

Factors Affecting The Financial Situation Of Vinacomin Trade And Service Investment Joint Stock Company

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Abstract:

The financial situation of a business is a factor that determines the company's survival and development, particularly in the context of Vietnam's economy opening up deep and broader economic integration. Therefore, managers and business administrators, especially corporate financial administrators, need to understand and grasp the financial situation of their businesses. The survey was conducted to collect information and data to analyze and identify factors affecting the company's financial situation, especially the typical case study of Vinacomin Trade and Service Investment Joint Stock Company. The data is collected from the company's financial statements over three years (from 2020 to 2022) and then processed and analyzed using Excel. This research result is the basis for recommendations to improve Vinacomin's financial situation. In general, identifying factors that affect a company's financial situation will help the company make the most effective financial decisions and enhance its overall financial health.

Keywords: Financial situation, Factor affecting, Vinacomin Trade and Service Investment Joint Stock Company.

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I. Introduction

In today's market economy, businesses strive for profit and competitiveness, with financial issues being a crucial factor. Vietnamese businesses must analyze their activities, particularly financial ones, to understand their current situation and guide future development.

Vinacomin Investment and Services Joint Stock Company, a leading enterprise in Vietnam's coal and minerals industry, plays a significant role in the country's economic development. However, there is no scientific work on analyzing Vinacomin's financial situation. The author believes researching factors affecting the financial situation has practical significance in helping businesses improve and accurately determine the influence of these factors. Therefore, the topic I chose for my graduation thesis is "Factors affecting the financial situation of Vinacomin Investment Trade and Services Joint Stock Company".

The objective of the research is to determine the influencing factors and the degree of influence of those factors on the financial situation of Vinacomin Trade and Service Investment Joint Stock Company. Then, solutions and recommendations improve Vinacomin's financial situation.

II. Method

Conceptual framework

The theoretical model used for the study is illustrated in the figure below. This study will investigate 3 factors that can affect the financial situation of Vinacomin Trade and Service Investment Joint Stock Company

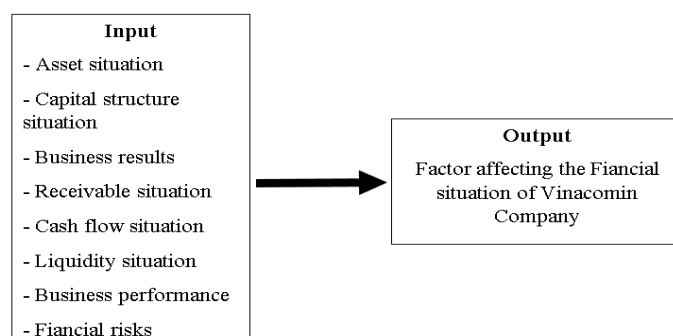


Figure 2.1 Conceptual framework

Research approach and design

This study use a quantitative research approach, evaluating its suitability for collecting data and covering it into statistically significant results. This scientific and reliable method, supported by calculation software, allows for accurate analysis and control of large data sets.

Data collection

Data collection methods

The researcher used both primary and secondary data sources for the study, collecting primary data from business participants and financial statements of Vinacomin company, and secondary data from articles, academic document, and authoritative sources on the internet to understand academic concepts and research problems.

Data collection tool

For secondary data, annual financial reports from the website of Vinacomin Trading and Service Investment Joint Stock Company (Balance Sheet, Income Statement, Cash Flow Statement, and Notes to Financial Statement) articles and academic documents are collected from reputable search sites such as Science Direct, Science Research, Google Scholar, Research Gate, etc

Data analysis tools

Analyzing and processing data: In the process of writing the research topic, the author will use many different analytical methods such as observation method, comparison method, and synthetic method.

III. Results

Asset situation

Table 3.1 Changes in assets of Vinacomin Company in period 2020-2022

Unit: %

Assessment criteria	Amount of money			Compare proportions	
	2020	2021	2022	2020/2022	2021/2022
SHORT-TERMASSETS	90.71	71.67	86.05	29.54	64.30
I. Cash and cash equivalents	6.45	3.59	8.78	85.74	234.27
II. Short-term receivables	77.37	64.54	72.90	28.67	54.57
III. Inventories	6.36	3.42	4.25	(8.75)	69.89
IV. Other current assets	0.29	0.10	0.12	(42.71)	58.77
LONG-TERMASSETS	9.29	28.33	13.95	105.03	(32.62)
I. Long-term receivables	0.05	0.00	0.00	(100.00)	
II. Fixed assets	0.97	0.48	0.23	(67.85)	(34.78)
III. Long-term assets in progress	1.67	0.06	0.04	(96.69)	0.00
IV. Long-term investments	6.13	27.39	13.13	192.46	(34.43)
V. Other long-term assets	0.47	0.41	0.56	60.51	87.08
TOTAL ASSETS	100.00	100.00	100.00	36.55	36.84

(Source: Author's Calculations)

The company's total assets in 2022 increased by 36.84%, with a significant increase in short-term assets, primarily due to a 64.30% growth in short-term receivables. However, long-term assets decreased by 32.62%, resulting in a reduction of 110,064,014,394 VND. This indicates a shift in the company's scale, with short-term assets accounting for 9.29% in 2020, 28.33% in 2021, and 13.95% in 2022.

The company's cash and cash equivalents increased significantly from 77,019,833,897 VND in 2020 to 143,059,635,118 VND in 2022. Short-term receivables accounted for 72.90% of total assets in 2022, while inventory accounted for a relatively small proportion. Other short-term assets decreased by 42.71% and 58.77% compared to 2021.

Long-term assets also decreased, with the company's long-term assets decreasing by 105.03% and 32.62%, respectively. This decrease is attributed to the company's investment in purchasing additional fixed assets, such as houses, architectural objects, machinery, equipment, and transportation means.

In conclusion, The company needs to promote payment to collect costs and revenue, invest in new and upgraded fixed assets, machinery, equipment, and tools, and improve its reputation and brand in the market.

Capital structure situation

Table 3.2 Changes in capital resource proportion of Vinacomin Company in the period 2020-2022

Unit: %

Assessment criteria	Amount of money			Compare proportions	
	2020	2021	2022	2020/2022	2021/2022
LIABILITIES	77.83	76.74	82.55	44.84	47.21
I. Short-term liabilities	77.83	76.66	82.51	44.77	47.30
II. Long-term liabilities	0.0034	0.08	0.04	1614.78	(31.26)
OWNER'S EQUITY	22.17	23.26	17.45	7.46	2.64
I. Contributed capital	22.17	23.26	17.45	7.46	2.64
TOTAL	100.00	100.00	100.00	36.55	36.84

(Source: Author's Calculations)

In 2022, Vinacomin's capital value increased by 36.55% compared to 2020, primarily due to increased short-term debt. The company recorded liabilities reaching VND 66,000 billion, a 5.6% increase from the previous year. Short-term debt, accounting for 77.83% of the company's total, increased from 928,767,672,314 VND in 2020 to 1,344,607,355,447 VND in 2022. Long-term liabilities have declined, making up a modest fraction of overall capital. However, short-term liabilities can put pressure on production and operations if they are not paid on time. Long-term liabilities are expected to reach 0.04 percent in 2022, compared to 0.0034 percent in 2020. Owner's equity, a significant source of capital, saw a growth of 7.46% from 284,313,954,426 VND to 284,313,954,426 VND at the end of 2022.

Business results

Table 3.3 Business results of Vinacomin Company in the period 2020-2022

Unit: VND

Assessment criteria	Years			Compare			
	2020	2021	2022	2021 compared to 2020		2022 compared to 2021	
				amount of money	proportion	amount of money	proportion
Revenues from sales and services rendered	1,842,568,322,821	1,415,688,593,060	1,707,107,228,444	(426,879,729,761)	(23.17)	291,418,635,384	20.58
Net revenues from sales and services rendered	1,842,568,322,821	1,415,688,593,060	1,707,107,228,444	(426,879,729,761)	(23.17)	291,418,635,384	20.58
Costs of goods sold	1,804,888,026,514	1,381,860,859,545	1,648,058,385,740	(423,027,166,969)	(23.44)	266,197,526,195	19.26
Gross revenues from sales and services rendered	37,680,296,307	33,827,733,515	59,048,842,704	(3,852,562,792)	(10.22)	25,221,109,189	74.56
Financial income	28,726,752,998	57,238,657,286	31,685,983,791	28,511,904,288	99.25	(25,552,673,495)	(44.64)
Financial expenses	33,001,171,296	53,489,764,843	54,719,884,932	20,488,593,547	62.08	1,230,120,089	2.30
Interest expenses	32,061,440,949	48,463,218,078	55,072,721,227	16,401,777,129	51.16	6,609,503,149	13.64
Selling expenses	3,154,948,449	2,918,712,742	2,589,002,940	(236,235,707)	(7.49)	(329,709,802)	(11.30)
General administration expenses	17,013,057,438	16,363,849,805	16,134,772,837	(649,207,633)	(3.82)	(229,076,968)	(1.40)
Net profits from operating activities	13,237,872,122	18,294,063,411	17,291,165,786	5,056,191,289	38.19	(1,002,897,625)	(5.48)
Other income	2,494,555,124	3,095,083,719	1	600,528,595	24.07	(3,095,083,718)	(100)
Other expenses	1,556,316,963	1,379,044,011	4,795,459,250	(177,272,952)	(11.39)	3,416,415,239	247.74
Other profits	938,238,161	1,716,039,708	(4,795,459,249)	777,801,547	82.90	(6,511,498,957)	(379.45)
Total net profit before tax	14,176,110,283	20,010,103,119	12,495,706,537	5,833,992,836	41.15	(7,514,396,582)	(37.55)
Current corporate income tax expenses	4,981,978,935	7,280,740,001	6,323,348,320	2,298,761,066	46.14	(957,391,681)	(13.15)
Profits after enterprise income	9,194,131,348	12,729,363,118	6,172,358,217	3,535,231,770	38.45	(6,557,004,901)	(51.51)

(Source: Author's Calculations)

The company's business performance has been declining over the past three years, with a 23.17% decrease in revenue from sales and service provision in 2020. However, by 2022, revenue is expected to increase at a slower rate of 20.58%. The COVID-19 pandemic significantly affected the economy in 2020, leading to a

2.3% increase in revenue. Vinacomin's pre-tax profit was VND 2,800 billion in 2020, down 17.5% from the previous year. Despite these challenges, Vinacomin Investment, Trade, and Service Joint Stock Company has maintained a stable financial situation, with positive changes in its main production areas and profitable capital investments.

Receivable situation

Table 3.4: Variable index of receivables of Vinacomin company in the period 2020-2022

Unit: %

Assessment criteria	Amount of money			Compare proportions	
	2020	2021	2022	2020/2022	2021/2022
I Short-term receivables	100	100	100	28.67	54.57
1. Short-term trade receivables	45.7	59.3	24.6	(30.77)	(35.88)
2. Pay the seller in advance	6.4	15.3	48.1	863.61	387.64
3. Other short-term receivables	4.9	26.5	26.3	592.31	53.05
4. Short-term allowances for doubtful debts	(1.99)	(2.4)	(1.5)	0.00	0.00
II. Long-term receivable					
1. Other long-term receivables					

(Source: Author's Calculations)

The proportion of short-term trade receivables decreased significantly in 2021–2022, with bad debt provisions remaining constant at 18,362,393,778 VND for some customers with large debts.

Cash flow situation

Table 3.5 Vinacomin company's cash flow situation in the period 2020-2022

Unit: VND

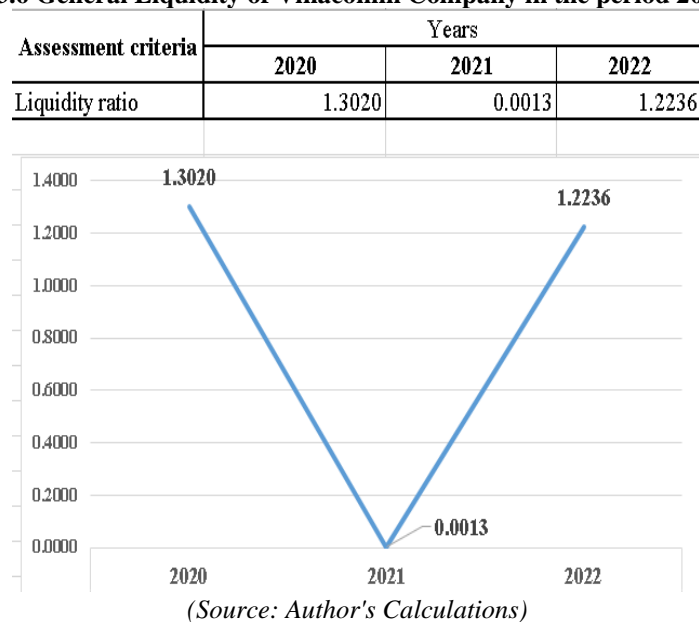
Assessment criteria	Years			Compare			
	2020	2021	2022	2021 compared to 2020		2022 compared to 2021	
				amount of money	proportion	amount of money	proportion
Net cash flows from operating activities	92,026,972,761	(304,514,479,127)	(313,335,507,147)	(396,541,451,888)	-430.9%	(8,821,028,020)	2.9%
Profit before tax	14,420,719,252	19,589,590,757	13,244,671,844	5,168,871,505	35.8%	(6,344,918,913)	-32.4%
Operating profit before changes in working capital	35,579,357,598	55,678,144,940	38,259,078,040	20,098,787,342	56.5%	(17,419,066,900)	-31.3%
Net cash flows from investing activities	(302,101,191,772)	179,589,467,054	105,351,387,591	481,690,658,826	-159.4%	(74,238,079,463)	-41.3%
Purchase or construction of fixed assets and other long-term assets	(7,857,378,983)	(1,809,742,000)		6,047,636,983	-77.0%	1,809,742,000	-100.0%
Proceeds from disposals of fixed assets and other long-term assets		3,88,181,818					
Interest and dividend received	(2,758,594,663)	16,946,926,884	16,382,487,591	19,705,521,547	-714.3%	(564,439,293)	-3.3%
Net cash flows from financial activities	165,689,962,158	90,702,484,253	308,246,571,441	(74,987,477,905)	-45.3%	217,544,087,188	239.8%
Proceeds from issuance of shares and receipt of contributed capital	90,000,000,000			(90,000,000,000)	-100.0%	0	
Proceeds from borrowings	938,652,155,014	1,283,746,960,822	1,765,323,600,113	345,094,805,808	36.8%	481,576,639,291	37.5%
Repayment of principal	(862,113,681,421)	(1,193,040,093,744)	(1,457,056,492,142)	(330,926,412,323)	38.4%	(264,016,398,398)	22.1%
Net cash flows during the fiscal year	(44,384,256,853)	(34,222,527,820)	100,262,451,885	10,161,729,033	-22.9%	134,484,979,705	-393.0%
Cash and cash equivalents at the beginning of fiscal year	121,404,103,501	77,019,833,897	42,797,182,252	(44,384,269,604)	-36.6%	(34,222,651,645)	-44.4%
Cash and cash equivalents at the end of fiscal year	77,019,833,897	42,797,182,252	143,059,635,118	(34,222,651,645)	-44.4%	100,262,452,866	234.3%

(Source: Author's Calculations)

Significant variations in net cash flow between 2020 and 2022 are displayed in the data table. Cash and cash equivalents were worth VND 77,019 million as of December 31, 2020, but by that same date, they had dropped by 44.4%. It increased by more than 234% to VND 143,059 million by December 31, 2022, indicating a notable rise in the company's cash capital. However, because of investments in raw materials, machinery, and equipment, business cash flow will drop significantly in 2021. In general, a significant decline in net cash flow is anticipated for the company in 2022.

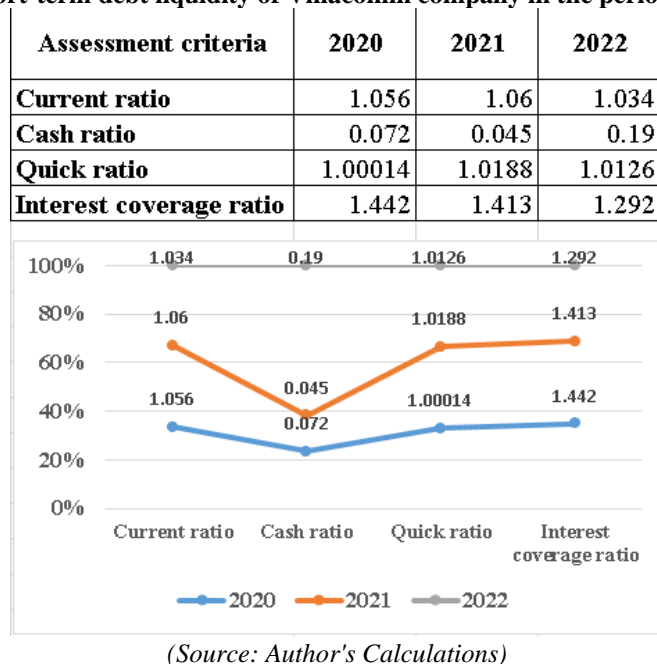
Liquidity situation

Chart 3.6 General Liquidity of Vinacomin Company in the period 2020-2022



The company's total liquidity ratio decreased by 0.00784 in 2022 compared to 2021, yet its liquidity ratio remained high over the three years due to industry asset characteristics.

Chart 3.7 Short-term debt liquidity of Vinacomin company in the period of 2021-2022



Company's Financial Performance in 2022

- Quick ratio: 1.0126 VND of short-term debts secured with short-term assets, excluding inventory.
- Cash ratio: 0.118 VND of short-term debt converted into cash in 2022.

• Loan interest payment ratio: 1.442 in 2020, 1.413 in 2021, and 1.292 in 2022.

A sharp decrease in the ratio indicates difficulty in timely debt repayment, potentially leading to insolvency. Low liquidity indicates financial problems and potential future insolvency risk.

Business performance

Table 3.8 Business efficiency of business management cost of Vinacomin Company in the period of 2021-2022

	2020	2021	2022
Business efficiency of business management costs	94.66	86.51	105.80

(Source: Author's Calculations)

In 2020, Vinacomin Company generated 94.66 VND of net revenue from business management costs, with business efficiency increasing from 86.51 in 2021 to 105.80 in 2022.

Table 3.9 Profitability indicators of Vinacomin Company in the period of 2021-2022

Ratio	Year 2020	Year 2021	Year 2022
ROS	0.55	0.8	0.42
ROE	4.56	4.3	2.53
ROA	0.92	0.98	0.5
EBIT %	2.69	4.75	4.04

(Source: Author's Calculations)

The company's return on revenue decreased significantly in 2022, from 579 to 270, primarily due to increased accounts payable and business management costs. This has led to a decrease in after-tax profit. The company's return on assets also decreased, from 0.92 in 2021 to 0.50 in 2022. The company's equity ratio is unstable, dropping from 4.56 in 2020 to 2.53 in 2022, indicating average production and business activities. EBIT increased by 2.06% in 2021 but decreased by 0.71% in 2022.

Financial risks

Table 3.10 Assessment table of financial risk signs of Vinacomin Company in the period of 2021-2022

Assessment criteria	Years			The year 2022 compared to the year			
	2020	2021	2022	2020		2021	
	(1)	(2)	(3)	(3)-(1)	$\frac{(3-1)}{1} \times 100\%$	(3)-(2)	$\frac{(3-2)}{2} \times 100\%$
Total liabilities	928,807,654,814	913,856,992,619	1,345,292,967,947	416,485,313,133	44.84	431,435,975,328	47.21
Total asset	1,193,396,317,575	1,190,852,203,278	1,629,606,922,373	436,210,604,798	36.55	438,754,719,095	36.84
Owner's equity	264,588,662,761	276,995,210,659	284,313,954,426	19,725,291,665	7.46	7,318,743,767	2.64
Liabilities versus assets	0.78	0.77	0.83	0.05	6.07	0.06	7.58
Liabilities versus owner's equity	3.51	3.30	4.73	1.22	34.8	1.4	43.4

(Source: Author's Calculations)

The table displays the company's low "Liabilities Versus Assets" rating, which fell from 0.78 in 2020 to 0.06 in 2022. This suggests a high level of financial independence and a low level of dependence on creditors, making it simple to obtain loans from banks and other lending organizations.

IV. Conclusion And Recommendation

Conclusion

In a competitive economy, businesses aim to improve their financial situation and enhance capacity and efficiency. Analyzing financial situation is crucial for decision-making by investors, lenders, shareholders, employees, and corporate administrators. The author's research on Vinacomin Trading and Service Investment Joint Stock Company provides a theoretical basis for analyzing the company's financial situation, reflecting the overall picture and offering recommendations for future improvement.

Recommendation

- The financial situation and capital

The company continues to improve this solvency to create trust with investors and credit institutions.

- + Make a certain amount of money aside to pay off past-due loans
- + Reserve highly liquid securities that can be swiftly turned into cash when needing to pay short-term debts.
- + Inventory: The company should enhance strategies by analyzing demand, optimizing processes, identifying new distribution partners, and implementing promotions for new customers.
- + Accounts receivable: Regularly monitor debts, urge customers to repay debts, and notify customers that debts are coming due. Encourage customers to pay early through a payment discount policy.

- Increase mobilization of investment capital for development

This source of capital for the company has the advantage of being autonomous and low-risk

- + Reduce unnecessary regular expenses, and minimize ineffective costs such as business and administrative costs.
- + Expanding production and increasing productivity helps increase sales and profits.
- + Carry out rapid depreciation of fixed assets, use depreciation capital to invest in new fixed assets, and liquidate and sell fixed assets no longer in use.

- Reasonable use of loan capital

+ Need to have a plan to borrow capital, repay debt as well, and determine a reasonable loan rate. Only borrow capital for highly feasible projects, and prepare loan documents carefully to ensure high loan eligibility.

+ Debt recovery: The company currently has a large number of bad debts, this is a large source of additional capital for development investment activities. The company needs to have a plan as well as appropriate strong measures to recover debt.

+ Use investment capital effectively: The company needs to prioritize projects, strengthen the management of investment activities in all stages of the project, and avoid loss and waste.

- Adjust investment capital allocation structure

+ Need to reduce investment capital for inventory; currently, this capital accounts for a high proportion of total investment capital

+ Make long-term development plans and evaluate the gaps that need to be supplemented in the content from which to come up with an appropriate investment plan.

+ In particular, investment activities in human resources, marketing, and investment in science and technology need to be prioritized in capital allocation, avoiding the current situation of too large a gap.

- Business efficiency

+ Short-term asset efficiency: Speed up turnover of short-term assets to reduce misappropriated capital. Develop purchasing and selection plans to find sources of goods that meet quality, quantity, and reasonable price requirements. Organize the work of importing purchasing, transporting and storing goods to suit actual business needs. Detect and handle stagnation promptly to avoid capital stagnation.

+ Passive Consumption: Strengthen marketing and use sales methods to offer and offer prices to customers in need. Promote consumption through diverse form of product consumption.

+ Overcoming Debt Situation: Overcome debt situation to increase recovery ability. Have a team of marketing and market analysis staff to research customers and have accurate information about their financial capacity.

+ Improving long-term assets efficiency: Limit the purchase of unused fixed-assets to increase long-term assets. Reduce superfluous fixed assets, liquidate unused fixed assets, and lower depreciation expenses.

- Management

+ Complete the management, arrangement, and organization of the streamlined apparatus.

+ Develop training plans and improve professional qualifications and team management skills.

+ Complete accounting work to ensure accuracy and timeliness.

+ Implement capital management measures and check the use of capital for the right purpose.

- + Control and resolve debt issues.
- + Maintain and develop relationships with banks and financial institutions to increase capital sources in business activities.

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