

EVALUATION OF THE FINANCIAL PERFORMANCES OF THE COMPANIES FROM THE CONFECTIONERY INDUSTRY IN NORTH MACEDONIA

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ABSTRACT

The purpose of the paper is to conduct an evaluation of the financial performances of the companies from the confectionery industry in North Macedonia. The companies that are evaluated and analyzed are competitive within the food sector, i.e. the confectionery industry. The objective of this research is to highlight and compare the financial situation of Evropa AD Skopje and Vitaminka AD Prilep as representatives of the confectionery industry in Macedonia. The paper is dedicated to the practical use of financial analysis, analyzing data from the audited financial statements and income statements. The theoretical section of the research contains a discussion regarding the different factors that affect the confectionery industry, an analysis of the most appropriate financial factors that are determined by many researchers, specific financial statements, methods of financial statement analysis and financial ratio analysis. Similarly, the annual performances of the two companies are not analyzed and used in order to choose the best one in the market, rather the selection of the two companies would provide an example to rate how a company's individual performances are used aiming for comparison with a similar entity that operates in the same market or industry. The study demonstrates that the Macedonian confectionery industry is significantly affected by both companies, especially in the period from 2014 to 2017. Development and stable situations were observed within the studied companies, with positive and negative manners throughout the years, however resulting as a strong pillar of the industry.

KEYWORDS

Evaluation, confectionery, financial performance, confectionery industry

JEL CLASSIFICATION CODES

D2, L2, L66

1. INTRODUCTION

The modernization of financial methods has made it possible for any researcher and manager to evaluate and obtain valid information regarding the financial performance and how to consider the performance of an organization or an industry for every operating company in a confectionery market.

Companies are constantly attempting to survive, adapt, develop, influence, and perform. In order to provide a clear picture of what a company can or should change towards improvement of the current performance, companies conduct an evaluation of the financial performance. Namely, the available public audit reports of the two companies from the confectionery industry provided by the Macedonian stock exchange represented an additional guarantee for a high level of comparability. According to J. Marjanova (2000), which elaborated the marketing research of chocolate market in Macedonia, stated that the entire Macedonian industry within the confectionery market in Macedonia is overtaken by many foreign brands and businesses, the most bought products in chocolate industry are Milka, Nestle, Dorina and then the domestic products. Shaping the global financial situation, the emerging markets of confectionery products such as Macedonia have become substantially important. Relevant factors such as economy, technology, competition and country policies have a decisive role in the performance of any confectionery company in Macedonia and the region.

The key players in Macedonia that largely invest were Evropa AD Skopje (hereinafter Evropa) and Vitaminka AD Prilep (hereinafter Vitaminka). The aim of the research is to perform an evaluation of the financial results that have a significant role in determining the company's performance to meet and forecast the financial goals. In addition, the annual performances of the two Macedonian companies for the period 2014-2017 are taken into consideration. To make an effective comparison of Vitaminka and Evropa, using data from the annual reports and the Macedonian stock exchange, a comparative financial statement analysis through a horizontal and a vertical analysis will show the current evaluation performance of the companies and the Macedonian confectionery industry.

The analysis is expected to help the author perform an evaluation of the final situation and the final results of the observed companies. Although the empirical research will primarily use secondary data from the published audited annual reports of the companies, the author will also investigate web resources to perform more profound searches ensuring not to miss out any relevant factors about the companies.

2. MACEDONIAN CONFECTIONERY INDUSTRY-STATE OF ART

The Macedonian confectionery industry is an important part of the food industry with a relevant positive impact on the external trading balance of the country. The export value of finished confectionery goods is almost 10% of the value of total exports by Macedonian food manufacturers, based on Euromonitor International elaborating the overall confectionery industry in Macedonia. The confectionery industry is characterized by strong and expressed rivalry among competitors' influences and a high possibility of new entrants, large number of substitute products, high bargaining power on the side of suppliers and consumers. The trends in the confectionery industry in Macedonia include chocolate and sugar confectionery products. Because of increased unit prices of cocoa in the international market, Macedonian chocolate confectionery companies continued to face challenges in 2017 and at the beginning of 2018.

According to Jovanov M. (2012), the confectionery market in Macedonia is a market where the possibility to create a sustainable competitive advantage and competitive positioning is directly influenced by a proactive approach to strategic planning in general, and management activities specifically. The increasing demand for Macedonian candies internationally is primarily propelling a demand for the market. Moreover, the number of consumers switching to healthy snacks is propelling market players to introduce innovation in their product portfolios. Macedonian market players are significantly facing competition from the increasing healthy snack markets as the population of health-aware consumers is growing constantly each year.

The confectionery industry today has a possible production capacity of about 45.000 to 50.000 tons per year. But in recent years, with the international crisis and the pressure resulting from intensified competition from imports, the domestic market has declined. The output was demanded in the increase of

export, though with a lower profitability per unit product, which in 2016 compared to 2008 increased by 42.5% in terms of the volume of production. According to the State Statistical Office of Macedonia, the manufacturing of food products constituted 11.47 % of the total industrial production in the country. Therefore, this indicates that the Macedonian food production industry has good prospects for growth and development in the following years.

The confectionery industry is composed of three main segments, chocolate confectionery, sugar confectionery and gum products. The use of sugar and sugar substitutes characterizes all these categories. On the basis of generated sales, Western Europe is the leading region in the global confectionery market. Based on results with a positive impact on the external trading balance of the country, it was observed that the value of exported confectionary products is almost 10.5% of the total export of food products in Macedonia.

3. LITERATURE REVIEW

The performance evaluation of a company requires the consideration of several criteria and performance evaluation needs to be carried out with a balanced multidimensional system, including financial indicators such as financial statements and financial ratios. According to Campbell R. Harvey (2007, p.17), it is considered that an evaluation of a performance is a comparison of a company's performance in relation to a group of comparable companies. This evaluation can be performed periodically in order to measure competitiveness, and to judge a particular company's performance. Collis and Jarvis (2002) stated that the evaluation of the company's financial performance includes the basic concept and methods to measure the preparation, analysis and interpretation of a corporate financial statement. The main focus is to understand the relevance, structure and information goal of the relative financial statements such as balance sheet, income statement, and financial ratios.

Morgan (2004) states that there are several methods and theories regarding the emergence of the evaluation of the company's performance and believes that trend performances appeared in Venice in the fifteenth century, with the emergence of double accounting. Another view, according to Johnson and Kaplan (1987), suggests that performance evaluation emerged as a concept during the industrial revolution. The company's performance represents the aggregation of its stages of action, from intention to results (Lebas 1995), meaning that results cannot be separated from the achieved performance.

Radun V. (2013) also explained that this phenomenon is noticed among strong confectionery players that have developed competitive advantage and has been frequently applied in the last four years, primarily in exports of the countries from the region. Vodopivec (2016) explains that long term ambitions are the primary objectives when following the stages of growth in the region. The company's products are present on all continents, however the exported quantities outside the region are lower and mainly intended for customers who are originally from the Balkan region.

Stoica (2002) states that the main attraction of emerging markets relies on high return opportunities and a potential for growth. According to the World Bank, Macedonia was on the very high 22nd place in doing business. According to the confectionery industry, trends show that the country is not sufficiently concerned with the development of the industry, some of its measures even discriminate domestic producers in comparison to importers. This indicator refers primarily to the tax and customs policies, which directly burden the price of the domestic products by making them uncompetitive in terms of prices compared to imported products.

Analysts concluded that the capacities of this branch are larger than the domestic market needs and indicated that about 35% of the annual production is being exported. Confectionery companies have applied European quality and European standards in their production, with continuous investments in new technology and expansion of product lines. Performance evaluation in real terms is not an issue that matters only once in a year, regardless of whether the company's process will realize it or not, performance is being evaluated constantly. Every daily process, every completed assignment shows a chance to determine how well objectives are being accomplished. In general, the performance evaluation

analysis aims to put down on a paper a conclusion of these day to day evaluations and helps the author or the company to maintain the evaluation as objectively as possible.

4. RESEARCH METHODOLOGY

Evaluation of the financial position and performance of the two main confectionary companies is the purpose and aim of the author. The research contains an extensive and intensive study of both Macedonian companies and regional ones. The methodology section provides information about the method or technique which the researcher or author applies to conduct the paper and also specifies the procedures and data followed by the researcher. Data collection and analysis are conducted by using secondary data and literature research that are already published. The companies' audited financial reports are considered for preparing the analysis and comparing the research. The final part of the chapter will also assess and include the reporting of the collected data.

First, the confectionery industry will be elaborated and prospects of the companies that directly reflect the industry together with data collection prepared for forward analysis. Second, preparation and conducting of financial statement analysis, comparative and common-size financial analysis will be specifically performed, both analysis have the potential to discuss and present the prospects and financial performance of the company. The research paper is based on the method of using sources of information and data such as the Macedonian Stock Exchange, journal articles, theses, studies, research papers, and audited financial reports.

The data analysis will summarize the collected data and it directly involves the interpretation of the data collected through the financial statements' analysis. Data analysis for quantitative research involves critical analysis and interpretation of data numbers and figures and solutions with an attempt to assess the financial performance of the company. In this section of the research methodology, the collected data from the quantitative research is presented, described, analyzed and interpreted in a financial form in the following section of the paper.

5. RESEACH RESULTS AND DISUCSSION

Financial analysis is the process of identifying the financial strengths and weaknesses of the company, establishing relationships between the items of the balance sheet and income statement. Under the financial analysis, different methods of financial analysis will be used to have a clear evaluation of a company's situation. Analysis such as: Comparative financial statement analysis and common-size financial statement analysis.

5.1 Comparative financial analysis

The section of comparative financial analysis contains horizontal analyses of the balance sheet and income statement of the companies in question, vertical analysis will also be included. This method of analysis is known as trend analysis, which allows the assessment of relative changes of different items over time. It indicates the behavior of revenues, expenses and other items of the financial statements over the analyzed time. The company's assets, liabilities and equity for a specific period are analyzed and presented in the balance sheet. The sub-accounts of the balance sheet include the assets account that includes current assets and fixed assets of the company. The other sub-account includes all liabilities and equity. While total liabilities are summed up with equity in order to obtain liabilities and shareholder's equity, which is always equal to the total assets. The following table indicates the Balance sheet of Evropa AD Skopje from 2014-2017 in total amounts and the change of percentage compared to the base year 2014.

Table 1 Balance sheet of Evropa AD Skopje (2014-2017) in 000 MKD

<i>Assets</i>	Evropa 2014	Evropa 2015	Percent Increase (decrease) 2014-2015	Evropa 2016	Percent Increase (decrease) 2014-2016	Evropa 2017	Percent Increase or (decrease) 2014-2017
Non-current assets	620.272	599.396	(3.48%)	566.765	(8.62%)	551.821	(11.03%)
Intangible assets	377	152	(148%)	0	100%	0	100%
Property, plant and equipment	371.515	376.659	1.36%	344.377	(7.3%)	313.817	(15.5%)
Property.	139.624	156.337	10.69%	146.802	5.1%	137.253	(1.7%)
Plant and equipment	229.718	220.046	4.39%	197.299	(14.2)	176.039	(23.3%)
Long-term financial instruments	248.380	222.585	(11.5)	222.388	(10.4%)	238.004	(4.1)
Current Assets	410.145	373.403	(9.83)	341.469	(16.7%)	345.536	(15.7%)
Inventories	119.824	113.841	(5.25%)	124.000	3.5%	114.755	(4.12%)
Cash and cash equivalents	8.210	15.184	46%	20.343	148%	34.068	314.9%
Prepaid expenses	407	372	(9.4%)	299	(26.5%)	596	46.5%
Total Assets	1.030.417	972.799	(5.9%)	908.234	(11.9%)	897.357	(14.8%)
Equity and Liabilities							
EQUITY	698.714	715.491	2.34%	697.877	(0.12%)	727.636	4.1%
LIABILITIES	331.703	337.455	1.7%	210.357	(36.5%)	169.721	(48.8%)
CURRENT LIABILITIES	201.039	257.308	21.9%	160.632	(20.1%)	147.939	(35.8%)
LONG-TERM LIABILITIES	0	80.147	100%	0	/	21.782	100%
Long-term borrowings	130.664	80.147	(63.03%)	49.725	(61.2%)	21.782	(599.8%)
TOTAL CAPITAL AND RESERVES	1.030.417	972.799	(5.9%)	908.234	(11.8%)	897.357	(14.8%)

Source: Company's official financial statements – official internal source

In order to evaluate and analyze the trend of assets over the period from 2014 to 2017, the most important indicators are analyzed and considered, which include fixed assets, current assets, and total assets. Based on presented data in the Table 1, there was a significant decrease in total assets from the base year 2014 to the following years. Specifically, from 2014 to 2017. Based on Evropa's results, the total assets decreased by 14.8% and the fixed assets also faced a slight increase of 12.4%. On the other hand, Vitaminka's results shows the opposite, from 2014 to 2017 the total assets reached a significant increase by 16.6%, the positive results and trends also continued in fixed assets and huge differences were created with a rise of 35% from 2014 to 2017.

The table 1 assesses the comparison of Evropa's balance sheet, where the base year is 2014, to obtain an analysis with 2015. As mentioned, the main elements of the balance sheet that are analyzed and compared include assets, liabilities and equity. If the company, in our case Evropa, has lower current assets than current liabilities, this directly means that they should have to take loans in order to cover or pay the liabilities. Evropa has the lowest amount of current assets in 2015 compared to the previous year, which has decreased significantly by 9.83%. In reality this can imply that the company has invested in equipment, property or plant. The company's management was clever in 2014 to keep the double amount of current assets in order to cover the current liabilities.

The total assets together with the total liabilities & shareholder's equity decreased in 2015 by approximately 5.9%, although total liabilities and equity rose by 1.7% and 2.34% respectively, in this case the particular reason are long-term liabilities. Likewise, the comparison of the balance sheet from Dec. 31 2014 – 2016 are presented in Table 1, column 5 and 6 with amount and percentage changes.

The current assets in 2016 confront the highest decrease during the four analyzed years compared to the base one, on the other hand current liabilities declined by 20.1%. One can notice that long-term

borrowings have reduced significantly, by as much as 61.2%. Also total assets together with total liabilities and shareholder's equity suffered a 12.8% decrease in 2016.

Similar to the two previous analyzed years, in 2017 the total assets rose by around 15% and were specifically followed by total liabilities and shareholder's equity with the same percentage. The current assets faced a modulation by 14.5% which is a half of the decreased amount or percentage of current liabilities, that is, 35.8%. The lowest amount of fixed assets, current assets and current liability is observed in 2017, which has significantly affected the increase in equity by 4.1%. Another interesting fact for analysis is that the total liabilities sharply decreased in 2017, by precisely 48.8%.

The following table indicates the Balance sheet of Vitaminka AD Prilep from 2014-2017 in total amounts and the change of percentage compared to the base year 2014.

Table 2: Balance sheet of Vitaminka AD Prilep (2014-2017) in 000 MKD

<i>Assets</i>	Vitaminka 2014	Vitaminka 2015	Percent Increase or (decrease) 2014-2015	Vitaminka 2016	Percent Increase or (decrease) 2014-2016	Vitaminka 2017	Percent Increase or (decrease) 2014-2017
Non-current assets	534.237	689.298	22.4%	772.445	30.8%	1.436.576	59.2%
Intangible assets	1.043	974	(6.61%)	848	(18.7%)	504	(51.6%)
Property, plant and equipment	521.471	669.122	22.1%	754.340	30.7%	802.860	35.0%
Property.	385.061	436.523	11.7%	441.301	12.7%	438.083	12.0%
Plant and equipment	126.138	216.767	41.8%	306.950	58.9%	332.163	62.02%
Long-term financial instruments	11.723	19.202	38.9%	17.257	32.06%	19.030	38.3%
Current Assets	663.369	655.219	(1.22%)	597.388	(9.94%)	613.438	(7.5%)
Inventories	254.444	242.611	(4.6%)	253.481	(0.37%)	229.753	(9.7%)
Cash and cash equivalents	88.668	75.056	(15.3%)	22.511	(74.6%)	64.396	(27.4%)
Prepaid expenses	6.322	5.612	(11.2%)	8.935	41.3%	6.734	6.11%
Total Assets	1.197.606	1.344.517	10.9%	1.369.833	12.5%	1.436.576	16.6%
Equity and Liabilities							
EQUITY	770.215	802.891	4.0%	791.153	2.64%	817.799	5.8%
LIABILITIES	427.391	541.626	21.1%	578.680	26.1%	618.777	30.9%
CURRENT LIABILITIES	254.892	311.061	18.05%	390.640	34.7%	366.850	30.5%
LONG-TERM LIABILITIES		230.565	100%	188.040	100%	251.927	100%
Long-term borrowings	172.499	0	(100%)	0	(100%)	0	(100%)
TOTAL CAPITAL AND RESERVES	1.197.606	1.344.517	10.9%	1.369.833	12.5%	618.777	16.6%

Source: Company's official financial statements – official internal source

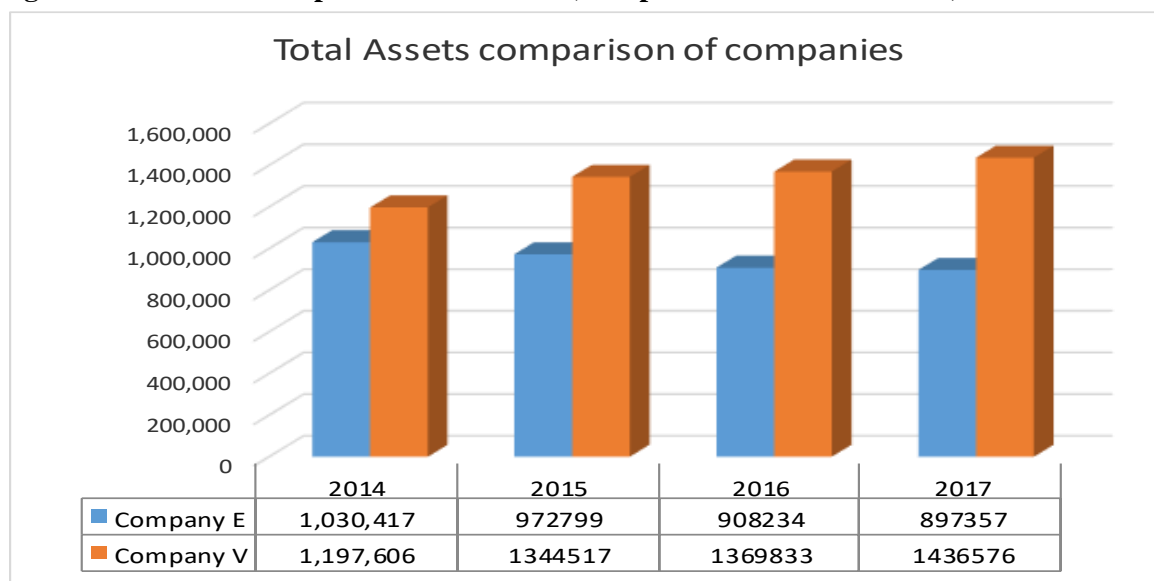
In order to take the analysis to the next level in the research, an additional technique was added in order to obtain a more solid comparative balance sheet analysis for the companies. For example, the table shows the amount differences, both increased or a decrease, and by comparing and calculating these numbers over the analyzed years one can estimate the percentage of an increase/a decrease. As indicated in the tables above, every analyzed table starts by assessing the account or percentage that changed from the base or first year, which is 2014, to the second one.

By reviewing the same amounts of current assets, more effect is given to the changes, current assets decrease at the end of year two by 1.22% while fixed assets increase by 22.4%. The company's total assets in 2017 compared to the base year increased by approximately 10.9%. The increase in the company's accounts payable and the increase in short-term liabilities sharply indicated the increased percentage of total liabilities, specifically 21.1%. On the other hand, equity experienced a trivial increase of approximately 4.0% in total, and the total liabilities and shareholder's equity have progressed and increased by 10.9%. The balance sheet of Vitaminka is a snapshot and a report showing how the company has performed over these four years. By applying the comparative balance sheet, the same company's financial statements are presented for two or several successive periods. In the thesis, the calculation of denar changes or percentage changes in the items is known as horizontal analysis. The percentage of denars change calculated from column 5 is expressed in column 6.

The percentages reveal that in 2016 the current assets decreased by 9.94%, on the other hand, the receivables increased by 3.2%. The decrease of long-term borrowings indicated that interest charges will be lower in the future. The percentage of current liabilities increased 34.7%, which signifies an increase of total liabilities by 26.1%. The total assets and total equity & liabilities in 2016 increased around 12.5%. The comparative balance sheet of Vitaminka for 2017 compared to the base year, shows that there has been a decrease of current assets by 7.5%. Furthermore, the current liabilities increased by 30.5% which indicates that the company has not paid the liabilities within the determined period. Non-current assets, receivables, equity, and liabilities have increased. Total assets and total liabilities & equity have matched and progressed by around 16.6%. The overall financial position of Vitaminka for the year of 2017 is satisfactory.

A comparison of the company's total assets, based on the results calculations is presented in the Figure 1.

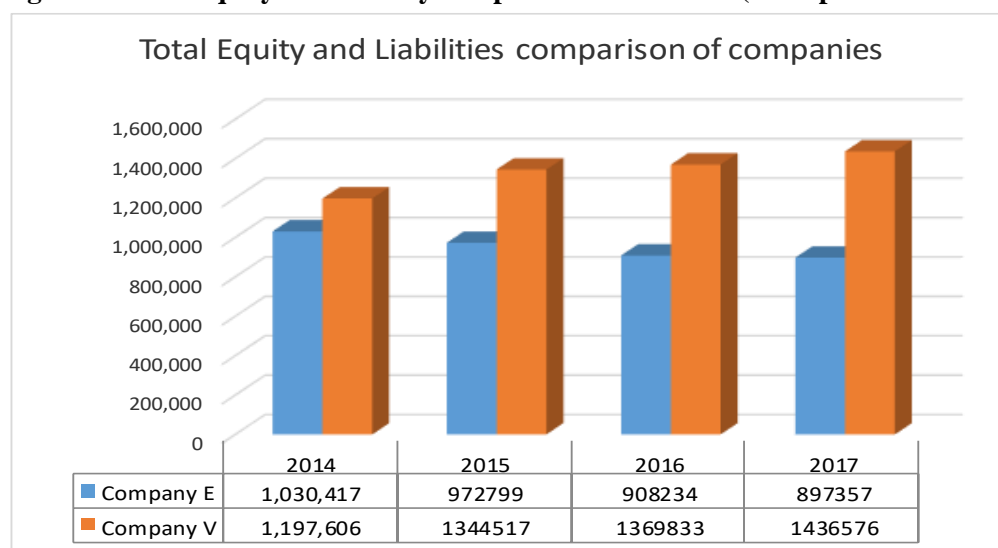
Figure 1: Total asset comparison - 2014-2017 (Evropa AD vs. Vitaminka AD)



Source: author's calculations

As assumed from the tables, Evropa's total assets are decreasing from the base year until the last analysed year. From the classification of assets, the percentage and amount of fixed assets dominated in Evropa's assets. The opposite phenomenon was noticed in Vitaminka's total assets with a stable and continuous growth year-by-year. The diversity of the assets' categorization was noticed in Vitaminka's results, changing during the period of analysis.

A comparison of the company's total equity and liabilities based on the results calculations is presented in the Figure 2.

Figure 2: Total equity and liability comparison- 2014-2017 (Evropa AD vs. Vitaminka AD)

Source: author's calculations

According to the assets, the same years are used and only the most significant items are considered and represented. For 2016, there was a significant decrease in debts or liabilities. The overall decrease of total equity and liabilities amounted to 14.8%. Based on 2014, liabilities increased again in 2015 without any significant change of equity levels. The pattern of total equity and liabilities continues in Table 4.1 from 2014 to 2017 indicating Evropa's decreasing results.

In Vitaminka's table, one can notice a significant increase in total equity and liabilities by 16.6% during the analyzed periods, from 2014 to 2017. An increase is also observed in liabilities in all preceding years, this increase in liabilities is due to the fact that loans were contracted to support the expansion projects. The increase from 2016 to 2017 was due to the restructuring of some company's debt by converting it into equity.

5.2. Vertical Analysis of assets in relative values

Vertical analysis is conducted on financial statements and it involves a comparison of two or several years for the same statements. In a vertical analysis, each item in a financial statement is compared to a base number set to 100 percent and each item on the financial statement is then reported as a percentage on that basis. Vertical analysis is also often used for comparing companies in the form of benchmarking, because the headings occur in any given organization, this will make it easy to compare organizations.

The convertibility percentages of the assets are indicated in the Table 3. The percentages of categorized assets describe if the company can or cannot easily and readily convert assets into cash and cash equivalents.

Table 3 Total assets (in %) -Evropa AD Skopje

Evropa	2014	2015	2016	2017
TOTAL ASSETS	100%	100%	100%	100%
Fixed assets	60.1%	62.6%	62.4%	61.49%
Current assets	39%	38.4%	37.6%	38.51%
Inventories	24.3%	23.5%	13%	12.7%

Trade and other receivables	26.3%	24.9%	21.4%	20.4%
Short-term investment	0.96%	0.31%	0.006%	1.39%
Cash and bank balance	6.79%	1.56%	2.23%	3.8%

Source: author's calculations

The convertibility percentages of the assets for Vitaminka AD are shown in the Table 4. The percentages of categorized assets describe if the company can or cannot easily and readily convert assets into cash and cash equivalents.

Table 4 Total Assets (in %) – Vitaminka AD Prilep

Vitaminka	2014	2015	2016	2017
TOTAL ASSETS	100%	100%	100%	100%
Fixed assets	44.6%	51.2%	56.3%	56.6%
Current assets	55.4%	48.8%	43.7%	43.4%
Inventories	21.2%	18%	18.5%	15.9%
Trade and other receivables	23.1%	24.6%	22.8%	21.7%
Short-term investment	3.01%	0%	0.002%	0.0006%
Cash and bank balance	7.4%	5.5%	1.64%	4.2%

Source: author's calculations

As total assets are assessed in the tables above, the same pattern also follows for total equity and liabilities, separately stated in percentage.

Table 5 Total Liabilities and Equity in percentage – Evropa

Evropa	2014	2015	2016	2017
TOTAL (E & L)	100%	100%	100%	100%
Total Equity	67.8%	73.5%	76.8%	81%
Total Liabilities	32.2%	26.5%	23.2%	19%
Current liabilities	19.5%	18.2%	17.6%	16.4%
Non-current liabilities	12.7%	8.3%	5.6%	2.6%

Source: author's calculations

The table of accounts for Vitaminka AD includes the balance sheet total liabilities and equity as 100%, then categorized into total equity and liabilities. Vitaminka's liabilities indicate that the companies own, on other hand equity includes the claims against the company's assets.

Table 6 Total Liabilities and Equity in percentage – Vitaminka AD Skopje

Vitaminka	2014	2015	2016	2017
TOTAL (E & L)	100%	100%	100%	100%
Total Equity	64.3%	59.7%	57.7%	56.9%
Total Liabilities	35.7%	40.3%	42.5%	43.1%
Current liabilities	21.2%	23.1%	28.5%	25.5%
Non-current liabilities	14.5%	17.2%	14%	17.6%

Source: author's calculations

Results from the table are also indicated in the chart below. From the chart one can conclude that Vitaminka's total equity was decreasing from 2014 to 2017, unlike Evropa's total equity that was increasing. In the table the total liabilities are categorized into non-current and current liabilities from the indicated percentage in Table above. The table assesses the current liabilities with a partially high percentage and shows that the debts in the next 12 months are higher rather than in the long run.

6. CONCLUSION

Both analyzed companies (Evropa AD. and Vitaminka AD) are the entities with a long tradition and they have existed on the market for a long time. For generations they have sweetened the lives of people of all ages with their products, and provided unforgettable moments filled with joy and happiness, making themselves recognizable brands in the domestic and foreign market. Both companies have managed and developed the industry by launching a variety of products on foreign markets. Today, Evropa AD is a contemporary factory that produces chocolates, waffles and candies, its results indicate a company with high achievements. The certificates for meeting and developing the necessary standards show the unmistakable quality of products.

Evropa's production and operation are focused on the consumers and their wishes, which will directly build an organizational culture that provides immaculate operation. The ambition of Vitaminka's management was increasing the product capacity of the company. From a company that produced pepper, now it has become a giant business in the confectionery market in Macedonia. It reached this position by having a goal and a vision to achieve and build the image of number one food company in Macedonia and in the region. The products of both companies are easily reachable and affordable for everyone.

The current activities and goals confirm that Vitaminka AD has been increasing its presence in the country and in many foreign countries. When it comes to the analysis of financial statements and the ratios, it can be clearly shown that Evropa AD is in a much better position. By analyzing the situation, definitely one can notice that the sale of both companies has varied over the course of four years.

Generally, companies tend to keep their assets, liabilities and equity at an expected level during the operating year, having in mind the market where both companies operate, as well as considering the current financial and political situation. Since the comparison is more thoroughly, the analysis shows that Vitaminka AD had improved much more when it comes to sales, which indicates that their strategy is progressing well. Furthermore, it was found that Vitaminka has stable and positive growth, while Evropa AD on the other hand, had a decrease of 4.3% in 2015, and 5.75% in 2016.

From the analysis in the cash account, it can be clearly noticed that throughout the period of four years, some critical situations have been managed in order to change the negative percentage from 2014 to a positive value of 34% in the period of the following two years. Still, when it comes to this indicator, things were not going in a good direction, instead of increasing the cash they managed to decrease it.

Regarding the liabilities, it can be concluded that Vitaminka AD showed positive results when it comes to payables. By calculating the results, in 2014 and 2015 the company experienced a drop of 19.16% and 7.49%. Another important liability indicator was the settlement of long-term debts towards creditors throughout the year, in this situation Evropa AD has proven itself better and better managed than Vitaminka AD. The company had a good operation and reduced the loan by 79.66% one year later and in 2016 the company finished with a decreased loan by 74.21%. In the last two years, Vitaminka AD did the opposite, they increased the borrowings.

However, the situation can also be evaluated from the ratios and the conclusion is that Evropa is currently in a much better position than Vitaminka AD. Considering the analyzed situation, it is obvious that both companies have really good current ratios since they could pay off their current liabilities with the company's current assets.

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