

# Formation of Financial Resources of Organizations in the Oil and Gas Industry

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**Abstract**— The aim of this paper is to examine the formation of financial resources in PJSC «Gazpromgas distribution Ufa». This study is mainly aimed at conducting the analysis which will enable us to reveal the direct impact of different indicators on the financial stability of the enterprise under consideration. The set of coefficients encompasses liquidity ratios, working capital ratios and ratios of short-term liabilities. The method of the systematic and statistical analysis has shown that the regarded company has quite high coefficients characterizing its liquidity. However, the situation connected with accounts payable and financing fixed assets discloses the problem of the company's management that does not make rational decisions in terms of the formation sources. It is specified that the organization should improve the process of selecting sources of financing assets with varying degrees of liquidity. The enterprise sticks to the policy that means in accordance with which this legal entity is supposed not to take out loans. Albeit, if the company cannot increase its equity, the best solution is to take a long-term loan rather than use its accounts payable for these purposes. The conclusion defines that the analyzed organization has some substantial problems related to electricity sales markets. The sales market in Ufa is inundated, the demand is satisfied and will be reduced in the nearest future because of energy saving programs. Consequently, the company needs to accumulate financial resources and consider various variants of investment projects in order to support a high level of revenues in the future.

**Keywords**— *financial resources, oil and gas industry, analysis, assessment.*

## I. INTRODUCTION (FORMATION OF FINANCIAL RESOURCES OF ORGANIZATIONS IN THE OIL AND GAS INDUSTRY)

The oil and gas industry occupies the dominant position in the financial potential structure of the state. As a result, the issue on examining the influence of companies specializing in the oil and gas industry on the formation of financial potential of Russia has become really relevant. It is regarded as a fundamental element for an adequate assessment of the financial possibilities of the structure-forming spheres and links in the national financial system.

The main part of export-oriented companies in the Russian Federation pertains to the oil and gas industry that is conditioned by the extensive mineral resource base of hydrocarbons and high yield of their export. The current situation gives us a clear understanding of the fact that this

sector has a number of problems. First of all, they are linked to the depletion of hydrocarbon fields, an increase in their watercut and, as a result, an increase in oil production. This leads to the necessity to raise big quantities of investments for searching for new oil fields and either purchasing or creating new extraction technologies.

Taking into account this situation, heightening the effectiveness of a financial management system in companies specializing in the extraction of oil and gas becomes more relevant if we look at it as a medium for increasing the effectiveness of this sector in general. One of the ways to achieve this goal is to consider, form and improve the financial mechanism of an enterprise, giving our attention to the sectoral, organizational and export features.

The analysis of the results connected with leading scientists and materials discussed in the sectoral literature points to the in-depth theoretical development of the problems of mutual influence of the oil and gas sector and the financial potential of the economy. Scrutinizing attention should be paid to scientific developments of such Russian and foreign scientists as O. Izraileva, K. Popovich, V. Roshchupkina, S. Sazonov and others. They studied theoretical basis of the financial potential of the enterprise and the state. V. Mochalnikov and D. Korostelov considered the impact of oil prices on the budget and tax potential of the state. A. Azarov, A. Balaev and V. Kostyukevich assessed the impact of the financial potential of oil companies on the state of the foreign exchange market [1,2,3,4,5,6,7,8].

The main aim of this paper is to study the issue on the formation of financial resources of organizations in the oil and gas industry. Besides, this study aims to conduct the economic analysis that will define the direct impact on the financial stability of the enterprise in question. The indicators that are analyzed are liquidity ratios, working capital ratios and ratios of short-term liabilities.

## 2. EASE OF USE THE ECONOMIC ESSENCE OF THE FINANCIAL RESOURCES FORMATION OF THE ORGANIZATIONS ON THE OIL AND GAS INDUSTRY

In the conditions of developing market relations, low payment discipline, lack of free financial resources, improving the management effectiveness of financial assets, analyzing

the movement of internal financial flows, determining the standards for the volume of financial resources for structural units, developing a proposal to reduce costs, etc., which in aggregate lead to financial stability of the oil company. That is why evaluating and choosing the methods for increasing the value of assets are connected with the function of the principal management.

The company focused on intensive factors using the production capacity and resources that were at its disposal. An increase in financial resources and the formation of the necessary technological base will probably make it possible to switch over to expanding the scope of the company. These provisions are reflected in the portfolio of new methods for increasing the value of assets. As the experience and skills of the staff increase, the company creates its own production and technological base, heighten financial potential, builds up more stable and predictable regulatory and legal relations. Furthermore, the company moves from certain activities associated with an increase in the usage of monetary economic assets to replenish and expand assets in other regions. It will be reasonable to look at these problems in section 1.1.

### 3. THE ANALYSIS OF FINANCIAL RESOURCES FORMATION IN PJSC «GAZPROM GAS DISTRIBUTION UFA»

Taking into consideration all the information that is mentioned above, financial resources formation of organizations in the oil and gas industry can be regarded as the possibility to accumulate, effectively allocate and utilize them for achieving strategic and tactical aims of the company's activity.

The financial potential of oil companies is financial resources the primary source of which is the sales figure. The parts of it take the form of revenues and savings within the process of allocating revenues. [9]

Financial resources are mainly formed at the expense of profit from the operating, financial, investment activities and depreciation charges. First and foremost, revenues are generated depending on various sources: profit from sold goods and provided services; long-term loans from commercial banks and other creditors (except for bonded loans); depreciation charges; a reserved fund; attracting borrowed funds and additional share contributions of participants in companies; accounts payable; resources from sold securities; insurance premiums; resources from sold property (equity); profit from financial operations; capital.

The volume of investment in fixed assets due to all sources of financing in the first half of 2017 under the conditions of unfavorable global trends in commodity markets, the preservation of sufficiently stringent conditions for borrowing capital and the general uncertainty of investors amounted to 117.2 billion rubles, which is 2.5% less than the period, namely, 2016.

The issue concerning supporting the due liquidity of PJSC «Gazprom distribution Ufa» is extremely important since the main source of revenues is using fixed assets that are difficult to be realized. Therefore, the enterprise needs to keep up with

the proper level of liquid assets that can ensure the liquidity of the whole organization. Along with this they will generate a particular amount of profit.

The policy of the legal entity related to the formation of its financial resources has a direct impact on its financial stability. If the company makes the decision to escalate financial resources at the cost of borrowed money, it ought to be ready to face a decrease in its financial stability.

Thereby, the calculation of liquidity ratios and coefficients of financial stability is supposed to be the first stage for the quality assessment of formation and utility of financial resources.[10]

The analysis of financial stability of PJSC «Gazprom distribution Ufa» within the period 2015-2017 has not uncovered the fact that the enterprise had acceptable liquidity ratios and financial stability during the analyzed period. Liquidity ratios had trifling tendency towards a decrease. The improvements of liquidity ratios are shown in figure 1.

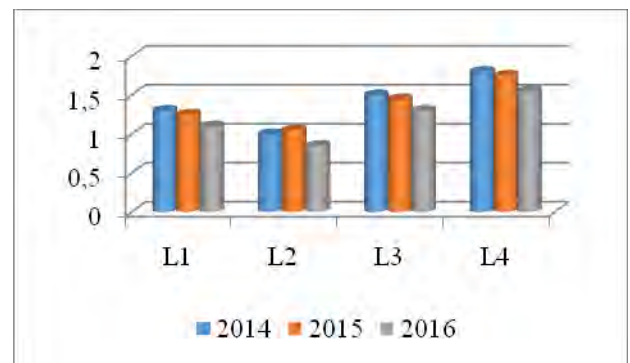


Fig.1. Liquidity ratios, 2015-2017 \*

\* Developed by the authors

As can be seen from figure 2, all liquidity ratios tend to decrease but at the same time they remained at the level that substantially exceeded the normative level. The detailed analysis of assets and liabilities that belong to the company under question reveals that a decrease in the liquidity level stemmed from the fact that the amount of short-term liabilities rose to a much more extent than liquid assets.

Let's look at how working capital and short-term liabilities changed over the period from 2015 until 2016 (figure 2).

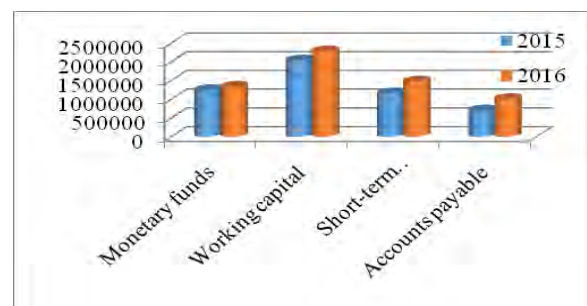


Fig.2. The changes in monetary funds, working capital, short-term liabilities and accounts payable \*

\* Developed by the authors

Figure 3 shows that the enterprise managed to increase its amount of working capital as well as short-term liabilities over the time period 2016-2017. Short-term liabilities rose mainly due to an increase in accounts payable. 96% of short-term liabilities can be accounted for by swelling accounts payable. The upturn of working capital grew partially at the cost of monetary funds. 37% of working capital is explained by the growth of monetary funds.

The quantity of working capital rose by 244784 thousand rubles (11,9%) from 2016 to 2017. Short-term liabilities over the period under analysis increased by 315837% (27,1%). Accordingly, the company built up its financial resources at the expense of short-term liabilities during the period 2015-2016. It should be noted that 77% (244784 thousand rubles) of financial resources went to financing working capital with the aim of increasing it. 23% of financial resources were directed to funding fixed assets (71053 thousand rubles).

In 2016 the entity acquired additional fixed assets used for core business, and partially financed this acquisition through an increase in accounts payable. The given management decision is a blunder. Fixed assets can be financed at the cost of company's equity or long-term financial resources. The reason for this is that fixed assets generate revenues slowly while accounts payable is considered to be the most short-term liability of the organization. The decision to utilize accounts payable for purchasing machinery and diverse kinds of equipment indicates that the company will have to pay off accounts payable as soon as possible. Payouts will be formed from liquid assets. As a result, these actions are likely to cause the amount of liquid assets to be shrunk a lot. Consequently, the enterprise will need to look for other sources of financial resources [11-30].

Subsequently, the organization has quite a high level of liquidity. Albeit, the situation connected with financing fixed assets revealed the problem with the management of the company that makes irrational decisions in terms of the sources of financial resources formation. This problem is partly linked to accounts payable. We need to analyze the sources of financial resources whereby the enterprise financed fixed assets in 2017 (figure 3).

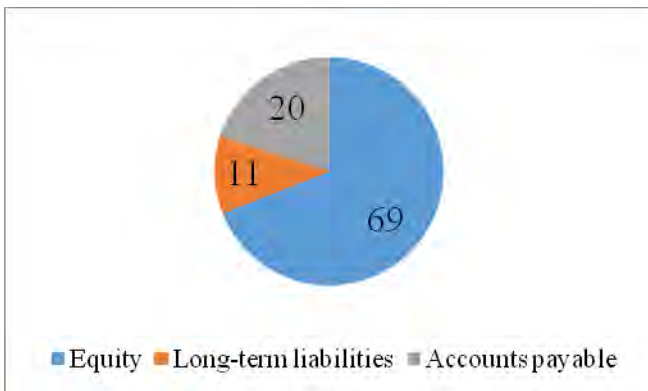


Fig.3. Sources of financing fixed assets, 2017 \*

\* Developed by the authors

Thereby, the company ought to improve the process of opting sources of financing assets depending on a degree of their liquidity. The organization adheres to the policy prohibiting borrowing money from financial institutions. However, if the enterprise cannot increase its equity, the best decision will probably be taking a long-term loan rather than using accounts payable for these purposes.

The indicators of financial stability are satisfactory. The company has the financial stability of the first degree. It is essential to lay emphasis on the fact that the enterprises specializing in producing goods and products can have the following capital structure: 40% of equity, 20% of long-term borrowed funds and 40% of short-term borrowed funds.

PJSC «Gazpromgas distribution Ufa» had the following capital structure in 2017: 79% of equity, 2% of long-term liabilities and 19% of short-term borrowed funds.

The company's structure of liabilities ensures a high level of financial stability and also independence of counterparties. On the other hand, financing organization's activities at the cost of its equity implies that the company does not see any options for more beneficial investments, for instance, putting money into non-core assets, R&D or investment projects. This capital structure indicates that innovation activity of the company is quite low. This fact is justified by the absence of investments in R&D during 2016-2017. Thus, the entity using financial resources pays lots of its attention to operating planning and disregard the importance of strategic planning.

Such a kind of situation is probably connected with the fact that this organization is a subsidiary. Accordingly, the managers of this entity are interested in fulfilment of current plans and tasks to a much more extent rather than the radical development of the company. This situation reveals the problems related to the effectiveness control of managing resources of different subsidiaries in headquarters

#### 4. USAGE ASSESSMENT OF FINANCIAL RESOURCES OF PJSC «GAZPROM GAS DISTRIBUTION UFA»

The next stage of the usage assessment of financial resources is the estimation of the usage effectiveness of monetary funds that is expressed in the amount of the effect obtained to the unit of the resource expended.

The activity of the company can be conditionally divided into 2 categories:

1. The main activity (revenues from the transportation of natural gas);
2. Other activities.

We need to have a look at planned and actual revenues from these activities.

The data of this table shows that planned and actual indicators deviate from each other by 0,14%. However, such a small difference was achieved not at the expense of the accuracy of the planning process rather owing to the compensation for cutback of revenues from sales by non-operating revenues. This proves the fact that the entity should generate non-operating revenues. Putting money and financial resources as such into diverse projects is especially useful and relevant for oil companies since they are subjected to crises

and suffer from them the most in terms of finance. It is explained by the argument that prices for energy resources are amenable to constant and sharp fluctuations.

Table I. Revenues from sales and non-operating revenues, actual and planned values for 2018\*

Indicator	Planned revenue, thousand rubles	Actual indicator, thousand rubles	Deviation, %
1	2	3	4
Revenues from sales	5444334	5340624	-1,90492
Non-operating revenues	1481146	1595218	7,701604
Total	6925480	6935842	0,149621

\*Developed by the author

The reasons for reducing the amounts of transportation of natural gas:

1. Cutting the amount of the gas consumed by enterprises of the fuel and energy complex on account of the absence of sales markets for produced energy and reducing the need for thermal energy;

2. Natural and climatic factors – during the heating seasons, the average monthly temperature of the environment significantly exceeded the average multi-year indicators; implementation of energy-saving programs;

3. Installation of gas meters by the population.

## 5. CONCLUSION

Thus, the company has substantial problems connected with sales markets of electric power. The sales market in Ufa is inundated. The need is saturated and can be decreased in prospect due to the programs aimed at saving energy. As a result, the enterprise should accumulate financial resources and give due regard to profitable investment projects with a view to supporting the quantity of revenues at the proper level.

It is essential to give attention to optimal using operating revenues of the company.

Table II. Plan fulfilment analysis of operational revenues, 2017\*

Indicator	Value of planned indicator, thousand rubles	Value of actual indicator, thousand rubles	Deviation, %
1	2	3	4
Commercial expenses	5472	4324	-20,98
Management expenses	783589	756138	-3,50
Total	789061	760462	-3,62

\*Developed by the author

As we can see, table 3 shows that the entity managed to optimize operational expenses for 2017. As a result, expenses were reduced by 3,62% and this sum was directed to pay off expenses. Consequently, the company conducts optimization programs with regard to operational expenses in an effective way.

It is needed to consider the risk of dubious accounts receivable. In other words, we will pay attention to the risk that the company might lose a particular part of liquid assets as a result of not repaying accounts receivable on the part of counterparties (table 3).

Table III. Changes in total and risky accounts receivable for the period 2015 - 2017\*

Indicator	2015	2016	2017
1	2	3	4
Aggregate accounts receivable, thousand rubles	488470	434657	552908
Risky accounts receivable, thousand rubles	24 707	21 737	18 966
The risk of non-payment of arrears, %	5,06	5,00	3,43

\*Developed by the author

We can notice that along with an increase in accounts receivable, the risk of losses becomes less. The risk of losses diminished by 1,6% during the period 2015-2017. Shrinking risk of losses is stipulated by exacerbating conditions for taxpayers. The organization actively submits claims to the court in case of risky debts.

We need to sum up the results obtained in the course of the conducted analysis. The activity of the company has some problems that pertain to the formation and the usage of financial resources:

1. Shrinking liquidity ratios within 2015-2017;

2. Partial financing fixed assets at the expense of accounts payable (20%);

3. The non-optimal structure of liabilities, due to the rejection of the beginning of the credit history;

4. Self-financing own activities to the detriment of the organization of innovative and investment projects;

5. An expected decrease in the volume of activities is conditioned by the market saturation and reduced demand due to the establishment of counters;

6. Significant dwindling sales profitability, a marginal growth of the production profitability and the main activity.

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