of a healthcare facility and for analyzing the shortcomings in monetary terms and planning a profitable development strategy.

Practice shows that those organizations that carry out complex strategic planning and management and conduct financial analysis of business activities operate more successfully and have significantly higher revenues. Many executives with planning experience do not achieve the desired success by dispersing their efforts, seeking to reach as many markets as possible, offering the widest variety of services and meeting the needs of different customer groups. Success requires a purposeful concentration of forces and a properly chosen strategy. Therefore, financial analysis is worthwhile because it allows you to choose the right strategy and plan your goals. The management of any healthcare facility should determine whether an organization has the internal strength to take advantage of external opportunities, and whether there are weaknesses in it that can complicate issues related to external hazards.

3. Conclusions

1. The study of features of financial reporting of healthcare institutions has identified the transformation problems faced by public sector entities moving to another form of business.
2. Using the financial statements prepared in accordance with national accounting standards one can analyze the financial position of an enterprise. However, in the case of newly established municipal non-profit enterprises it is difficult to carry out the analysis due to the incomparability of the financial statements prepared according to different standards.
3. Conducted research within the framework of scientific work has made it possible to update the situation that arose in the healthcare institutions in the context of the reform regarding the preparation and analysis of financial statements of a medical institution in the process of changing ownership.
4. Given the lack of methodological recommendations for the analysis of financial statements of reorganized medical institutions, the task of analysis was systematized and proposals for the methodology of analytical research of such institutions were developed. This will help to retain and accumulate retrospective information on the identified deviations and to improve the quality of management decisions.

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