Methodology for Financial strength evaluation

I. Financial strength score calculation

$$R = \sum_i w_i \cdot Points(n_i)$$

Index title (n_i)	units	Weight (w_i)	Number of points depending on index value			
			I group 4 points	II group 3 points	III group 2 points	IV group 1 point
Liquidy coefficients		**1,25**				
Current Ratio	-	0,50	> 2.00	1.20 - 2.00	1.00 - 1.20	< 1.00
Quick Ratio	-	0,50	> 0.95	0.75 - 0.95	0.50 - 0.75	< 0.50
Absolute Liquid Ratio	-	0,25	> 0.15	0.03 - 0.15	0.01 - 0.03	< 0.01
Indexes of financial stability		**0,75**				
Financial independence ratio	-	0,75	> 0.80	0.65 - 0.80	0.50 - 0.65	< 0.50
Return indexes		**1,00**				
Return on Sales	%	0,25	> 15%	5% - 15%	0% - 5%	< 0%
Resurn on Equity	%	0,25	> 5%	2% - 5%	0% - 2%	< 0%
Return on Assets	%	0,50	> 10%	5% - 10%	0% - 5%	< 0%
Indexes of economic activity		**1,00**				
Accounts receivable growth rate	%	0,25	< (-10%)	-10% - 0%	0% - 10%	> 10%
Accounts payable growth rate	%	0,25	< (-10%)	-10% - 0%	0% - 10%	> 10%
Accounts receivable to Accounts payable ratio	-	0,25	1.2 - 1.5	1.0 - 1.2	0.8 - 1.0	< 0.8 > 1.5
Accounts receivable to Accounts payable turnovers' ratio	-	0,25	1.0 - 1.5	1.5 - 2.0	0.5 - 1.0	< 0.5 > 2.0

II. Evaluation of financial position and calculation of credibility rating

Financial position	Rating	Criteria
Sustain financial position	A1	15 < R ≤ 16
	A2	14 < R ≤ 15
	A3	13 < R ≤ 14
Satisfactory financial position	B1	12 < R ≤ 13
	B2	11 < R ≤ 12
	B3	10 < R ≤ 11
Poor financial position	C1	9 < R ≤ 10
	C2	8 < R ≤ 9
	C3	7 < R ≤ 8
Default financial position	D	R ≤ 1