

Factors Affecting The Financial Situation Of Vietnam Fumigation Joint Stock Company

Nguyen Mai Huong¹, Do Phuong Thao²

^{1,2}international School – Thai Nguyen University, Viet Nam.

Abstract

In the current market economy, any company that produces or invests aims to maximize their profit margin. A company's financial stability underpins many effective business practices in addition to its accessible benefits. Vietnam Fumigation Joint Stock Company is not an exception to the rule that financial analysis will assist businesses in completely and precisely identifying the causes and degrees of influence of elements on the company's financial status. The purpose of this study was to identify the variables influencing Vietnam Fumigation Joint Stock Company's financial status. Within the last three years (2020, 2021, 2022), the Company's financial statements and supporting documentation provided the data for the study. Recommendations are made to help the company solve financial problems in the most efficient manner and increase the efficiency of the company's financial resources based on the analysis and comparison of secondary data and the five independent variables provided in the study. Financial analysis, in general, is a tool that gives administrators, lenders, and investors (all of whom are interested in corporate finance from different angles) information to help the management field with their investment. Therefore, this research article will be a useful resource for other studies in the future.

Keywords: Financial analysis, Vietnam Fumigation Joint Stock Company, Factors affecting, Financial Situations

Date of Submission: 16-04-2024

Date of Acceptance: 26-04-2024

I. Introduction

In the highly developed economic environment of today, numerous enterprises of various sizes are being established in a wide range of industries. Some of those businesses are unable to continue since they are facing several issues and have not identified the correct path. Besides, we are inspired by the numerous businesses that have achieved extraordinary success. Businesses that possess a great financial potential to produce and compete effectively are among the reasons they are able to endure, remain strong, and expand.

On the other side, wealthier financial relationships emerge as the economy grows. Their objective as a company is to increase revenue or bring value to the enterprise. Thus, in order for a firm to thrive and endure, it must establish a clear strategic course for itself and maintain a high level of competition with both domestic and international enterprises. Due to this fact, a company must carefully examine its yearly financial status in order to comprehend its feasibility for increasing output and operational effectiveness. I specifically examine the variables influencing Vietnam Fumigation Joint Stock Company's financial status in this research paper.

Based on financial statement analysis, business owners or investors will have basic information for decision making as well as better orientation for the future.

II. Method

Conceptual Framework

This study will examine 4 factors that can affect the financial situation of Vietnam Fumigation Joint Stock Company, including: Company size, Asset structure, Debt and liquidity, Profitability ratio. The research model is shown as shown below:

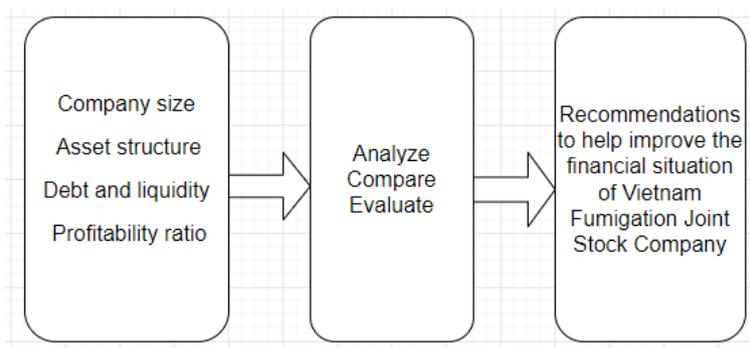


Figure 2.1. Conceptual Framework

(Source: created by the author, using website <https://app.diagrams.net/>)

Research approach and design

The methodology used for this study was quantitative research. It is determined that the quantitative research approach is most suited for gathering information needed to address the topic's research questions. To provide the most accurate results, the data will be transformed into statistically meaningful categories.

Data collection

Data collection method

The data used in this study are mainly secondary data. Data used in this project are collected from the following sources:

- Reports on the company's production and business situation
- Financial reports for 2020, 2021, 2022

Methods of analyzing and processing data

In this study, the author uses the following methods: Comparison method, division method, relation and comparison method, regression method,...

Data collection tools

In order to find academic publications, the researcher will use search engines like Google, Google Scholar, Research Gate, and ScienceDirect. To obtain textual materials, the researchers also subscribed to multiple journal websites. In order to prevent misconceptions among respondents, the survey will be created to fulfill the study aim and to be simple, short, and easy to comprehend.

III. Results

Situation of scale and capital structure of Vietnam Fumigation Joint Stock Company

According to data calculated by the author based on the financial statements of Vietnam Joint Stock Company in 2020-2022. The company's total assets from 2020 to 2022 increased significantly from 1,839,713,382,719 to 2,756,470,776,119 (an increase of 916,757,393,400, equivalent to 49,83%). Short-term

assets in 2022 increased by 64,3% compared to 2020 and increased by 57% compared to 2021. Long-term assets in 2022 showed signs of decreasing but not significantly, specifically decreased by 4,5% compared to 2020 and an insignificant decrease of 0,05% compared to 2021. Current assets play a key role in maintaining the company's production and business activities. With flexibility and high liquidity, short-term assets help businesses always be ready for market fluctuations and subjective and objective factors. Cash and cash equivalents increased significantly in the same period, showing that the Company has strong cash flow, high liquidity and is ready to face possible events. However, it can also show that the Company is in a period of market saturation, slow growth, and has no plans to expand production and business or invest in new products. Inventories increased sharply over the same period, showing that the Company has a large amount of goods, capable of supplying market demand. Inventory increased sharply in the 2021-2022 period, up 73,5%. This shows that the company has built a business plan and market research in the right direction.

The company's capital in 2022 increases by 49,8% compared to 2020 and increases by 45,8% compared to 2021. The increase in the company's capital shows that the company has the ability to cover its debts. Typically, investors view companies with negative shareholder equity as risky or unsafe investments. Shareholder equity alone is not a decisive indicator of a company's financial health; when used in conjunction with other tools and metrics, investors can accurately analyze the health of an organization. But besides that, long-term debt decreased significantly in the 2021-2022 period from 39,048,495,601 to 2,311,062,676, this shows that the ability to mobilize capital is low, the reputation of the business is relatively poor and Limitations in expanding business scale. Declining long-term debt is a sign of a business's financial decline and ineffective business operations.

Analysis of asset structure of Vietnam Fumigation Joint Stock Company

(Unit: Billion VND)

	2020		2021		2022		2020/2021		2021/2022	
	Amount of money	%	Amount of money	%	Amount of money	%	±Δ	±%	±Δ	±%
Short-term assets	1,453	79,01%	1,520	80,5%	2,387	86,6%	+67	+4,6	+867	+57
Long-term assets	386	20,9 %	369	19,5%	369	13,4%	-17	-4,4	0	0
Total assets	1,839	100%	1,889	100%	2,756	100%	50	+2,7	+867	46%

Figure 3.1: Asset structure of Vietnam Fumigation Joint Stock Company (2020-2022)

(Source: Author's Calculations)

According to data calculated by the author in Figure 3.1. In 2020, short-term assets accounted for about 79,01% of the company's total assets, long-term assets accounted for 20,9% of total assets. In 2021, short-term assets account for 80,5% and long-term assets are 19,5%. Accordingly, it can be seen that the short-term asset ratio in 2021 increased by 4,6% compared to 2020, on the contrary, the long-term asset ratio decreased by 4,4% over the same period. Meanwhile, the ratio of short-term assets in 2021-2022 increased sharply with 57%, long-term assets did not change significantly.

Short-term assets play a key role in maintaining the Company's production and business activities. With flexibility and high liquidity, Short-term assets help businesses always be ready for market fluctuations and subjective and objective factors. The change in short-term assets will be shown through the indicators Cash and cash equivalents, Customer receivables, inventory, short-term financial investments,... Short-term assets increased VND. This means that the Company has strong cash flow, high liquidity, and is ready for possible

events enough capacity to supply market demand. Regarding the reason for the decrease in long-term assets and the storm, it shows that businesses have invested in long-term assets with short-term capital sources cash flow will become unstable, potentially causing instability in the financial management of the company.

Analyze the company's solvency

General solvency

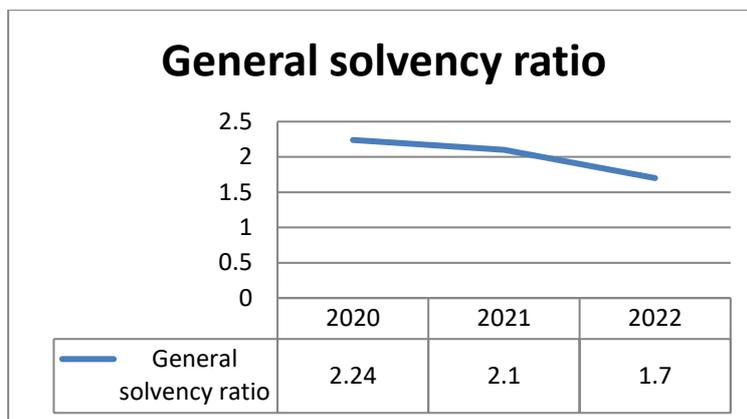


Figure 3.2. General solvency ratio of Vietnam Fumigation Joint Stock Company 2020-2022

(Source: Created by author; Use Excel)

From the data the author calculated, the Company's solvency ratio over the 3 years 2020-2022 is all greater than 1. In 2020 and 2021 the solvency ratio is 2,24 and 2,1 respectively. That shows that the company ensures its overall solvency at a fairly good level. In 2022, the coefficient is 1,7, although worse than the previous 2 years, but still at a good level. The higher this ratio, the better, showing that the business has high solvency and is less dependent on loan sources.

Short-term debt solvency ratio

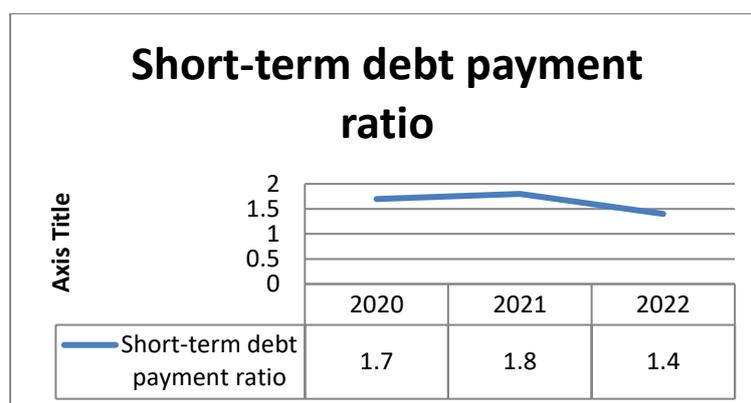


Figure 3.3: Short-term debt payment ratio of Vietnam Fumigation Joint Stock Company 2020-2022

(Source: Created by author; Use Excel)

After calculating the indexes, the short-term debt payment ratio of the public in the 3 years 2020-2022 is 1,7; 1,8; 1,4, respectively. Overall, the index in all 3 years is greater than 1, meaning the company's financial status is at a normal level or even improved and has the ability to pay off all short-term debt. This index in 2020

and 2021 is not much different, only 0,1. By 2022, the index will decrease by 0,4 compared to 2021. Similar to the general payment ratio, there will be a significant decrease but still at a safe level.

Quick ratio

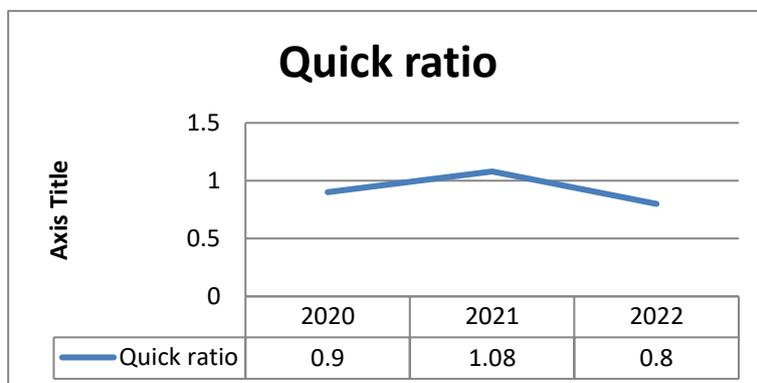


Figure 3.4: Quick ratio of Vietnam Fumigation Joint Stock Company 2020-2022

(Source: Created by author; Use Excel)

According to the calculated ratio data, in 2020 the quick ratio is 0.9 and in 2022 the ratio is 0.8, meaning that in these 2 years the company's quick ratio is less than 1, which means the company's ability to pay off all short-term debt in a short period of time is impossible. Or to be more precise, businesses will have problems paying off short-term debts quickly.

In financial judgment, when the quick ratio obtained is many times smaller than the current ratio. This shows that current assets depend heavily on inventory. Such cases are often accompanied by very low liquidity of short-term assets.

With a ratio less than 1, an inevitable consequence is that the business will go bankrupt because there are many ways to raise capital to repay debt. On the other hand, when the quick ratio is too high and too much capital in cash will lead to a low level of working capital turnover, leading to a decrease in efficiency in capital use.

The quick ratio of 2021 is slightly higher at 1,08, a year with a quick ratio greater than 1, which is a safe ratio that represents the company's ability to immediately pay short-term debts at a high level. In this situation, businesses do not have problems paying off short-term debts.

Financial leverage ratio

The financial leverage coefficient for the years in the period 2020-2022 is 1,9; 1,87; 2,4 respectively. It can be seen that the coefficient for 2 years 2020-2021 is not significantly different but jumps to 2,4 in 2022 (an increase of 0,53 compared to 2021). Financial leverage plays a role in promoting after-tax profits based on the owner's capital, and is also a tool to inhibit that increase. It can be seen that financial leverage is a tool favored by managers. This coefficient indicates the average equity and debt capital over an entire period. If this ratio is low, it shows financial autonomy but also shows that the business has not taken advantage of the advantages of financial leverage.

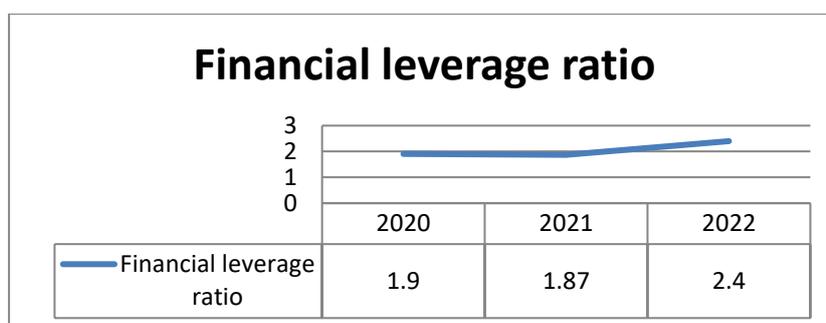


Figure 3.5: Financial leverage ratio of Vietnam Fumigation Joint Stock Company 2020-2022

(Source: Created by author; Use Excel)

Cash ratio

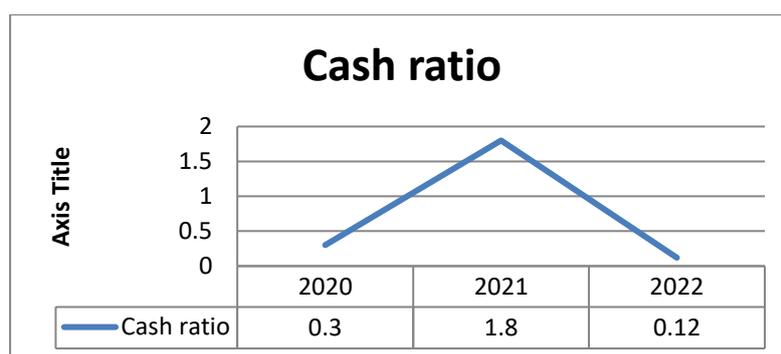


Figure 3.6: Cash ratio of Vietnam Fumigation Joint Stock Company 2020-2022

(Created by author; Use Excel)

From the figure above, it can be seen that the 2020 cash ratio is 0.3, which is a relatively low index and smaller than 1. Showing that the company is at risk of not having enough cash to pay off short-term debt flexibly. The cash ratio index gradually increases in 2021 and 2022. Although the cash ratio index in 2022 decreases, it is still at a safe level, greater than 1. This means that the company has gradually stabilized and is able to meet short-term cash payment needs.

Profitability

	2020	2021	2022
ROE	17,4%	16,6%	36,9%
ROA	7,92%	8,82%	9,8%
ROS	8%	7%	7%

Figure 3.7: Profitability indicators of Vietnam Fumigation Joint Stock Company

(Source: Author's Calculations)

In 2020, the ROE index was 17,4%, then decreased slightly in 2021 with an ROE index of 16,6%, then increased strongly in 2022 with an index of 36,9% (an increase of 20,3% compared to 2021).

Earnings A significant rise in equity indicates that the business is profitable and growing for investors. This positive model demonstrates that the business is in a good position to grow in the future and can draw in more sponsors. It had grown in value during the preceding three years and was significantly more than the year before. Strong equity returns imply that the business is headed for rapid growth.

Moreover, a consistent rise in equity returns indicates the company's adept management of resources and capacity to capitalize on market opportunities. Current shareholders can feel secure knowing that the company has a strong track record, which also makes it a desirable place to finance for those looking for long-term success.

ROA index measures the profitability of average total assets. Specifically, in 2020, the ROA index is 7,92% and then gradually increases through 2021 to 8,82% and 2022 to 9,8%. For 3 years, the business's ROA index has been increasing. This shows that businesses have made better use of their resources to increase income. The ROA ratio has increased steadily, which shows that the profitability and productivity of the business have increased.

The higher the ROA, the better because the company is making more money on less investment. Investors should also pay attention to the interest rate the company must pay on debt. If a company doesn't earn more than it spends on investments, that's not a good sign. On the contrary, if ROA is better than the cost of borrowing, it means the company is making good use of financial leverage.

Net revenue is always a positive number. Based on the ROS calculation formula, it is easy to see that profit after tax is the deciding factor in whether ROS is greater or less than 0.

Based on the calculation of the ROS index above, the ROS index of the 2020-2022 cycle is 8%; 7%; 7%, respectively, and there is no significant difference. The above 3-year cycle ROS index is greater than 0 (positive ROS), showing that the company is making a profit. The larger the ROS value obtained, the better the company operates. Positive ROS is also the desired result of all businesses. Based on this, business owners will have more grounds to orient their business's development in the future.

Business results of Vietnam Fumigation Joint Stock Company

Through the data on the figure, it can be seen that the Company's business results have made positive progress: Total profit after tax in 2022 is 229 billion VND, a remarkable increase compared to 2020 of 166 billion VND (difference of 65 billion, equivalent to 39.63%). Increasing profit scale is the basis for the company's stable growth.

Revenue from sales and service provision is the company's main revenue. In 2022, sales revenue is 3,250 billion VND, an increase of 1,026 billion VND compared to 2021, equivalent to 46,1%. In 2021, it will increase by 155 billion VND compared to 2020, equivalent to 7,64%. This proves that in 2021 the company has operated production and business effectively and brought positive results after a difficult period due to the impact of the epidemic situation. It can be seen that the company's profit scale and profitability from business activities have increased. This fluctuation is due to the impact of revenue and business operating costs. The company's cost of goods sold in 2022 is 2,976 billion VND, an increase of 900 billion VND compared to 2021, equivalent to 44,6%. The cost of goods sold in 2021 increased by 14,6% compared to 2020. It is understandable that the cost of goods sold increases in the same direction as revenue. When the company produces and sells more goods, it also needs more raw materials. However, it is also possible that the supplier has increased the price of raw materials to compensate for revenue after the negative impacts of the epidemic period, leading to an increase in the company's cost of finished products. However, the company's revenue still increased more than its cost price to ensure that the production and business company still earned profits.

(Unit: Billion VND)

Criteria	2022	2021	2020	2022 - 2021		2021 - 2020	
				±Δ	±%	±Δ	±%
Sales turnover	3,250	2,224	2,066	1,026	46,1%	155	7,64%
Net revenue	2,976	2,076	1,849	900	43,35%	227	12,2%
Cost of goods sold	2,290	1,367	1,367	699	44,6%	200	14,6%
Gross profit on sales and service provision	710	508	482	202	39,7%	26	5,39%
Financial operating revenue	56	35	60	21	60%	-25	-41%
Financial operational costs	37	29	32	8	27,5%	-3	-9,37%
Interest cost	9	5	12	4	80%	-7	-58,3%
Selling cost	388	272	259	660	42,6%	13	5,01%
Enterprise Cost Management	54	38	39	16	42%	-1	-2,56%
Net profit from business activities	285	203	211	82	40,3%	-8	-3,79%
Other income	5	4	0,795	1	25%	3,205	403%
EBT	287	205	208	82	40%	-3	-1,44%
Profit after tax	229	164	166	65	39,63%	-2	-1,2%

Figure 3.8: Business results of Vietnam Fumigation Joint Stock Company 2020-2022

(Source: Author's Calculations)

The company's financial revenue in 2022 is 56 billion VND, an increase of 21 billion compared to 2021, equivalent to 60%. However, in the period 2020-2021, the company's financial revenue will seriously

decrease from VND 60 billion to VND 35 billion, meaning that during this period the company's financial revenue will decrease 25 billion VND, equivalent to -41%.

The company's cost of goods sold in 2022 is 288 billion VND, an increase of 116 billion VND compared to 2021, equivalent to 42.6%. Cost of goods sold in 2021 increased by 5.01% compared to 2020. It is possible that the company's cost of goods sold will increase significantly in the period 2021-2022. This is also a good sign because the increase in selling expenses means that revenue from this activity is improving significantly.

Business management costs in 2022 are 54 billion VND, an increase of 40.3% compared to 2021, equivalent to 16 billion VND. In the period 2020-2021, there is a slight decrease at -2.79%. This can be explained by the company's centralized management model. The company gradually changed its thinking in production management by increasing the salaries of middle-level managers such as team leaders, deputy team leaders and deputy production team leaders; centralized technology line for many management team leaders; At the same time, increasing marketing or office costs is quite large.

The profits of Vietnam Fumigation Joint Stock Company in the period 2020-2022 have changed significantly, especially in the period 2021-2022, profits increased strongly by up to 40%.

Cash flow situation of Vietnam Fumigation Joint Stock Company

(Unit: Billion VND)

Criteria	2022	2021	2020	2022/2021		2021/2020	
				±Δ	±%	±Δ	±%
I. Net cash flow from operating activities							
1. Total profit before tax	287	205	208	82	40%	-3	-1,44%
2. Profits from business investment activities	256	223	192	33	14,7%	31	16,1%
3. Net cash flow from operating activities	83	776	101	-693	-89,3%	675	668%
II. Net cash flow from investing activities	503	11	46	492	4472%	-35	-76,1%
III. Cash flow from financial activities							
1. Net cash flow from financial activities	103	425	41	-322	-75,7%	384	936%
2. Net cash flow during the year	483	362	95	121	33,4%	257	281%
3. Cash and cash equivalents at the end of the year	208	692	329	-484	-69,9%	363	110%

Figure 3.9: Cash flow situation of Vietnam Fumigation Joint Stock Company 2020-2022

(Source: Author's Calculations)

Net cash flow from business activities: This is an indicator with a rapidly increasing amount of cash, especially in the period 2020-2021, as the calculated data is recorded in the table, net cash flow from business activities is peak in 2021 with nearly 776 billion, an increase of 668% compared to 2020.

It proves that during this period, the company operates effectively, the business is profitable, and the company's revenue from sales and service provision increases.

Profit before tax of Vietnam Fumigation Joint Stock Company in 2020 reached nearly 208 billion VND and increased to nearly 187 billion VND in 2022. As a result, profits from business investment activities also increased, during the period 2020-2021 increased by 16.1% and increased by 14.7% in 2021-2022.

Although in the period 2020-2022 the company has positive business activities, the company needs to focus more on management, increase reputation and adjust safety and appropriate policies, ensuring the ability to payment ability.

Cash flow from investment activities: In the period 2020-2022, cash flow from investment activities increased sharply, specifically in 2020 there was an amount of 46 billion VND, but after 3 years in 2022 the amount increased by 503 billion VND, equivalent to 993%, cash flow from investment activities increased sharply from the 2021-2022 period, an increase of 4472% in a 1-year period. The reason for this sudden increase in cash flow is because in 2022 the company used money to buy debt instruments of other units, an amount of up to 502 billion VND.

IV. Discussion And Conclusion

Financial analysis of Vietnam Fumigation Joint Stock Company over the 3 years 2020, 2021, 2022 can see some of the following highlights:

The company's total assets increased significantly in 3 years, up to 49.83%. Cash and cash equivalents increased significantly in the same period, showing that the Company has strong cash flow. Inventories increased sharply over the same period, showing that the company has a large amount of goods, capable of supplying market demand. This shows that the company has built a business plan and market research in the right direction. An increase in a company's capital shows that the company has the ability to cover its debts. Short-term assets increased, financial indicators ROA, ROE, ROS,... all had high values, which meant that the company had strong cash flow, high liquidity and was ready for possible events, enough capacity to supply market demand. Highly appreciated by experts and investors and has a place in the market.

The company's business performance is evaluated well, the profit index has grown well over the years. In the period 2020-2022, all businesses will be profitable, pre-tax profits ensure the ability to pay state budget and pay loan interest. All activities of the company are aimed at increasing profits, improving the material and spiritual lives of workers, and increasing savings for reinvestment in production.

Following several years of profitable operations, the company's standing in the market has been solidified, which aids in boosting investor capital mobilization and bank loan confidence.

However, the company's long-term debt will decrease significantly in the 2021-2022 period, this shows that the ability to mobilize capital is low, the business's reputation is relatively poor and it is limited in expansion.

A decrease in long-term assets shows that if a business has invested in long-term assets with short-term capital, the cash flow will become unstable, potentially causing instability in the company's financial management. The company's quick ratio in 2 years 2020 and 2022 is less than 1, showing that the ability to pay short-term debt in a short time is impossible, the business will have difficulty paying debts.

Some solutions are given after analyzing the influencing factors as follows: Assure company has enough money to pay off any outstanding debts, fully exploiting own capital sources, improve cash flow efficiency, make good use of investment funds, allocating a reasonable investment structure, improve efficiency in using short-term assets, resolve debt, enhance training, enhance the technical, managerial, and production staff's abilities and practical training, adopt effective customer policies to draw in big clients and keep in new ones. Utilize several indicators that are appropriate for the analysis's goal to conduct more thoroughly and frequently financial analysis.

References

- [1] Dang Phuong Nhung (2018), *Phân Tích Tình Hình Tài Chính Và Khả Năng Thanh Toán Của Công Ty TNHH Thương Mại Phát*. Hà Nội.
- [2] Nguyen Tan Binh (2009), *Phân Tích Hoạt Động Doanh Nghiệp – Phân Tích Kinh Doanh – Phân Tích Báo Cáo Tài Chính – Phân Tích Hiệu Quả Các Dự Án*, Nxb Thống Kê, Hà Nội.
- [3] Nguyen Minh Kien (2010), *Tài Chính Doanh Nghiệp Căn Bản*, Nxb Thống Kê, Hà Nội.
- [4] Nguyen Thi Ngoc Mai (2017), *Phân Tích Tài Chính Công Ty Cổ Phần Thép Anh Vũ*.
- [5] Báo Cáo Tài Chính (2020). Thông Tin Tài Chính Vfc.
<https://www.vfc.com.vn/vfc/tin-chi-tiet/vi/thong-tin-tai-chinh/bao-cao-tai-chinh-2020>
- [6] Báo Cáo Tài Chính (2021). Thông Tin Tài Chính Vfc.
<https://www.vfc.com.vn/vfc/tin-chi-tiet/vi/thong-tin-tai-chinh/bao-cao-tai-chinh-2021>
- [7] Báo Cáo Tài Chính (2022). Thông Tin Tài Chính Vfc.
<https://www.vfc.com.vn/vfc/tin-chi-tiet/vi/thong-tin-tai-chinh/bao-cao-tai-chinh-2022>