

Kyiv National University of Trade and Economics

Economics and Finance of Enterprise Department

FINAL QUALIFYING PAPER

on the topic:

**«Financial security management of the
enterprise»**

(based on the data of Limited Liability Company
"SUMATRA-LTD", Kyiv)

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АНОТАЦІЯ

Абазалій О.С. «Управління фінансовою безпекою підприємства» (за матеріалами ТОВ «СУМАТРА-ЛТД», м. Київ). – Рукопис.

Випускна кваліфікаційна робота за спеціальністю 051 «Економіка», спеціалізація «Фінансовий менеджмент» – Київський національний торговельно-економічний університет – Київ, 2018.

Випускна кваліфікаційна робота присвячена теоретико-методичним і практичним аспектам управління фінансовою безпекою підприємства. В роботі проведений аналіз підходів щодо визначення сутності фінансової безпеки підприємства, здійснено оцінку й управління фінансовою безпекою, оцінено вплив загроз та ризиків, а також запропоновано заходи щодо підвищення рівня фінансової безпеки.

Ключові слова: фінансова безпека, фінансова стійкість, управління фінансовою безпекою підприємства, оцінка фінансової безпеки, управління ризиками.

ABSTRACT

Abazalii O.S. "Financial security management of the enterprise" (based on the materials of "SUMATRA-LTD" LLC, Kyiv). – Manuscript.

Final qualifying paper on the specialty 051 "Economics", specialization "Financial Management". – Kyiv National University of Trade and Economics. – Kyiv, 2018.

The final qualifying paper is devoted to theoretical, methodological and practical aspects of the financial security management of the enterprise. In the presented paper the analysis of approaches to determining the enterprise financial security essence, the evaluation and financial security management is carried out, the threats and risks impact is assessed, and the measures to improve the financial security level are offered.

Key words: financial security, financial stability, financial security management of the enterprise, assessment of financial security, risk management.

INTRODUCTION

Relevance of the research. For any enterprise, ensuring stability and efficiency, increasing market value and making profit are the main objectives of the business. However, in conditions of market volatility and high competition, the issues of internal processes and the creation of an adequate level of security are becoming topical.

The Ukrainian market environment is under development, and therefore many mechanisms are not regulated, and among the institutions of public administration there are not sufficiently developed norms of legal protection of the interests of entrepreneurship. Because of this constantly ongoing struggle between business entities, and due to the fact that enterprises have different economic development and financial opportunities, there are financial wars, the main purpose of which is the bankruptcy of competitors.

That is why today an important task for ensuring the viability of the business entity is to assess and ensure its financial security.

Despite a large number of studies that address various aspects of managing financial security of enterprises, certain theoretical and practical issues related to this problem remain controversial and require further study.

The subject of financial security of the enterprise was of interest and was presented in the writings of foreign and domestic economists such as Blank I.O., Baranovsky O.I., Borodina O.O., Goryachev K.S., Grinyuk N.A., Yermoshenko M.M., Kirilenko V. I., Martyusheva L.S., Epifanov A.O., Radchenko K.I., Melnik V.M., Kavun S.V. Polozova T.V. and others.

The purpose of the work is to study the theoretical and methodological foundations of financial security, to assess its level at the enterprise and to substantiate ways to improve it.

Accordingly, to achieve the goal, the following tasks were set:

- define the concept of financial security of an enterprise and characterize its types;
- identify factors that affect the level of financial security;

- study methodological approaches to assessing the level of financial security at an enterprise;
- assess the threats of the environment;
- analyze the indicators of the financial state of the enterprise
- assess the level of financial security;
- find ways to increase the level of financial security at the enterprise.

The object of the paper is the process of financial security management of the enterprise.

Subject of research – theoretical, methodological and practical aspects of financial security management of the enterprise.

To study this topic, there was chosen the trade industry company - LLC "SUMATRA-LTD".

The company was registered in 1994 in Kiev, Borispolskaya street, building 19 LITERA B".

In 2007, the joint-stock company with limited liability "JIASINTOKO HOLDINGOS LIMITED" became the owner of SUMATRA-LTD. The supreme governing body is the General Meeting, and Sheiko Georgiy is General Director.

At the moment, the main type of economic activity of the enterprise is retail trade in cosmetics and toiletries in specialized stores. In addition, SUMATRA-LTD carries out the following types of economic activity:

- retail trade in pharmaceutical, medical and orthopedic goods in specialized pharmacies;
- wholesale trade of perfumes and cosmetics;
- other types of retail trade in non-specialized stores;
- research of market conditions and public opinion.

Today there are three main competitors of the company - Eva, Watsons and ProStor.

In the process of research, a system of general **scientific methods**, such as analysis and synthesis, observation, comparison was used, as well as special economic methods. That include normative, statistical, analytical and tabular

methods, as well as horizontal and vertical analyzes, coefficient and expert estimates methods.

During the writing of the final qualifying paper as an **information base**, educational materials for the financial analysis and evaluation of financial security of the enterprise, monographs, periodicals, legislative base of Ukraine, internal documents and financial statements of SUMATRA-LTD for 2014-2017 were used.

The practical value of the research is in the possibility of using by the enterprise management conclusions and recommendations which were described in the paper.

Aprobation of the research. According to the results of the study a scientific article with the topic "Risk management as an instrument for improving the financial security of the enterprise" was published in the Economics and Finance of Enterprise: Comp. of students sciences articles, Part 2-Kyiv: KNTEU, 2017.

The final qualifying paper consists of an introduction, abstract, three sections, conclusions and proposals, references and appendices.

CHAPTER 1

THEORETICAL AND METHODOLOGICAL BASES OF FINANCIAL SECURITY MANAGEMENT OF THE ENTERPRISE

1.1 The concept of financial security of the enterprise and its types

Ensuring sustainable growth of enterprises, the stability of their activities, achievement of goals that are in the interests of owners and society as a whole is impossible without the development and implementation of an independent strategy that in the modern economy is determined by the availability of an effective system of its financial security management. The state of finance of business entities largely determines the effectiveness of their activities in a market economy, this leads to the necessity of consideration of the problems of ensuring financial security of enterprises.

In recent years, on the basis of awareness of the diversity of criteria, factors and threats to financial security, the process of systematization and conceptualization of this term as a scientific category takes place. The analysis of scientific publications shows the variety of scientific approaches, concepts and certain theories regarding the definition of "financial security", its maintenance and functioning. Such a manifoldness of interpretations of the notion of "financial security" as an independent object of research is relatively new and poorly understood.

Foreign literature does not recognize the financial security of a business as a separate scientific concept, but considers it as a part of the state security or a safety of any individuals.

However, a lot of Ukrainian scientists devoted their attention on analysis of this phenomenon, among them O. Arief'eva, O. Baranovsky, I. Blank, V. Heyets, K. Goryacheva, G. Kozachenko, T. Kuzenko, L. Martyusheva, L. Matviychuk, O. Sudakova and others.

The initial definition of financial security, which was considered as providing conditions for the preservation of commercial and other secrets of the company in the

early 90's of the last century, with the development of market relations was gradually replaced by other approaches to the "financial security of enterprise" concept (figure 1.1).

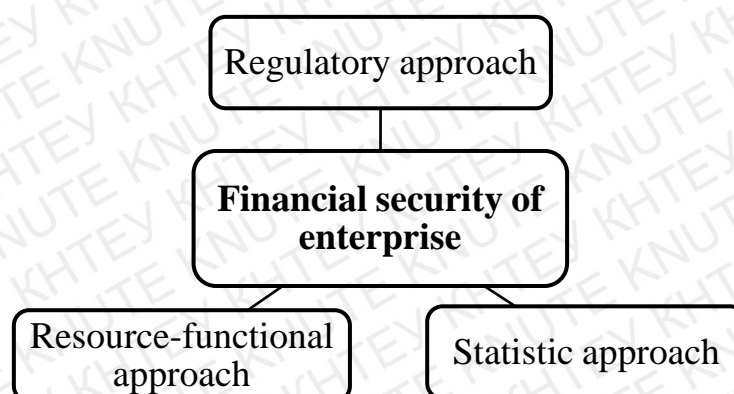


Figure1.1 Approaches to the definition of financial security of enterprises [39]

From the point of view of the resource-functional approach, financial security is the protection of the financial interests of economic entities at all levels of financial relations, as well as the provision of enterprises provision of enterprises with financial resources sufficient to meet their needs and fulfill their corresponding obligations.

From the standpoint of statistics, financial security is a state of the enterprise characterized by a balance, resistance to internal and external negative influences, the ability to prevent external financial expansion, to ensure effective functioning and economic growth.

In the context of legal regulation, financial security provides the creation of such operating conditions, in which, firstly, there is virtually no opportunity to direct financial flows to areas of their use which are unregistered by legislative acts, and, secondly, the possibility of misuse of financial resources has been reduced to a minimum [39].

All these approaches are reduced to providing conditions for the preservation of commercial secrets, intellectual property and information, protection of the enterprise from the negative impact of the external environment, that means the ability of the company to withstand adverse external influences, as well as to respond

quickly. The assessment and management of economic risks and adaptation to changes in market conditions are important conditions and elements in ensuring normal functioning of an enterprise.

Thus, from the standpoint of a multidimensional approach, financial security of an enterprise is the protection of financial interests at all levels of financial relations, a certain level of independence, stability and sustainability of financial activity under conditions of influence on it of external and internal destabilizing factors that posing a threat to it.

In modern scientific literature, the approach by which financial security is viewed by enterprises as a basic component of its economic security prevails. This is due to the value of finance in the functioning of any entity. From this perspective, financial security of an enterprise is a financial and economic condition that contributes to ensuring the protection of its financial and economic interests from the negative factors of the internal and external environment and creating the necessary financial and economic conditions for the continuous successful business and sustainable development of the enterprise.

V. Senchagov believes that one of the factors of achieving economic security is to ensure financial independence and sustainability of the enterprise.

According to V. Bogomolov, the main factor in economic security assurance is the financial equilibrium between profitability, liquidity and the risk of a business entity, in other words, financial security is the main component that ensures the economic security of the enterprise.

Considering the financial security of the enterprise as a component of economic security, M. Lazarenko and K. Nikolayenko believe that the process of its provision includes: "assessment of threats to economic security, having a political and legal character; assessment of the current level of financial security; assessment of the effectiveness of preventing possible harm from negative actions; planning of a set of measures to ensure financial security and development of recommendations for its implementation; budget planning for the practical implementation of the proposed set of activities. In the process of assessing the current level of financial security as a

component of economic security such items are analyzed: financial statements and the results of the company; the competitive position of the enterprise in the market; the securities market where the enterprise provides its activity". In the expressed opinion there is a very divergent range of issues relating to "financial security of the enterprise", which is still mixed with the political and legal factors, which indirectly touches on the identified problem [37].

As the main component of the economic security of the company, financial security is also considered by I. Blank, but his view is considerably "wider". He defines it as a quantitatively and qualitatively determined level of the financial state of the enterprise, which assures the stable protection of its priority balanced financial interests from identified real and potential threats of external and internal character. Such a definition is given on the basis of the characteristics of this concept which he has identified:

- 1) financial security of the enterprise is a key element of its economic security system;
- 2) financial security is a system of quantitative and qualitative parameters of the financial state of the enterprise, which in the complex reflects the level of its financial protection;
- 3) the object of its provision is the system of priority balanced financial interests of the enterprise that is in need of protection in the course of its financial activity;
- 4) the basis of the formation of financial security of an enterprise is an identified system of real and potential external and internal threats to its financial interests;
- 5) the system of a particular enterprise involves a differentiated level of quantitative and qualitative parameters of the protection of financial interests, that is adequate to its financial philosophy;
- 6) financial security of the enterprise is a system that ensures the stability of important financial proportions of enterprise development;

7) an important target of the system of financial security of the enterprise is the creation of the necessary financial preconditions for its sustainable growth in the current and future periods [7].

The problem of financial security management is quite broadly expressed through the chain of the micro-meso-macro level and in the opposite direction. There are quite meaningful works devoted to the study of the problem of economic and financial security at the macro level, that is at the state level, which state that the security of the enterprise is the basis of both national security in general and financial in particular. The necessity of providing and maintaining financial security of the state is substantiated because it concerns not only the state as a whole, but also all branches of the national economy, private entrepreneurs, and the whole society. Thus, the presence of state financial security contributes to the financial security at other levels of economic system.

Financial security is also interpreted as the degree of protection of financial interests at all levels of financial relations.

O. Bandurka believes that the existence of private property, on the basis of which most firms and enterprises operate, causes the need to protect the state which is the guarantor of safe economic activities of each business entity. It is also true that financial security of enterprises is a basis for the formation of the financial security of the industry, which can be considered as a system of financial protection of the vital interests of the entity, which is based on financial security, financial sustainability and reduction of the level of threats to effective management of the economy. So, considering that financial security should take into account all the relations of the enterprise, which cover all levels of the country's economy, and consequently the threats that arise when it operates as a component of the financial relations system, the financial security of the state, the region depends on and provides by a state of security agents of the financial relations system at the micro level, and financial security of economic entities by its state at the meso and macro level. Consequently, an entity has a satisfactory state of financial security if its financial interests are coordinated with the interests of the entities of the environment: consumers,

suppliers, competitors, investors, financial and credit institutions, the state, which provides a comparative neutralization of the sources of threats.

Financial security is also determined by the results of the analysis of the such categories: "economic security", "finance of the enterprise" and "financial relations". T. Vasylytsiv, O. Yaroshko suppose that the concept of " company's financial security" is synthesized, integrating important characteristics of two categories: "economic security" and "finance of the enterprise", which are discussed in details in modern literature, and what makes it possible to use their theoretical basis and methodological apparatus during the exploring of important content characteristics of the concept of "financial security of the enterprise" as an object of management [44].

There is an approach that deserves an attention and which was developed by Y. Vorobyova and O. Blazeovich, who consider the financial security of the company as a complex feature of its finances. At the same time, the finances of the company are directly characterized by the possibility of creating and distributing the value of products, works, services, generating revenues and profits, carrying out necessary expenses, forming, distributing and using financial resources, etc. Scientists point out that an important feature of financial security is the ability of the enterprise to fully meet both its own needs and the interests of owners and other participants of financial relations.

In addition, certain scientists equate the concept of "financial sustainability" and "financial security", which is not sufficiently correct. A. Haskarov in his works defines financial stability as the capacity of financial and banking system to ensure the financial balance of cash and material flows, to provide the socio-economic development with financial resources.

O. Hryvkiivska states that financial security is a component of economic security and is characterized by a system of quantitative and qualitative indicators that have a threshold criterion value, should ensure the financial stability of enterprises in a certain perspective.

R. Papehin believes that financial security of a company depends on financial stability and reflects in the ability of the enterprise to independently develop and

implement financial strategies in accordance with the objectives of the overall corporate strategy in conditions of uncertainty and competitive environment. The main condition of the company's financial security is the ability to withstand existing and emerging dangers and threats that are aimed at causing a financial loss to an enterprise or to change the structure of capital, or to forcibly liquidate an enterprise [33].

But, the security of the enterprise as the subject of financial relations is the ability to protect its financial interests, and the degree of security must be determined by financial stability. It is quite objective to claim that the essence of the concept of "financial security" is broader than the concept of "financial stability", since the second does not provide the definition of the reasons for the threat of the realization of financial interests, the development of measures to neutralize or prevent the impact of threats, but only reflects the stability of the financial system of the entity through compliance with a certain norms.

The notion of "financial security" is determined by the result of the association and interpretation of the terms "security", "danger", "threat" in general. Thus, in modern economic literature, various views of specialists on the essence of the concept of "safety" are considered, among which it is expedient to distinguish two concepts. The first concept defines the essence of the concept of "security" in forms of existence, which provide durability, stabilization, perfection and development, that is to say a certain state characterized by signs of security; the second sees the essence of "security" in threats originating from the environment or existing in the organization and in the information as an element of the system of interaction of the business unit with the external environment. Thus, security is perceived as a defense capability and a system of countermeasures.

There can be made the analysis of the views of the scientists of these two concepts.

In the V. Dahl dictionary "security" is interpreted as "absence of danger, safety, reliability". But the significant dynamics of financial processes observed at the present stage of development of the Ukrainian economy leads to the complication of

the investigated concept, which, in its turn, causes a variety of approaches to its interpretation.

Investigation of definitions of the concept of "safety", which are given in the scientific literature, indicates that the essential feature of safety is considered as a certain state, the ability to protect and the system of measures, actions. At the same time, most scholars interpret this concept as a condition of the protection of any subject from the effects of threats; as a state in which there are no threats and the state which ensure survival and development in conditions of threats. O. Arefeva and T. Kuzenko indicate that security is a state of the object of protection, which is marked by dynamic stability and a timely opportunity to influence the course of events, in order to preserve this object [5].

In addition, "security" is defined as a system of measures aimed at ensuring the confrontation with existing and potential threats and dangers. The essence of security is reflected through a system of measures that ensures the stable functioning and development of the subject.

The work of R. Dackiv defines security as meeting such needs as existence, integrity, independence, calm and development, in other words, provides a set of specific actions that contribute to the maintenance of a safe state characterized by the implementation of these requirements. In this context, the concept of "security" should be understood as a certain state of protection of any object in the system of its connections from the impact of internal and external threats, which ensures its self-preservation and development in the present and future.

The term "threat" is often equated with the notion of "danger", because both determine the reason for the possibility of deterioration of the state of the subject or object. In this regard, it is appropriate to determine the interpretation of these concepts.

Based on the analysis of scientific literature regarding the interpretation of the essence of this notion, it should be noted that the threat is usually identified with either type, method of destabilizing impact, or the consequences of such impact. K. Goryacheva identifying the threat as one of the forms of danger, notes that the danger

at the stage of transition from possibility to reality demonstrates the present or potential willingness of some individuals to harm others. In contrast to this view, A. Kaczynski identifies a threat as a social, natural or man-made phenomenon with predictable but uncontrolled unwanted events that may occur at a certain moment of time within the territory, cause death of people and damage their health, lead to material and financial losses, degrade the environment. But the most complete and clear interpretation is offered by M. Sungurovskiy, who believes that the threat is a phenomenon or factor (a set of factors) that can really create conditions or cause full or partial inability to promote the interests, he also determines the danger as the phenomenon, factor (a set of factors) that can harm any subject (object).

Close to this interpretation is the notion of danger as the possibility of any disaster, misfortune, some kind of catastrophe, damage, etc., or a state when something threatens anyone (anything).

There is a broader consideration of the danger that is made by M. Kurkin, who defines it as a threat the threat of harming someone, the possibility of which is close to implementation, and that is why it is perceived by a person as something dangerous. So, summarizing the above interpretations, one can conclude that the danger is an existing or potential possibility of a threat, the impact of which may be detrimental to any subject or object [37].

Consequently, it is not appropriate to consider the concepts mentioned above separately, because they are interconnected and proceed from each other. After all, security is a certain state of the protection of any object from threats, which can only be achieved under certain activities. If a certain state of security is attained, then certain forms of existence are provided, because a certain level of security is the basis of a certain form of existence.

After analyzing the existing approaches to the definition of "financial security of the enterprise", we see that the scientists in their interpretations do not always pay attention to the protection of the financial interests of the enterprise as a subject of protection, especially the interests of its counterparties. M. Pogosova more or less clearly focused on this object of protection: "the financial security of an enterprise

should be understood as a comprehensive description of the functioning of an entity that reflects its need for the protection of financial interests, which exists objectively, under the condition of a permanent impact of the actual and potential threats of the macro, meso and internal environment, and necessitates the formation of ability to realize its interests in the process of interaction with contractors of the system of financial relations".

For a more complete understanding of the financial security of an enterprise, it is necessary to determine its types (table 1.1).

Table 1.1

Classification of an enterprise financial security types

Classification criteria	Classification types
Level of financial activity	<ul style="list-style-type: none"> - financial security of the enterprise as a whole; - financial security of separate structural subdivisions; - financial security of individual financial transactions.
Functional type of financial activity	<ul style="list-style-type: none"> - financial security of the investment activity of the enterprise; - financial security of the credit activity of the enterprise; - financial security of the emission activity of the enterprise; - financial security of the innovative activity of the enterprise; - financial security of other activities.
The nature of the manifestation of threats to financial interests	<ul style="list-style-type: none"> - financial security of the enterprise, focused on neutralization of threats; - financial security of the company, aimed at preventing potential threats
The source of threats to financial interests	<ul style="list-style-type: none"> - financial security, aimed at protecting the financial interests of the enterprise from external threats; - financial security, oriented to protect the financial interests of the enterprise from internal threats
The nature of the mechanisms for protecting the financial interests which are used in the enterprise	<ul style="list-style-type: none"> - financial security of the enterprise, provided by internal mechanisms of protection of financial interests; - financial security of the enterprise, provided by external mechanisms of protection of financial interests
Direction of mechanisms of protection of financial interests	<ul style="list-style-type: none"> - financial security, limiting the destructive influence of individual factors on the financial interests of the enterprise; - financial security, which provides compensation for losses incurred by realized threats to the financial interests of the enterprise.
Time period	<ul style="list-style-type: none"> - short-term financial security of the enterprise; - medium-term financial security of the enterprise; - long-term financial security of the enterprise.
The level of protection of financial interests	<ul style="list-style-type: none"> - high financial security of the enterprise; - normal financial security of the enterprise; - low (insufficient) financial security of the enterprise.
Stability of parameters ensuring protection of financial interests	<ul style="list-style-type: none"> - stable financial security of the enterprise; - unstable financial security of the enterprise

Source: built by the author on the basis of [39]

The practical importance of the above classification is that is that strategic and tactical measures to improve, adapt or take immediate action to prevent the risk of bankruptcy of an enterprise should be taken depending on the specific state of financial security of enterprises at different time intervals.

The financial security of the company is aimed at creating the appropriate conditions for identifying and overcoming the crisis phenomena in the activities of the enterprise in order to implement its statutory goals and objectives.

The role of financial security is very significant and manifests itself in the fact that it guarantees the stability of the enterprise at each stage (figure 1.2).

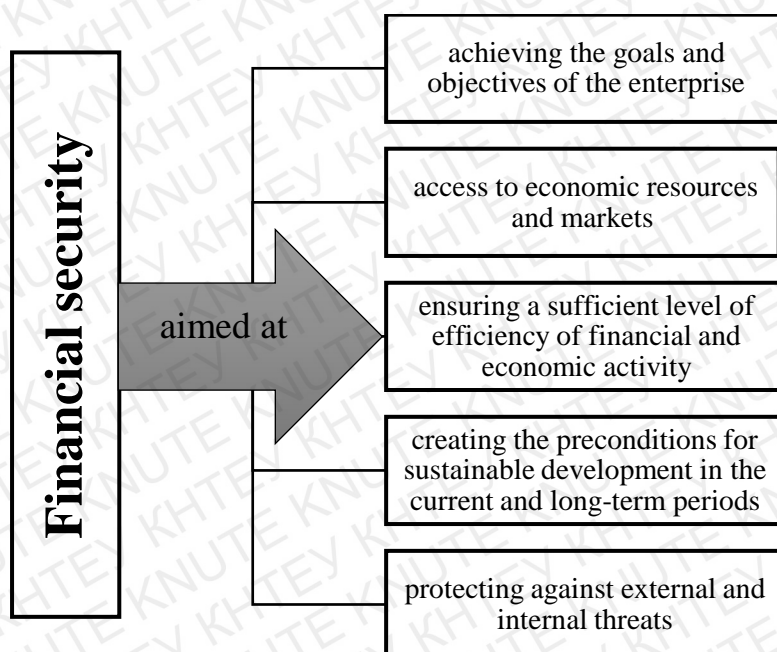


Figure 1.2 The role of financial and economic security of the enterprise [6]

That is why, the objective of ensuring of the financial and economic security of an entity is to achieve the highest efficiency and stability of its operations and create preconditions for further development through early detection and prevention of dangers and threats.

Therefore, based on those described interpretations of investigated concept by different scientists and analysis of the types of the financial security we can say that financial security of the company is a state of financial resources of the enterprise

that will meet the to satisfy the coordinated balanced financial interests of its economic agents and to stably operate and develop under the influence of external and internal threats .

1.2 Factors affecting financial security of the enterprise

The variety of economic connections entered into by the enterprise in the course of its ordinary activities, leads to the emergence of a large number of factors of influence on the financial security of its activity. Therefore, the identification of these factors is one of the most important tasks of ensuring enterprise security.

In turn, the analysis of factors helps to identify the strengths and weaknesses of the company's activities and to develop measures and directions for actions, which could increase the sustainability of development and ensure its success. The effectiveness of building of financial security system for an enterprise depends on how fully the composition of the factors is determined, how accurately the level of intensity of their manifestation and possible damage or profit is estimated.

All factors affecting financial security can be divided into external and internal divisions.

M. Bendikov considers the necessity to divide internal factors of financial security of enterprises into the following groups:

- material and resource support that determines the resources and capabilities of the enterprise, in particular, the most important in this group are the production factors (buildings, constructions, cars, land, fuel, energy, labor);
- providing economic and technical development of the enterprise (innovation, investment, organization of work, professional development of employees);
- achieving a high level of profitability (highly effective commercial and supply activities) [1].

T. Zagorelska include to internal factors of financial security the following: industry features of the enterprise; the amount of paid-up share capital; the amount of

expenses, their dynamics in comparison with monetary incomes; the state of property and financial resources of enterprises, their composition and structure.

M. Fomina has another opinion, she divides the internal factors of financial security of enterprises on the primary and secondary. To the main factors of financial security of the enterprise she includes means and objects of labor, as well as the work itself, and, in particular, the factors of professional development of the staff. The main internal factors of financial security of the company, in her opinion, are structural shifts, violations of economic and technological discipline.

As for the external environment, the such author as A. Besedin believes that these factors of financial security of enterprises reflect the economic situation in the country and abroad, in some regions and in the sectoral markets. The most important of them are the size of tax rates, the level of interest on loans, the degree of monopolization of the industry, market conditions and investment activity of the enterprise.

F. Evdokimov emphasizes that the financial security of enterprises is influenced by economic conditions; solvent demand and consumer income level; tax and credit policy of the government; legislative acts regulating the activity of enterprises, as well as foreign economic relations.

Such scientists as I. Blank, S. Dubetska, S. Ilyashenko, T. Kuzenko, L. Martyusheva and R. Papekhin determine the external environment of the enterprise in the form of a dominant hierarchy, the first level of which are mesofactors, and the second - macrofactors. In their point of view, the mesofactors directly affect the financial stability of the activity of the enterprise, and macrofactors indirectly dictate the conditions of its management.

T. Kuzenko includes the market and economic relations to the mesofactors of financial security of enterprises [24].

L. Martyusheva emphasizes that the company's financial security mesofactors are suppliers, consumers, substitute goods, potential competition, rivalry and industrial relations.

S. Kulpinsky avers that the financial security of enterprises is influenced by economic, scientific and technical, natural, socio-political, socio-cultural, environmental and demographic factors. He believes that the economic factors include the level of inflation, employment and income of the population; the scientific and technical factors - the technical level of machines and objects of labor, as well as intangible assets, and natural factors mean the presence of extreme conditions [49].

The following external factors describing the competitive environment and information provision have a significant impact on the financial security of the enterprise: the situation of the consumer market, the volume and quality of the goods, the state of the financial markets and the market of borrowed capital, the impact of competition on the price of goods, market technologies, the probability of commercial success, the position in the competition, the maintenance of the enterprise market position, the organization of information security, the formation of systems of personnel access to confidential documents.

An important aspect of ensuring the financial security of an enterprise is also its relationship with consumers as an object of the environment. In today's conditions of active development of large-format objects and traders offering a wide and varied range of almost identical goods, the product strategy becomes less important than the strategy of relationships, because the attraction of new buyers requires more financial resources than conservation of already available. In the long-term relations between the enterprise and the consumer, not only the value of production is very important, but also the quality and rhythm of supply, etc.

The factors that influence the interaction of consumers and enterprises and have an impact on the financial security of the enterprise can also include reducing purchasing power, changing preferences of customers, thefts, the use of imperfect legislation on the protection of consumer rights with a mercenary purpose, the dissemination of false information about the company, its products, promotions, etc.

The relationship with suppliers is a significant element of the environment both for the enterprise of any industry in general and in the context of the formation of

financial security of the enterprise. The choice of supplier determines the state and level of financial security of enterprise not only in the current period, but also in the future. However, the risk of deteriorating financial position of suppliers in the medium and long term should be considered, which will affect the efficiency of supply (late delivery, unpredictable increase in product prices and costs of their supply, non-fulfillment of the terms of the supply contract by one party, supply of non-competitive goods) as an important technological stage of activity. Therefore, it is necessary to monitor the reliability of the supplier's work.

The diversity of these approaches is due to the complexity of the influencing factors. Summarizing the information above, it is possible to classify the factors of influence on financial security of the enterprise on certain features (table 1.2).

Table 1.2

Classification of the factors of an enterprises financial security ensuring

Criterion	Classification characteristics	
According to the direction of influence on the result	stimulating	
	destabilizing	
By source of origin	external	macrolevel
		mesolevel
		microlevel
	internal	managerial
		operational
		investment
		financial
According to the reasons of the lack of financial resources	irrational structure of assets and liabilities	
	imbalance of investment policy	
	the existence of bad accounts receivable	
	inappropriate ratio of accounts receivable and payable	
	ineffective dividend policy	
	untimely counter crisis measures, etc.	
By systematic of impact	permanent	
	regular	
	irregular	
By the nature of influence	general	
	specific	
By the ability and method of assessment	quantitative	
	qualitative	

Source: built by the author on the basis of [2]

Factors may have an impact on internal or external financial security depending on the direction of impact and the sources of their occurrence (figure 1.3).

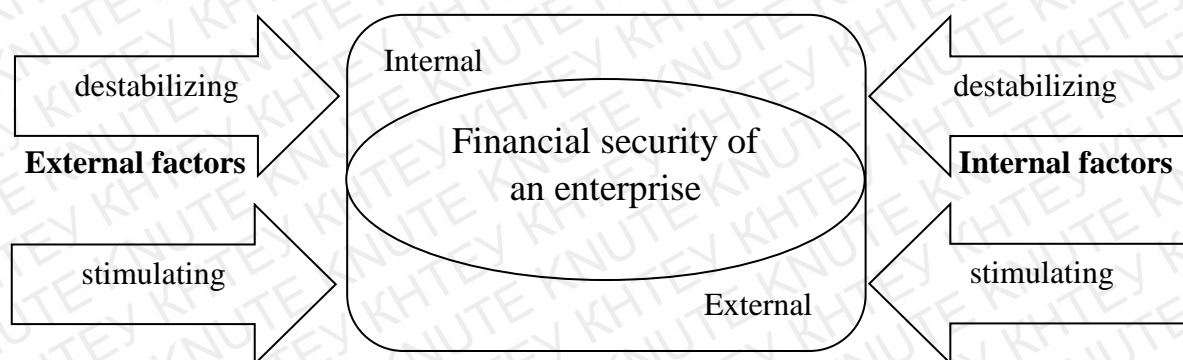


Figure 1.3 General system of factors' impact on financial security of enterprise

Destabilizing factors or threats to financial security require detailed consideration. Since the concept of threat has already been considered in the previous paragraph, attention should be paid to the types of threats which exist nowadays (figure 1.4).

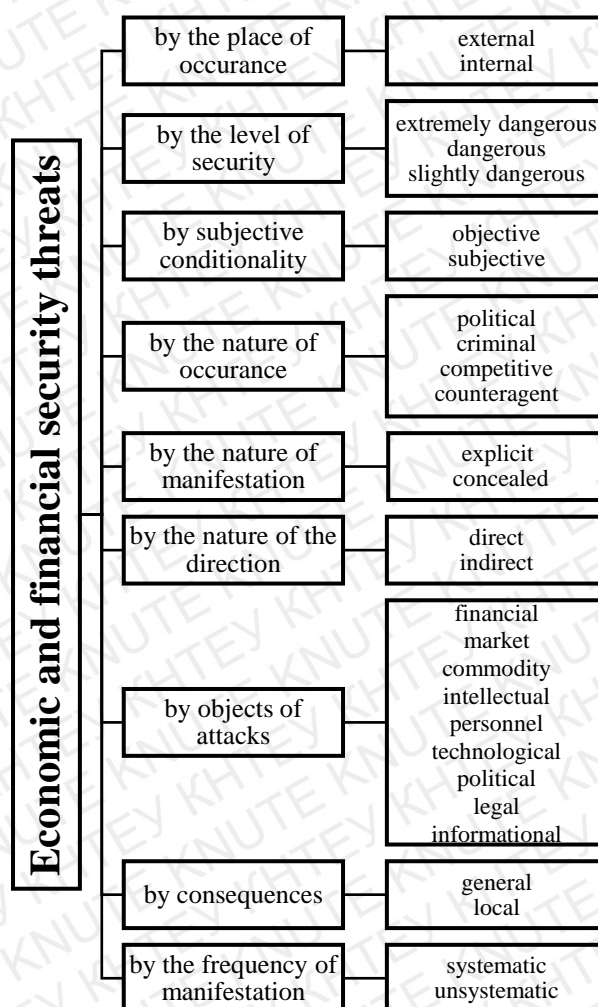


Figure 1.4 Classification of threats types to enterprise financial and economic security [9]

The financial security of an enterprise is a dynamic phenomenon that changes under the influence of threats from the internal and external environment.

Internal threats are imperfect activity of the enterprise, or various miscalculations of the personnel of the enterprise through which it ineffectively conducts financial transactions, produces non-competitive goods, which negatively affect the activity of the enterprise.

Internal threats include:

- ineffective financial planning and asset management;
- inefficient market strategy;
- inappropriate pricing and personnel policy;
- miscalculations of managers.

External threats are various negative actions that lead the enterprise to a crisis situation, or impair the competitiveness of the company on the market [21].

External threats include:

- speculative operations on the securities market;
- unfair competition;
- insufficient control of business by the state;
- lobbying by competitors of under-weighted decisions of the authorities;
- illegal possession of property by individuals - raiding;
- also, external threats to the financial security of enterprises include force majeure disasters, military conflicts, and circumstances of an economic nature (economic crisis, blockade, embargo, unfavorable or sharp change in the exchange rate, the collapse of stock exchanges).

By the level of security, threats are divided into extremely dangerous, dangerous, slightly dangerous. Extremely dangerous threats may lead to a significant deterioration in the financial and economic performance of an enterprise or to terminate its activity. Dangerous will lead to a negative impact on the financial and economic performance and on the activity of a trading company in the future. Slightly dangerous threats will lead to additional costs [10].

By subjective conditionality, there are objective threats - external groups of actions that are not related to the activity of a trading enterprise, and subjective threats which depend on the activity of the enterprise, workers, suppliers, consumers, etc.

By the nature of the direction of the threat, they may be direct, directly affecting the activity of the enterprise, and indirect - their action is mediated.

By the nature of the emergence there are distinguished political, criminal, competitive, counteragent threats.

By the nature of the manifestation, the threat are classified into explicit and concealed.

By the object of attacks, the threats are classified according to the components of the financial security of the trading company, namely: financial, market, commodity, intellectual, personnel, technological, political, legal, informational.

The classification of financial security threats by the consequences means general and local threats. General threats can make negative impact on the whole enterprise, and local ones only on some business units.

By the frequency of manifestation, the threats to economic security of the enterprise are divided into systematic, which once arise, exist constantly in the process of enterprise activity, and unsystematic threats which affect the activity of the enterprise stochastically (threats of natural disasters, seasonal demand for goods, rupture of relations with the supplier, etc.) [26].

In general, the purpose and methods of classification depend on the scope of the enterprise, the competence of its management in issues related with the protection of economic interests, the structure of economic security of the enterprise, which includes the components of economic security.

Thus, financial security of an enterprise is an object of action of aggravating and destabilizing factors of both external and internal influence, which in its totality relate to three components of the economic process: means of receiving income, methods of saving assets and ways of spending income.

1.3 Methods for assessing the financial security management of the enterprise

The development of market mechanisms in the Ukrainian and world economy, the change in the forms and methods of state regulation of enterprises, the growing influence of the external environment, competition in the market of goods and services have led to the emergence of many interconnections of the enterprise with the subjects of the environment. Accordingly, the results of such interconnections can be both positive and negative. In this regard, today there is a need to create an efficient system of the financial security management of the enterprise.

Financial security management is a complex of interconnected balanced decisions of the heads of the financial service of the company both in the sphere of protection of financial interests of the subject of entrepreneurship and in the management of its financial activities.

This system should reflect the overall financial strategy and policy of the company, which manifests itself in the choice of alternative ways to ensure a high level of financial security.

To effectively ensure the financial security of an enterprise and increase its level, the actual task is to create a mechanism for managing financial security of enterprises as a manifestation of an integrated approach to the organization of such a system (figure1.5).

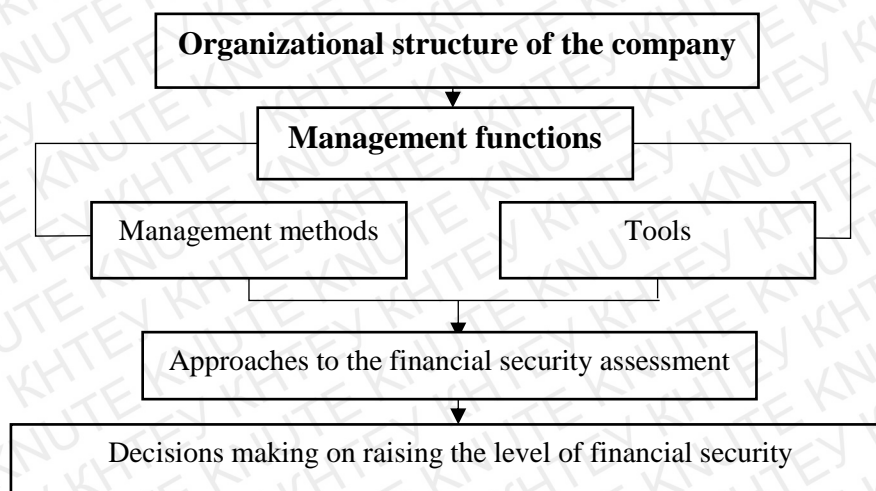


Figure 1.5 The enterprise financial security management mechanism [6]

In order to make an evaluation of the effectiveness of the financial security management system and a conclusion about the whole financial state of a company it is necessary first of all to assess its security level.

The purpose of assessing the company's financial security is to identify destructive impacts, to develop and apply measures to prevent and protect financial security, and to counteract the identified threats. Based on the stated goal, the main tasks of assessing the level of financial security can be defined as following:

- evaluation of the financial situation and development dynamics;
- establishment of destructive development trends;
- selection of causes, sources, nature of the actions of destructive factors on the financial state;
- forecasting of the consequences of the influence of destructive factors;
- systemic and analytical study of the situation and trends of its evolution;
- development of measures to counter threats and dangers.

Methods of assessing the financial security of an enterprise, especially their choice in each individual case, depend on the specific content that was meant by the concept of "financial security of the enterprise".

If at the state level, methods for assessing financial security have already been developed, then at the enterprise level, they remain controversial. First of all, this concerns the selection of criteria for assessing the financial security of an enterprise, the system of indicators that characterize it, and methodological approaches to determining the level of financial security.

Such an assessment of business entities involves an analysis of the financial state of the enterprise, the identification of the shortage of assets of the company which are necessary for the diagnosis of normative indicators, the elimination of threats and achievement of safety, assessment of the level of crisis. In determining the shortage of assets, it is necessary to take into account changes in financial state which may occur at the enterprise because of its activity in past or future periods.

Today, there is no single point of view of scientists of economic sphere on the choice of criteria for estimating the financial security of an enterprise and indicators

reflecting it. Therefore, there is a need to explore methods for assessing the level of financial security of an enterprise, which should be carried out on the basis of the scientific method of system analysis.

The conducted research of methods of assessing the level of financial security of the enterprise, given in the scientific literature, allowed to identify the main approaches - traditional and non-traditional, which are illustrated in figure 1.6.

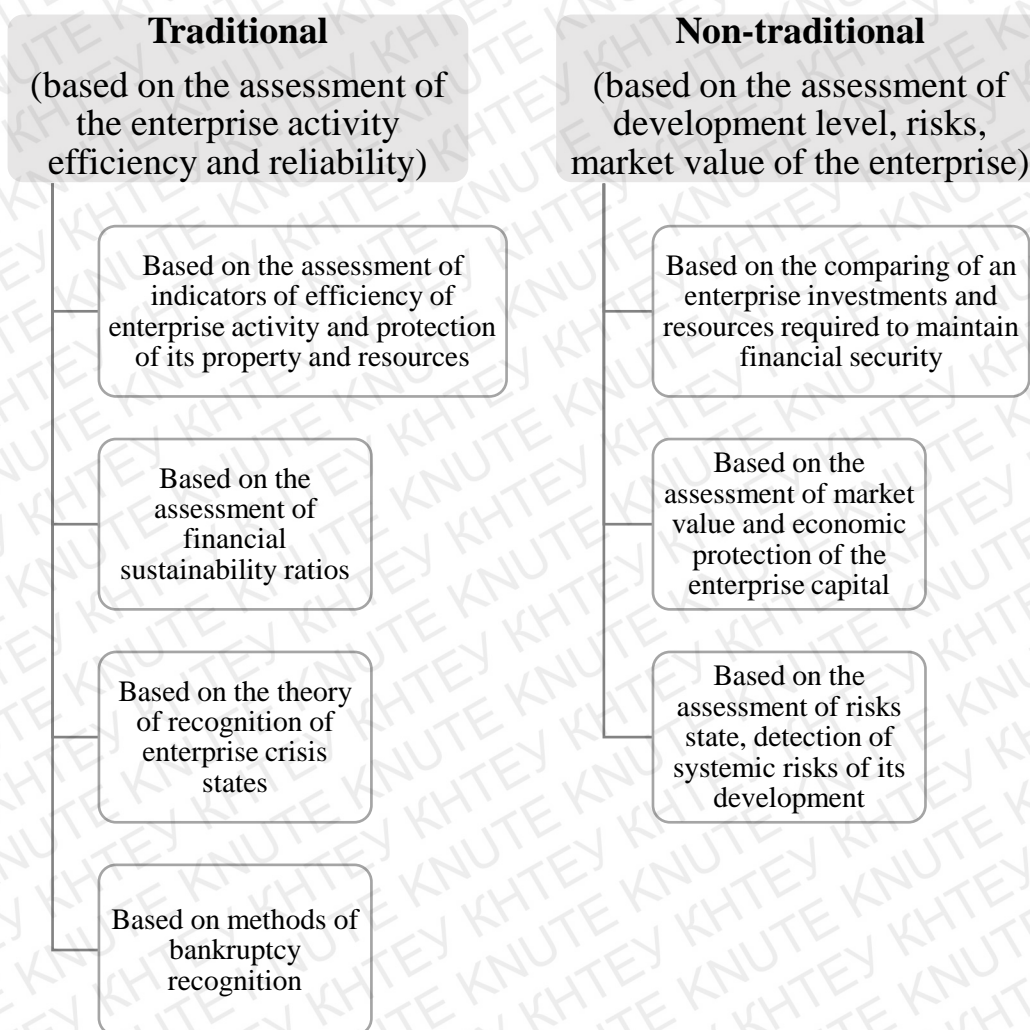


Figure1.6 Methodological approaches to assessing the level of the enterprise financial security [5]

Enterprises quite often use the following system of financial security analysis (table 1.3):

Table 1.3

Types of an enterprise financial security analysis

Type	Subspecies of an enterprise financial security analysis
1. Horizontal financial analysis	1. Study of the dynamics of indicators of the reporting period in comparison with the indicators of the previous period. 2. Study of the dynamics of indicators for a number of previous periods.
2. Vertical financial analysis	1. Structural analysis of assets. 2. Structural analysis of capital. 3. Structural analysis of cash flows.
3. Comparative financial analysis	1. Comparison with the industry average indicators of financial security. 2. Comparison with the indicators of financial safety of competitors. 3. Comparison of indicators of financial security of internal structural divisions of the enterprise. 4. Comparison of reporting and planned financial indicators.
4. Analysis of financial ratios	1. Analysis of the profitability of the enterprise. 2. Analysis of business activity of the enterprise 3. Analysis of solvency of the enterprise. 4. Analysis of financial sustainability of the enterprise. 5. Analysis of the property status of the enterprise.

Source: built by the author on the basis of [39]

1. Horizontal financial analysis (trend analysis), based on the studying of dynamics of individual financial indicators of financial security of the enterprise in time. In the process of research of this system of analysis, the growth rates of individual indicators of financial reporting over a number of periods are calculated and the general tendencies of their change (trend) are determined. In the management of financial security, enterprises use: the study of the dynamics of indicators of the reporting period in comparison with the indicators of the previous period; study of the dynamics of indicators for a number of previous periods.

2. Vertical (or structural) financial analysis, which is based on the structural decomposition of individual indicators of the financial statements of the enterprise. In the financial security management of the enterprise, the most common are: structural analysis of assets, structural analysis of capital, structural analysis of cash flows.

3. Comparative financial analysis is based on the comparison of the values of individual groups of similar indicators among themselves. In the process of research of this system of analysis, the sizes of absolute and relative deviations of comparative indices are calculated. In the financial security management of the enterprise, the most common are: comparison with the industry average indicators of financial security, comparison with the indicators of financial safety of competitors, comparison of financial security indicators of the internal structural divisions of the enterprise, comparison of reporting and planned financial indicators.

4. Analysis of financial ratios (R-analysis) is based on the calculation of the correlation of absolute indicators of financial activity of the enterprise among themselves. In the process of research of this system of analysis, various relative indicators are defined and characterize the individual results of the financial activity of the enterprise and the level of financial state of the enterprise. In the financial security management of the company the following groups of financial ratios became the most widespread: analysis of enterprise profitability, analysis of business activity of an enterprise, analysis of solvency of an enterprise, analysis of financial stability of an enterprise, analysis of property status of an enterprise [39].

According to M. Dmitriyeva and T. Gladchenko an indicator approach is the most acceptable. It consists in the comparison of actual values of financial security indicators with the thresholds of its level indicators. With this approach, the highest level of financial security of an enterprise is achieved, when the whole set of indicators is within the thresholds, and the threshold value of each of the indicators is not achieved at the expense of others. We should agree with the opinion of K. Goryacheva that this approach is correct, justified, but at the same time, the use of this approach depends largely on the definition of threshold values that are fluid, depending on the state of the environment, and therefore will be different for each individual enterprises [4].

S. Ilyashenko, S. Porkopivny, D. Kovalev, O. Chernega offer the use of a resource-functional approach to determining the level of financial security, which includes the following methods:

- a) measurement of financial security based on an assessment of the level of use of its own financial resources and borrowed financial resources;
- b) an assessment of the level of ensuring the high financial efficiency of the enterprise, its financial stability and independence.

Estimated indicators are:

$\pm E_c$ - surplus (+) or lack (-) of own working capital, necessary for formation of stocks and covering of expenses (2), connected with economic activity of the enterprise;

$\pm E_T$ - surplus or lack of own working capital, as well as medium and long-term loans;

$\pm E_H$ - surplus or lack of own working capital, as well as long-term, medium- and short-term loans.

These indicators correspond to indicators of the provision of reserves and costs by sources of their formation and are calculated according to the formulas:

$$\pm E_c = E_c - Z, \quad (1.1)$$

$$\pm E_T = (E_c + K_T) - Z, \quad (1.2)$$

$$\pm E_H = (E_c + K_T + K_t) - Z, \quad (1.3)$$

where Z - the amount of stocks and costs,

E_c - the amount of own working capital of the enterprise,

K_T - medium-term and long-term loans,

K_t - short-term loans.

In the authors' opinion the presented indicators underlie the formation of five levels of financial security of the enterprise:

- absolute - there is enough own working capital for the enterprise activity:

$$\pm E_c \geq 0, \pm E_T \geq 0, \pm E_H \geq 0 \quad (1.4)$$

- normal - the enterprise practically copes with its own sources of formation of reserves and cost recovery:

$$\pm E_c \approx 0, \pm E_T \approx 0, \pm E_H \approx 0 \quad (1.5)$$

- shaky - the company does not have enough own working capital and it raises medium and long-term loans:

$$\pm E_c < 0, \pm E_T \geq 0, \pm E_H \geq 0 \quad (1.6)$$

- critical - an enterprise to finance its activity attracts short-term loans:

$$\pm E_c < 0, \pm E_T < 0, \pm E_H \geq 0 \quad (1.7)$$

- crisis - an enterprise can not provide financing for its activity either own or borrowed funds:

$$\pm E_c < 0, \pm E_T < 0, \pm E_H < 0 \quad (1.8)$$

The problem with this approach is that it only takes into account the solvency of the enterprise and does not cover a number of aspects of financial activity, such as business activity and profitability, this reduces the accuracy of the setting of the level of financial security [20].

Another approach to assessing the level of financial security of an enterprise is the evaluation of the overall state of financial activity of the enterprise. V. Nazarov proposes to assess the level of financial sustainability by the following indicators:

- coefficients of absolute and total liquidity,
- coefficient of financial independence, which defines the share of equity in the total value of the enterprise,

- coefficient of compulsory, which shows how much borrowed money falls to 1 UAH of equity, on the basis of this indicator it is possible to determine the degree of proximity of the enterprise to bankruptcy,
- coefficient of maneuverability of own funds, which characterizes the level of business activity of the enterprise.

The author also proposes to make an expert assessment of financial safety. At the same time, it is necessary at first to separate constituents of constancy: operational activity, marketing activity, material preparation of production, technical preparation of production, material flows, sales activity, transport services, energy supply. This approach is not very convenient, because it is almost impossible to allocate a financial component in the indicated positions due to the lack of accounting in this section.

O. Plastun proposes to assess the level of financial security of an enterprise on the basis of seven indicators, namely, the coefficients: depreciation of fixed assets, return on assets, capital productivity of fixed assets, assets turnover, financing, loss of solvency and overall coverage ratio. On the basis of calculated coefficients an integral estimation with the maximum number of points (100) is made with the following formula:

$$\begin{aligned}
 I &= \sum \text{MAX}_i \times P_i \\
 P_i &= 1, K_i > t_i \\
 P_i &= 0,5, K_i \in t_i \\
 P_i &= 0, K_i < t_i,
 \end{aligned}
 \tag{1.9}$$

where I - an integral assessment of the level of financial security,

MAX_i - the maximum number of points on the i coefficient,

P_i - corrective factor

K_i - the actual value of the i coefficient [45].

The maximum marks should be divided into two groups: 10 points - for coefficients of depreciation of fixed assets, return on assets, profitability and turnover

of assets; 20 points - for coverage, financing and solvency loss ratios. Correction factor can take one of three values: 0; 0.5 and 1.

The choice of correction factor is based on typical ranges, as well as the recommended normative values of individual coefficients.

According to the results, O. Plastun distinguishes three types of assessments of the level of financial security of business entities: critical, insufficient, sufficient [45].

I. Blank offers to evaluate the level of financial security by a set of coefficients which characterize the financial state of the enterprise. These coefficients are grouped into five groups. These are the following coefficients:

1) assessment of the financial sustainability of the enterprise (coefficients of autonomy, financing, indebtedness, current indebtedness, long-term financial independence, maneuverability of equity, maneuverability of own and long-term borrowed capital);

2) solvency assessment (liquidity) – coefficients of absolute solvency, intermediate solvency, current solvency, total ratio of receivables and payables, balance of accounts receivable and trade payables;

3) assessment of the turnover of assets (coefficients of turnover of all used assets, turnover of working assets, the period of turnover of all used assets, the period of turnover of current assets, the period of turnover outside working assets);

4) assessment of the turnover of capital (coefficients of turnover of all used capital, turnover of attracted capital, turnover of the attracted financial (bank) loan, turnover of the attracted commodity (commercial) loan, the period of turnover of all used capital, the period of turnover of equity capital, the period of capital turnover, the period the turnover of the attracted financial (commercial) loan, the period of turnover of the attracted short-term bank loan, the period of turnover of the attracted commodity (trade) loan, the period of the turnover of general accounts payable, the period of turnover of current liabilities);

5) assessment of profitability (coefficients of profitability of all used assets, return on equity, profitability of sales, profitability of current costs, return on investment) [7].

In the theory of financial management and crisis management, it is often suggested to use methods of forecasting bankruptcy, by which the analysis of the financial security of enterprises can be made. The two-factor and five-factor Altman models, the Liss model, a six-factor universal model and others, are popular in this form.

Well-known financial analyst William Beaver offered his system of indicators to assess the financial state of the company. In order to diagnose the bankruptcy, he recommended to investigate the trends of the indicators given in table 1.4.

Table 1.4

Beaver financial ratios calculation method

Indicators	Calculation	Indicators Value		
		for sustainable companies	5 years before bankruptcy	1 year before bankruptcy
1. Beaver coefficient	$(\text{Net income} - \text{Depreciation}) / (\text{Long-term liabilities} + \text{Short-term liabilities})$	0,4- 0,45	0,17	-0,15
2. ROA	$(\text{Net Income} / \text{Assets}) \times 100\%$	6-8	4	-22
3. Financial leverage	$(\text{Long-term liabilities} + \text{Short-term liabilities}) / \text{Assets}$	37	50	80
4. Net working capital coverage ratio	$(\text{Equity} - \text{Non-current Assets}) / \text{Assets}$	0,4	0,3	0,06
5. Coverage ratio	$\text{Current assets} / \text{Short-term liabilities}$	3,2	2	1

Source: built by the author on the basis of [39]

Unfortunately, this technique does not reflect all sides of the company's activity and is not a universal method for forecasting the probability of bankruptcy.

The research shows that most of the bankruptcy forecasting models are not adapted to the domestic practice of the enterprise activity. The considered models may be acceptable, but different inflation rates, phases of the production cycle, differences in fund-, energy- and labor-intensive production, labor productivity, insufficient development of Ukrainian joint-stock enterprises and stock markets and

different "tax climate" require clarification of the set and criterion values of indicators, their adaptation to the current conditions of development of the economy, since their size significantly influences the results of calculations and the adequacy of the conclusions. Therefore, the direct transfer of these models to the analysis of business entities of the domestic economy is impossible.

An approach to assessing the level of economic security, which is based on the principles and conditions of programmatic management and development, proposed for use by V. Zabrodsky. According to this approach, the assessment of the company's economic security is based on the integration of a set of indicators that determine economic security. It uses several levels of integration of indicators and methods of their analysis, such as cluster and multidimensional analysis. This approach is characterized by considerable complexity, which is due to the use of mathematical analysis. It allows us to assess the level of economic security of the enterprise from the position of mathematician, but not the manager [4].

The essence of the ranking method is that the level of financial security of an enterprise is calculated in points as the sum of the multiplication of the rating of each indicator per class, which is determined depending on the value of the normative indicator, in other words, an assessment of the level of financial security of the enterprise is based on the use of rank characteristics. Subjectivity in the selection of financial security indicators and uncertainty in the process of forming a range of normative values of indicators complicate the process of assessing financial security of an enterprise by this method. Also, this method does not provide information on the overall level of financial security.

V. Hrapkina offers to assess the current level of financial security in the following areas of analysis: analysis of financial statements of the enterprise on the results of its financial and economic activities, which includes analysis of the structure of enterprise capital, analysis of its solvency and financial sustainability, analysis of cost structure, analysis of profits and profitability, debt analysis; analysis of competitive advantages and comparative analysis with competitors; analysis of assortment of products; analysis of the level and quality of enterprise management, as

well as the qualifications and intellectual potential of the personnel; supply and customer analysis; analysis of securities of the enterprise [48].

In non-traditional approaches one can note the assessment of financial security on the basis of the enterprise value criterion [51]. The cost of the enterprise and the cash flow reinvestment factor are determined here (see App. A). For this approach, it is advisable to explore several enterprises in the industry.

The analysis of methodological approaches to assessing the level of financial security of an enterprise indicates that they have certain disadvantages, namely:

- assessment of the level of financial security of an enterprise based on the analysis of the dynamics of one or more indicators is ineffective because it does not take into account the systemic nature of financial security. In assessing the level of financial security of an enterprise, the priority should be given to the application of the integral safety indicator, which should be obtained on the basis of the use of multidimensional statistical methods;
- a significant part of the methods does not take into account the relationship of financial security with threats. It is important to quantify the interrelationships between the integral level of financial security and the financial security threats;
- in the analyzed approaches to the assessment of financial security, the company focuses on current and retrospective assessments of the level of safety, not taking into account future estimates.

Thus, the problem of scientific and methodological support for the process of assessing the financial security of enterprise and its management remains unresolved. These issues require further research, it is necessary to identify the components of the financial security of the enterprise, to select the indicators in order to determine their state, to provide indicators of weighting coefficients and to form a method for determining the integral index of financial security of the enterprise, taking into account the influence of the environment, which will allow to make reasonable management decisions on analysis, prevention and neutralization of real and potential threats.

CHAPTER 2

INVESTIGATION OF THE LEVEL OF FINANCIAL SECURITY AT THE ENTERPRISE

2.1 Assessment of external threats of financial security

Today, every business faces the question of assessing its financial security, because under the conditions of financial and economic crisis business activity is dangerous, business entities are at risk and face numerous threats.

Enterprises of various spheres of activity as economic entities operate in the external environment not in isolation, but cooperate with each other, with public authorities, social structures, etc., which are factors influencing the financial security of the enterprise. These factors include the level of overall economic development of the country, which is reflected in macroeconomic indicators, the inflation rate, the development of export and import operations, the national currency convertibility, the level of minimum wages, the level of the financial system development, the monetary policy of the NBU, political changes in the country, and so on.

Since the direction of movement can be both progressive and regressive, the company must have a clear goal of activity in the market and according to it to ensure and guarantee its financial security.

If the factors of influence are regressive, then we are talking about the threats to the financial activity of the enterprise, which may arise from the environment surrounding the enterprise at this moment.

Certain negative factors and conditions of the enterprise financial system functioning can be the source of threats: it may be one factor (a condition) or their complex. However, the source of the threat is not a negative factor, unlike its destructive effect on the possibility of realizing the specific financial interests of the enterprise and ensuring its financial security. Such a negative effect of the factor is probabilistic, it is a mandatory attribute of any threat to the financial security of the enterprise. As a result of the negative impact of the threat, its action inflicts direct or

indirect loss to the enterprise. This loss may be in the direct form (loss of income, capital, etc.) or indirect (loss of profit, deterioration of financial reputation of the enterprise, etc.).

Destructive factors of the environment have a particular threat, since they are not exposed by the enterprise, while internal risks can be influenced and diverted. The main external threats include inflation, changes and imperfections in legislation, unfavorable investment climate in the country, equipment cost rising, decrease in purchasing power of the population, etc.

So, in order to have a good financial position, financial technologies and tools, to ensure the effective and sustainable development of the financial system of an enterprise, it is necessary to assess the threats of the external nature.

However, before doing such an assessment, we should analyze the market and the sphere of activity of the enterprise as well as its competitors.

Limited Liability Company SUMATRA-LTD is known to consumers as "KOSMO" - a national chain stores of beauty and health. Today more than 1 000 000 Ukrainians are regular customers of the trade network " KOSMO ", which geography of presence extends to 27 cities in 12 regions of Ukraine.

The "KOSMO" shops correspond to the European format drogerie, which implies the presence of all products of the first necessity for home, beauty and health. Such stores appeared in Europe in the 70s of the last century. A very important part of the range of drogerie-stores is the so-called own brands, which company introduced in 2010.

From the very beginning, the company was created in order to give customers a positive impression and comfort when choosing goods, that is why a convenient location, a very wide range of products and professionalism of sales consultants distinguish the "KOSMO" stores.

Research of the market situation in the drogerie network, in which "SUMATRA-LTD" LLC operates, allowed to reveal certain tendencies.

In 2016, all four retail chains of the network - KOSMO, Eva, Watsons, ProStor - continued the opening of new stores. In 2016, the number of stores in the network increased by 197 and reached 1262 stores (table 2.1).

Table 2.1

The dynamics of stores number in the drogerie chain for 2013-2017 years

Company	Number of stores				
	01.01.2013	01.01.2014	01.01.2015	01.01.2016	01.01.2017
Eva	154	220	256	326	448
Watsons*	274	315	333	380	428
ProStor	137	152	180	260	282
KOSMO*	91	89	92	99	104
Increase in the store chain		120	85	204	197
Increase of KOSMO stores		-2	3	7	5
*only stores					

Source: built by the author on the basis of enterprise data

The growth of the stores number in the chain in 2016 was almost as in 2015 (197 compared to 204). At the same time ProStor significantly reduced the pace of opening new objects, and Eva on the contrary significantly increased the pace of opening. As a result, EVA network in 2016 increased by 37%, which in absolute terms was 122 stores (almost twice more than in 2015). The Watsons network has grown by 48 stores (+ 13%) and ProStor by 22 (+ 8%). The chain of KOSMO stores in 2016 increased by 5 stores, which was + 5%.

As on January 1, 2017, Eva network, the market share of which is 35% (31% as on 01.01.2016) in the chain, became the leader according to the number of stores. To the second place the Watsons network dropped with 34% (36% in early 2016). ProStor share declined from 24% to 22%. The share of KOSMO network stores in 2016 fell from 9% to 8%.

The number of checks in the drogerie network in 2017 has slightly increased compared to last years` figures, but is still lower than in 2013 and 2014. This is due to

a significant increase in the number of trading facilities in the chain and a relative decline in consumer income.

By the absolute value of sales figures and the number of checks at the store, KOSMO, unfortunately, began to show worse results than the average of other networks in 2017. In addition, other networks show considerably better dynamics of these indicators.

Increasing of the stores number and efficiency improving of the KOSMO competitors stores led to the fact that in the first half of 2016, the share of sales in the chain decreased from 11,4% in 2015 to 10,5%. Taking into account the intensive opening of new stores by KOSMO competitors in 2015-2017, it is expected that by the end of 2018 the share of KOSMO will continue to decline significantly.

Consequently, the market research has made it possible to identify one of the very important threats to the financial security of this company - the strengthening of the competitors positions.

Considering the obtained results and taking into account previously known destructive factors of the environment, their influence can be assessed.

There are many methods used to identify and assess the level of threats to financial security of the enterprise. Among them there are expert evaluations, SWOT analysis, PEST analysis, SNW analysis, and the method of scenarios building for the development of events, etc.

For the detection and qualitative assessment of the impact of external threats on financial security of SUMATRA-LTD, PEST-analysis was applied, since this method allows to focus on external destructive factors and evaluate their effect.

According to this method, such threats are divided into four groups, which are designated by the abbreviation of the English letters of the PEST:

- P - political and legal environment;
- E - economic environment;
- S - socio-cultural environment;
- T - technological environment.

In the process of the analysis, at first the external threats (table 2.2) were identified in accordance with types of the environment.

Table 2.2

Threats to financial security from the environment

Threats from the political environment	
1	The instability of political power and the existing government
2	Bureaucracy and high levels of corruption
3	Imperfect tax policy, high tax pressure
4	Aggravation of the domestic political situation in the country, the war
Threats from the economic environment	
1	Slow rate of economic growth
2	High levels of inflation and interest rates
3	Exchange rates fluctuations
4	High unemployment
5	Competitors position strengthening
6	Reduced household incomes
Threats of socio-cultural environment	
1	Negative relation to imported goods
2	Lifestyle and consumer habits
3	Decrease in fertility
4	Change in the sex-age structure of the population
Threats from the technological environment	
1	The emergence of innovative products
2	Research and development costs
3	Access to the latest technology
4	Information security level

Source: developed by the author

Then the importance of each type of threats to financial security impact was determined in the range from 1 to 3, as well as the likelihood of these factors changing (table 2.3). On the basis of these indicators, the real significance of each factor was calculated.

Table 2.3

Qualitative assessment of the threats impact

Description	Impact	Expert evaluation	Average evaluation	Weight correction
Threats from the political environment				
The instability of political power and the existing government	1	3	3	0,08
Bureaucracy and high levels of corruption	2	3	3	0,17
Imperfect tax policy, high tax pressure	2	2	2	0,11
Aggravation of the domestic political situation in the country, the war	2	4	4	0,22
Threats from the economic environment				
Slow rate of economic growth	2	3	3	0,17
High levels of inflation and interest rates	3	4	4	0,33
Exchange rates fluctuations	3	4	4	0,33
High unemployment	2	2	2	0,11
Competitors position strengthening	3	2	2	0,17
Reduced household incomes	3	4	4	0,33
Threats of socio-cultural environment				
Negative relation to imported goods	2	2	2	0,11
Lifestyle and consumer habits	2	2	2	0,11
Decrease in fertility	1	1	1	0,03
Change in the sex-age structure of the population	2	2	2	0,11
Threats from the technological environment				
The emergence of innovative products	1	2	2	0,06
Research and development costs	2	3	3	0,17
Access to the latest technology	1	2	2	0,06
Information security level	2	2	2	0,11
Total sum	36		47	

Source: developed by the author

Table 2.4 represents the destructive factors and the importance of their changes, as well as their impact on the enterprise activities.

Table 2.4

The power of external threats impact to financial security

Political		Economical	
Factor	Weight	Factor	Weight
Aggravation of the domestic political situation in the country, the war	0,22	High levels of inflation and interest rates	0,33
Bureaucracy and high levels of corruption	0,17	Exchange rates fluctuations	0,33
Imperfect tax policy, high tax pressure	0,11	Reduced household incomes	0,33
The instability of political power and the existing government	0,08	Slow rate of economic growth	0,17
Socio-cultural		Technological	
Factor	Weight	Factor	Weight
Negative relation to imported goods	0,11	Research and development costs	0,17
Lifestyle and consumer habits	0,11	Information security level	0,06
Change in the sex-age structure of the population	0,11	The emergence of innovative products	0,06
Decrease in fertility	0,03	Access to the latest technology	0,06

Source: developed by the author

Thus, due to the PEST analysis, there was determined that technological threats have the least destructive effect.

Socio-cultural and political factors can influence on the financial security of SUMATRA-LTD more, and in different convenient situations they may be a real threat.

However, the greatest threat to the financial security of the company is the negative impact of the factors of the economic environment. Namely, their minimal change can lead to a significant deterioration in the financial position of LLC. That is why it is necessary to find a sound approach to managing these threats and seeking ways to reduce their impact.

2.2 Analysis of financial indicators of SUMATRA-LTD Ltd

The assessment of financial security of an enterprise is a necessary component of ensuring financial development, especially in conditions of uncertainty of the present days. Based on the analysis of financial security of the enterprise, after the planning stage, employees of the firm can see the actual picture of the business entity development. The methodology for assessing the level of financial security of enterprises in Ukraine has not yet reached a single point of view; therefore, leading companies use the methods that they consider most effective, which enable them to make the necessary conclusions and identify potential threats and opportunities.

The assessment of the financial security level of SUMATRA-LTD first of all is considered to be based on traditional approaches, using financial ratios that show the real financial situation on the enterprise.

For example, solvency ratios were calculated, and they do not have a clear trend (table 2.5).

Table 2.5

Dynamics of solvency ratios of SUMATRA-LTD for 2015-2017 years

Ratios	Years						
	01.01.2015	01.01.2016	01.01.2017	01.01.2018	Growth 2015	Growth 2016	Growth 2017
1. Absolute liquidity ratio	0,0957	0,1326	0,0993	0,1049	0,0369	-25	6
2. Intermediate liquidity ratio	0,2633	0,3101	0,2743	0,2380	0,0468	-12	-13
3. Current ratio	1,0171	0,9967	0,9307	0,7802	-0,0204	-7	-16
4. The ratio of current receivables and payables	0,2144	0,2420	0,2243	0,1899	0,0276	-7	-15
5. The ratio of current receivables and payables for goods and services	0,0822	0,1083	0,1025	0,0947	0,0260	-5	-8

Source: calculated by the author on the basis of enterprise data

The level of solvency of SUMATRA-LTD is not sufficient. The main liquidity ratios are strongly divergent from the normative ones. By the end of the investigated period, only 10% of current liabilities can be met immediately by the ready-made funds of a company, 23% by highly liquid assets, and the total amount of current assets does not cover current liabilities, although this situation was observed in early 2015.

Indicators of financial stability of the enterprise for the last 4 years are presented in table 2.6.

Table 2.6

Dynamics of financial stability ratios of SUMATRA-LTD for 2015-2017 years

Ratios	Years						
	01.01.2015	01.01.2016	01.01.2017	01.01.2018	Growth 2015	Growth 2016	Growth 2017
1. Financial autonomy ratio	-0,71	-1,03	-1,12	-1,33	-0,32	-0,09	-0,21
2. Debt-to-equity ratio	-2,41	-1,97	-1,90	-1,75	0,44	0,08	0,14
3. Debt ratio	1,71	2,03	2,12	2,33	0,32	0,09	0,21
4. Long-term debt ratio	0,90	1,19	1,22	1,24	0,29	0,04	0,02
5. Current debt ratio	0,81	0,84	0,89	1,08	0,03	0,06	0,19
6. Coefficient of maneuverability of equity	1,25	1,16	1,15	1,13	-0,09	-0,01	-0,02
7. Coefficient of maneuverability of long-term capital	0,07	-0,02	-0,58	2,85	-0,09	-0,56	3,42

Source: calculated by the author on the basis of enterprise data

Calculated coefficients show the very low financial stability of the enterprise. Assets are fully financed by borrowed funds, in addition, they also cover the negative value of equity. Long-term liabilities prevail in the structure of borrowed funds. Such

a financing structure needs to be reviewed by management and owners of the company for solving problems with financial stability and solvency. In general, the majority of coefficients are followed by a negative trend.

Calculation of the dynamics of profitability and business activity indicators also has a significant importance for assessing the level of financial security of the enterprise, as they are an integral part of the analysis of the financial position of the enterprise.

The profitability of SUMATRA-LTD can be described as negative, as shown in table 2.7.

Table 2.7

Dynamics of profitability ratios of SUMATRA-LTD for 2015-2017 years

Ratios	Years				
	2015	2016	2017	Growth 2016	Growth 2017
1. ROA, %	-43,13	-20,03	-22,06	23,10	-2,02
2. Return on fixed assets, %	-165,59	-25,34	-38,06	140,25	-12,72
3. Return on current assets, %	-34,25	-0,05	-7,69	34,20	-7,64
4. ROE, %	49,12	18,65	18,04	-30,46	-0,62
5. ROD, %	-22,97	-9,66	-19,84	13,31	-10,19
6. Net return on sales, %	-8,98	-4,41	-5,00	4,58	-0,60
7. ROS, %	-5,91	-0,94	-1,46	4,97	-0,53
8. OER, %	-13,05	-2,73	-4,48	10,32	-1,75

Source: calculated by the author on the basis of enterprise data

From the table, we see that almost all of the indicators of profitability are negative, which is caused by the presence of a negative financial result from the activity of the enterprise. Only financial profitability has a positive value, but it is as a consequence of the negative values of profit and equity, and therefore can not be accepted as normal. In addition, unfortunately there is no a positive trend in profitability indicators (figure 2.1).

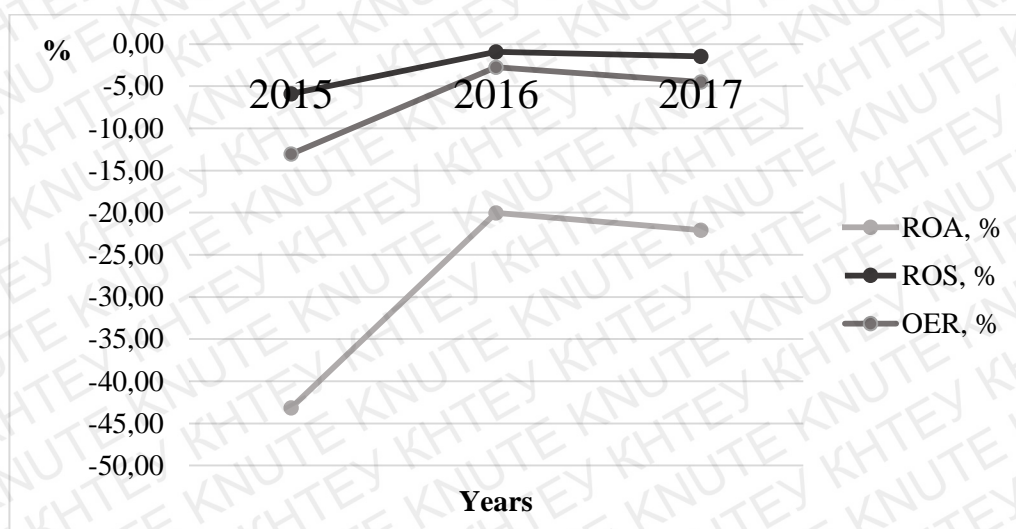


Figure 2.1 Profitability of the of SUMATRA-LTD for 2015-2017 years by the indicator of the financial result of operating activities

The enterprise business activity ratios are reflected in table 2.8.

Table 2.8

Dynamics of indicators of business activity of SUMATRA-LTD for 2015-2017 years

Ratios	Years				
	2015	2016	2017	Growth 2016	Growth 2017
1. Asset turnover ratio	4,80	4,55	4,41	-0,26	-0,14
2. Period of asset turnover, days	75	79	82	4	2
3. Current asset turnover ratio	5,80	5,46	5,26	-0,33	-0,20
4. Period of current asset turnover, days	62	66	68	4	3
5. Inventory turnover ratio	5,78	5,62	5,40	-0,16	-0,22
6. Period of inventory turnover, days	62	64	67	2	3
9. Accounts receivable turnover ratio	5,89	21,10	20,88	15,20	-0,22
10. Period turnover of accounts receivable, days	61	17	18	-44	1
11. Accounts payable turnover ratio	5,40	4,90	4,31	-0,50	-0,59
12. Period turnover of accounts payable, days	67	74	84	7	10
13. Operating cycle, days	123	81	85	-42	4
14. Financial cycle, days	57	8	1	-49	-7

Source: calculated by the author on the basis of enterprise data

The turnover of all resources at the enterprise deteriorated, however, the period turnover of receivables significantly decreased, which affected the duration of operational and financial cycles positively. So, in 2016, the duration of the financial cycle decreased by 49 days, and in 2017 it became only 1 day. That means the reduction in the period of return of invested in current assets funds.

Analysis of the main financial ratios of SUMATRA-LTD indicates the unstable situation of the company, which is mainly due to the non-compliance of the coefficients of financial stability and solvency with their normative values, because of the presence of negative equity capital and excessive amounts of borrowed funds.

2.3 Assessment of financial security level of SUMATRA-LTD Ltd

As there was noted in the previous section, economists in their writings describe many different methods for assessing the level of financial security at the enterprise, due to the inconsistency of theoretical approaches and differences in the operating process of enterprises which depends on the economy sector.

To assess the level of financial security of SUMATRA-LTD, it is expedient to determine the type of financial stability at the enterprise. There are four types of financial stability in accordance with the provision of stocks by certain sources of their financing (table 2.9).

Table 2.9

Types of Financial Stability

Type of financial stability	Three-dimensional measure	Cost coverage sources	Description
Absolute financial stability	S (1;1;1)	Own working capital	High solvency level
Normal financial stability	S (0;1;1)	Own working capital, long-term and short-term loans	Normal solvency, effective use of borrowed funds, high profitability
Unstable financial position	S (0;0;1)	Own working capital, long-term loans	Violation of solvency, the need to attract additional sources, opportunity to improve the situation
Crisis financial position	S (0;0;0)		Insolvency, risk of bankruptcy

Source: systematized by the author on the basis of [46]

The analysis of absolute indicators of the company SUMATRA-LTD by this methodology is shown in table 2.10.

Table 2.10

**Analysis of absolute indicators of financial stability of the company
SUMATRA-LTD for the period of 2014-2017 years, ths. UAH**

Indicator	Years			
	2014	2015	2016	2017
H1 own working capital for the formation of inventory and expenses	-247334,00	-379468,00	-453542,00	-531799,00
H2 own working capital, long-term loans for inventory and expenses formation	3845,00	-883,00	-21809,00	-89637,00
H3 the total value of the main sources of money (own working capital, long-term, short-term loans) for inventory and expenses formation	229348,00	265481,00	292829,00	295417,00
H4 inventory and expenses	186252,00	206486,00	230857,00	233936,00
E1=H1-H4 surplus or lack of own working capital for inventory and expenses formation	-433586,00	-585954,00	-684399,00	-765735,00
E2=H2-H4 surplus or lack of own working capital, long-term loans for inventory and expenses formation	-182407,00	-207369,00	-252666,00	-323573,00
E3=H3-H4 surplus or lack of the total value of the main sources of money (own working capital, long-term, short-term loans) for inventory and expenses formation	43096,00	58995,00	61972,00	61481,00
Type of financial stability	Unstable financial position (0,0,1)	Unstable financial position (0,0,1)	Unstable financial position (0,0,1)	Unstable financial position (0,0,1)

Source: calculated by the author on the basis of enterprise data

The analysis of absolute indicators of financial stability makes it possible to do the following conclusions. As calculations of the three-dimensional indicator of financial stability type shows, for the period of 2014-2017 the investigated enterprise was in the unstable financial conditions. This means that in 2014-2017, inventory and expenses were covered by the all available financial sources, namely the sum of own working capital, long-term and short-term loans.

This also indicates a violation of the solvency on the enterprise, but there is an opportunity to restore balance by replenishing sources of own funds, reducing costs and accelerating the turnover of inventory.

Such a level of financial stability corresponds to the critical state of the enterprise financial security. The reason for this is that there is not enough of own resources of the company to cover inventory and costs, and the rate of interest on received loans is very high.

And if we analyze the dynamics of these indicators (figure 2.2), then we can say that every year for the company it is necessary to attract more and more borrowing capital to at least remain at the same level of financial security.

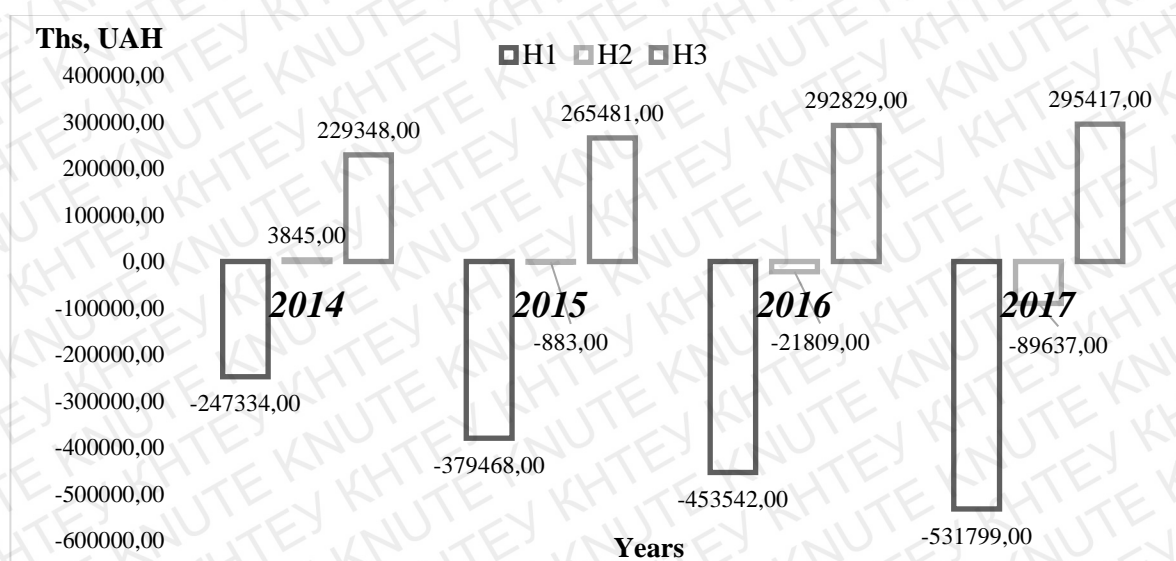


Figure 2.2 Dynamics of inventories and expenses financing sources of SUMATRA-LTD for 2014-2017 years

Quite interesting in defining financial security of an enterprise is an approach based on an analysis of cash flows. Considering that, "different cash flows do not always coincide in volume and time, there are known paradoxes: there are no money in the enterprise, but there is a profit, or there is money, but no profit".

An enterprise can be profitable according to accounting data and at the same time experience acute shortage of working capital and investment resources, which can not only cause tension in relations with contractors, financial bodies, employees, but finally lead to decrease and loss of financial security.

This inconsistency between the indicators of profit (financial result) and cash flow is a "stumbling block" in assessing the financial security of the enterprise.

That is why it is worthwhile to pay attention to the approach and evaluate the financial security of the enterprise by dividing the cash flows by type of activity of the enterprise - on the net cash flow from operating, investment and financial activities.

The algorithm for express-estimating the financial security of a trading company based on the study of its cash flow is given in appendix B.

Table 2.11 shows the dynamics of cash flows of the enterprise depending on the type of activity.

Table 2.11

Free cash flow of SUMATRA-LTD for 2015-2017 years by type of activity, ths. UAH

Indicator	Years		
	2015	2016	2017
Free cash flow from operating activity	41012	55293	21063
Free cash flow from investment activity	0	0	0
Free cash flow from financial activity	-27279	-59383	-11905

Source: calculated by the author

Under this method, the enterprise is in a state of financial security, when the condition of the formula (2.1) is satisfied.

$$\begin{cases} \text{FCFo} + \text{FCFf} > \text{FCFi} \\ \text{FCF} > 0 \end{cases} \quad (2.1)$$

where FCFo - free cash flow from operating activities,

FCFf - free cash flow from financial activities,

FCFi - free cash flow from investment activity.

Since, in 2015 and 2017 $\text{FCFo} + \text{FCFf}$ is more than FCFi , we can say that in the last investigated period LLC SUMATRA- LTD tried to turn back its financial security (in 2016 the sum of FCFo and FCFf was -4090 thousand UAH, which is bad for financial security).

According to the methodology of O. Plastun the financial security level of SUMATRA-LTD can be assessed. As in previous section was mentioned, his technic uses the most appropriate ratios for which the correction factor should be determined. These factors are reflected in the table 2.12.

Table 2.12

Determination of the correction factor for the key indicators of financial analysis

Ratios	Correction factor		
	0	0,5	1
Accumulated depreciation to fixed assets ratio	>0,60	0,40-0,60	<0,40
Fixed-asset turnover	<1,00	1,00-2,00	>2,00
ROA	<0,00	0,00-0,05	>0,05
Asset turnover ratio	<0,50	0,50-0,90	>0,90
Current ratio	<0,80	0,80-1,00; >1,50	1,00-1,50
Debt-to-equity ratio	>1,10	0,90-1,10	<0,90
Solvency loss ratio	<0,85	0,85-1,00	>1,00

Source: built by the author on the basis of [45]

And from the table 2.13 we can see that the total point (integral assessment) which the company received is 20 points. This means that on the enterprise there is a critical level of financial security.

Table 2.13

Determining the financial security level of SUMATRA-LTD in 2017 year

Ratios	Ratio value	Correction factor	Maximum points	Real points
Accumulated depreciation to fixed assets ratio	0,74	0	10	0
Fixed-asset turnover	42,79	1	10	10
ROA	-0,06	0	10	0
Asset turnover ratio	4,41	1	10	10
Current ratio	0,78	0	20	0
Debt-to-equity ratio	-1,75	0	20	0
Solvency loss ratio	0,35	0	20	0
Total points	-	-	100	20

Source: built by the author on the basis of enterprise data

Considering the activities of any enterprise it must be said that each of them has several economic cycles in its business: the crisis - decline - depression - recovery - elevation.

The calculations showed that the company is in a crisis financial state, and therefore there may be a threat of bankruptcy. Therefore, it is necessary to assess the probability of occurrence of this situation. Various models were used for this purpose.

Two-factor model of Altman shows that the probability of bankruptcy during the investigated period is absent, since $Z < 0$ (table 2.14). But as it include only 2 factors, results don't show the whole vision of the such issue, and we can not accept them.

Table 2.14

Detection of the state of SUMATRA-LTD for 2015-2017 years by two-factor model of Altman

Factor	Years		
	2015	2016	2017
x1- current liquidity	1,00	0,93	0,78
x2 - share of borrowed funds in the liabilities	2,03	2,12	2,33
Z	-1,34	-1,27	-1,098

Source: built by the author on the basis of enterprise data

Another result was received with using five-factor model of Altman. The probability of bankruptcy is very high, since $Z < 1.8$ (table 2.15). As this model consists of more factors, its result is more applicable for the enterprise.

Table 2.15

Detection of the state of SUMATRA-LTD LLC for 2015-2017 years by five-factor model of Altman

Factor	Years		
	2015	2016	2017
x1- own working capital / total value of assets	-1,05	-1,27	-1,38
x2- retained earnings (loss) / total value of assets	-1,16	-1,35	-1,54
x3-profit before interest / total assets	-0,28	-0,19	-0,06
x4- equity / current liabilities	-1,07	-1,25	-1,23
x5- net revenues / total assets	4,80	4,33	4,39
Z	0,35	-0,49	-0,36

Source: built by the author on the basis of enterprise data

As we can see the value of Z score in 2016 was much more less than in 2015 and 2017. The financial state of enterprise according to this model became better comparing 2017 and 2016, but still is very bad.

The evaluation of the company by using Liss model shows that the company faces bankruptcy, since the value of Z score is significantly less 0.037 (table 2.16).

Table 2.16

Detection of the state of SUMATRA-LTD LLC for 2015-2017 years by Liss model

Factor	Years		
	2015	2016	2017
x1 - current assets / total assets	0,12	0,83	0,84
x2 - operating profit / total assets	-0,28	-0,04	-0,06
x3 - retained earnings / total assets	-1,16	-1,35	-1,54
x4 - equity capital / borrowed capital	-0,47	-0,53	-1,10
Z	-0,85	-0,30	-0,41

Source: built by the author on the basis of enterprise data

This model gives another results than previous. In 2016 and 2017 the probability of bankruptcy decreased comparing with 2015. But we still understand that this event is really possible for the company.

Probability of bankruptcy according to Conan and Holder model is more than 90% (table 2.17). The such result states on very dangerous situation in which the company is. As the model of Liss this approach shows that Z core became higher in 2016 and 2017, but still is too low.

Table 2.17

Detection of the state of SUMATRA-LTD LLC for 2015-2017 years by Conan and Holder model

Factor	Years		
	2015	2016	2017
x1 = Gross outcome of exploitation / Total debts	-1,31	-0,77	-0,68
x2 = Permanent capital / Total assets	0,18	0,13	0,01
x3 = Quick assets / Current liabilities = Circulating assets – Inventory / Total assets	0,25	0,26	0,26
x4 = Financial expenses / Turnover	0,03	0,03	0,04
x5 = Staff expenses / Turnover	0,07	0,08	0,11
Z	-0,27	-0,15	-0,16

Source: built by the author on the basis of enterprise data

Among all similar models there is one which was created by the domestic economist named O. Tereshchenko. And his model is more acceptable for the Ukrainian enterprises (table 2.18).

Table 2.18

Detection of the state of SUMATRA-LTD LLC for 2015-2017 years by O. Tereshchenko model

Factor	Years		
	2015	2016	2017
x1 = Cash inflows / Total liabilities;	-0,21	-0,07	-0,08
x2 = Total assets / Total liabilities;	0,53	0,48	0,86
x3 = Net profit / Total assets;	-0,43	-0,20	-0,22
x4 = Net profit / Turnover;	-0,09	-0,04	-0,05
x5 = Inventory / Turnover;	0,12	0,13	0,03
x6 = Turnover / Total assets.	4,80	4,55	4,41
Z	-4,51	-1,80	-2,06

Source: built by the author on the basis of enterprise data

According to this model $Z < 0$, what means that an enterprise is almost a bankrupt. O. Tereshchenko model gives the opportunity to do the similar conclusions like in models of Liss, Conan and Holder. The value of Z score has no some tendency, but it increased comparing with Z csore of 2015.

The method of forecasting bankruptcy also includes the Beaver model (table 2.19).

Table 2.19

Detection of the state of SUMATRA-LTD LLC for 2015-2017 years by Beaver's method

Ratios	Years			Company position		
	2015	2016	2017	2015 year	2016 year	2017 year
1.Beaver coefficient	-0,25	-0,11	-0,11	Bankruptcy	1 year till Bankruptcy	
2.ROA	-43,13	-20	-21,97	Bankruptcy	1 year till Bankruptcy	
3. Net working capital coverage ratio	-1,19	-1,29	-1,50	Bankruptcy		
4. Coverage ratio	1	0,93	0,78	1 year till Bankruptcy	Bankruptcy	

Source: built by the author on the basis of enterprise data

As we can see, Beaver's model estimates SUMATRA-LTD in 2017 as a bankrupt. But in 2016 and 2017 the company is on the verge of bankruptcy according to this model.

From all the models used to diagnose the possibility of bankruptcy, only a two-factor model of Altman showed no threat of bankruptcy. All others have found a very high probability of bankruptcy, which indicates the need to interfere with the financial management of the company and its search for ways out of this situation.

However, the problem with such an assessment is that today there are not clearly defined criteria for indicators of the financial state of an enterprises in different fields of activity, and therefore, the peculiarities of each one are not taken into account.

CHAPTER 3

IMPROVEMENT OF THE FINANCIAL SECURITY MANAGEMENT OF THE ENTERPRISE

3.1 System of measures to increase the level of financial security of the enterprise

Financial security ensuring is one of the main principles of the normal functioning of the enterprise, the implementation of which involves the use of an integrated scientific and practical systematic approach. Its main content is the detection and removal of external and internal threats.

It is very important for the company to increase its financial security, because the high level of financial security indicates stable and effective financial and economic activity, the minimum availability of problem areas, which makes the company attractive to investors and creditors.

The security ensuring activity at the enterprise are directed at specific objects and are carried out with the help of special measures and methods in accordance with the established principles. It is closely connected with the activity of all functional units of the enterprise and should be carried out in a complex manner. The main role in this process belongs to the security service. Security specialists should monitor the economic situation in the enterprise, in its internal and external environment, and timely respond to dangerous, risky situations and threats.

In order to perform all of the above activities, the enterprise financial security service applies a mechanism of financial security management, which improvement (appendix C) helps to fight with current instability of financial position and predict damages in future.

An important aspect of the study of the mechanism of financial security management of an enterprise is the analysis of the functions implemented by this mechanism. The main functions of the mechanism of financial security management

of the enterprise include planning (programming and forecasting), organization and regulation, stimulation and control [11] (figure 3.1).

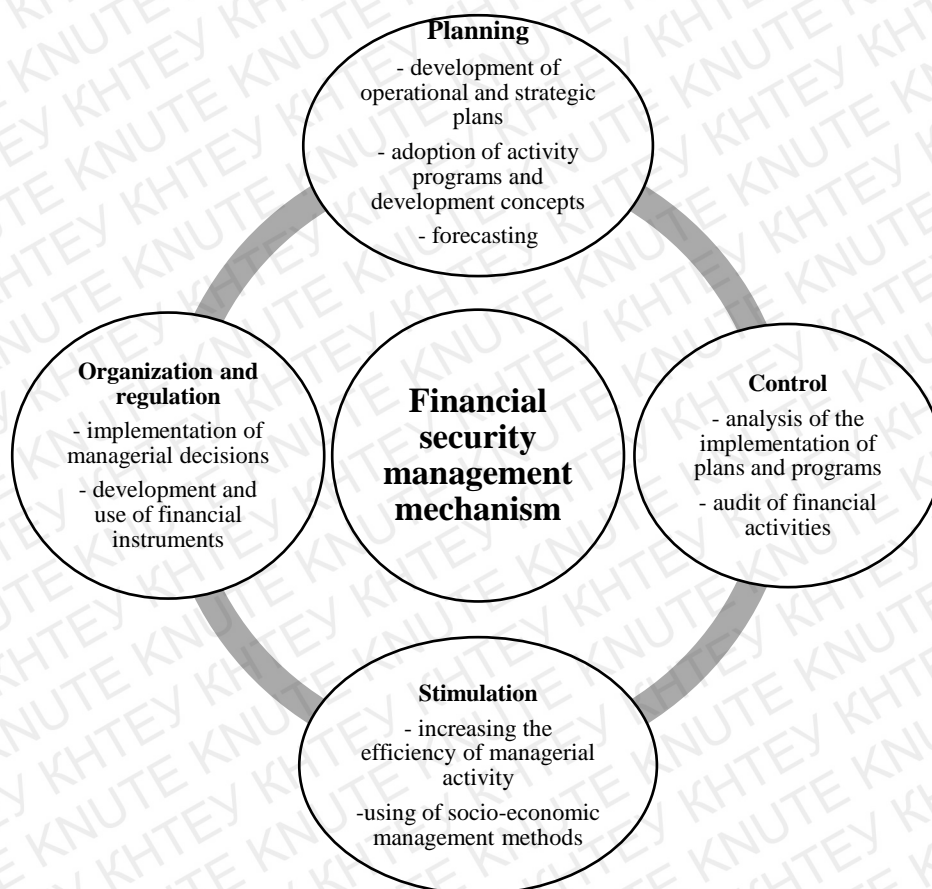


Figure 3.1 Functional structure of the financial security management mechanism of the enterprise

To ensure the financial security of an enterprise, certain financial instruments that determine its financial relations are used. They include: payment instruments (letters of credit, etc.), credit instruments (lending agreements), deposit instruments (deposit certificates, agreements), investment instruments (stocks, shares), insurance instruments (insurance agreement) [50].

The methodological apparatus for ensuring financial security of an enterprise can include also such methods as: technical and economic calculations, balance, economic-statistical, economic-mathematical, expert estimates, discounted value, asset amortization, reengineering, logistics, audit, tax optimization, simulation game [12].

There are different financial pressing matters for providing financial security to the company - a system of incentives for managers to make effective management decisions and a system of sanctions for the negative effects of their financial security activity, as well as a general internal management mechanism based on its own financial philosophy [12].

After examining the methods and instruments of the financial security management mechanism of the company, taking into account the tasks facing the financial security system, analyzing the factors of influence on the level of financial security, it is possible to provide a number of measures for its optimization:

- 1) analysis and control over the processes taking place at the enterprise;
- 2) identification and elimination of problem areas;
- 3) full utilization of production capacities of the enterprise;
- 4) economic use of raw materials and other resources;
- 5) increase in the level of labor productivity;
- 6) improvement of product quality;
- 7) effective sales and advertising activities;
- 8) ranking of payables and receivables by maturity;
- 9) control of bad debts to create the necessary reserves.

Besides, observing the imperfection of the methodology in the field of coefficient analysis of the financial status of business entities, measures to improve the financial security management system of enterprises can be proposed:

- clarification of norms according to the main factors of financial analysis, as well as the development of standards for certain types of economic activity;
- development of a system of criteria and indicators for assessing the level of financial security of enterprise in the region and its systematic monitoring;
- determining the level of competitive advantages of the enterprise in interaction with external and internal environments;
- refinement of economical and mathematical methods and models, which make it possible to comprehensively describe all components of the system of

financial and economic security of the enterprise and the interconnections between them;

- monitoring and forecasting of the main indicators of the enterprise financial and economic security system on the basis of trend models of the dynamics of individual indicators of the effectiveness of the security system functioning or the trend model of the dynamics of the generalized indicator, etc.

For the effective provision of financial security of an enterprise, it is necessary to develop and use a financial security mechanism. It involves a systematic combination of certain tools, methods, pressing matters created on the basis of the principles of financial security that objectively exist as economic patterns, and also produced by the entities financial security management to achieve and protect its financial interests.

3.2 Risk management in ensuring financial security of the enterprise

At the present stage of economic development, the activities of Ukrainian enterprises are associated with various risks. That is why financial risk management takes a special place in the system of ensuring the financial security of an enterprise, since they are closely related to the financial relations of enterprises, and are exposed to an external environment, that is often very unpredictable, more than others.

But the risk management system exists mainly in financial institutions and in companies with foreign capital. Moreover, such a list of enterprises is due to the specifics of their activities.

One of the main reasons that impede the implementation of risk management in Ukrainian enterprises is that company management does not have a clear idea of the essence of such a phenomenon as risk management, not to mention the benefits of implementing a comprehensive risk management system in an enterprise.

Because risk is an opportunity to manifest threats, risk management can be considered one of the tools to ensure the financial and economic security of the enterprise.

The process of risk management is a sequence of actions consisting of certain stages. In view of the recommendations some steps can be identified in the context of financial security (figure 3.2).

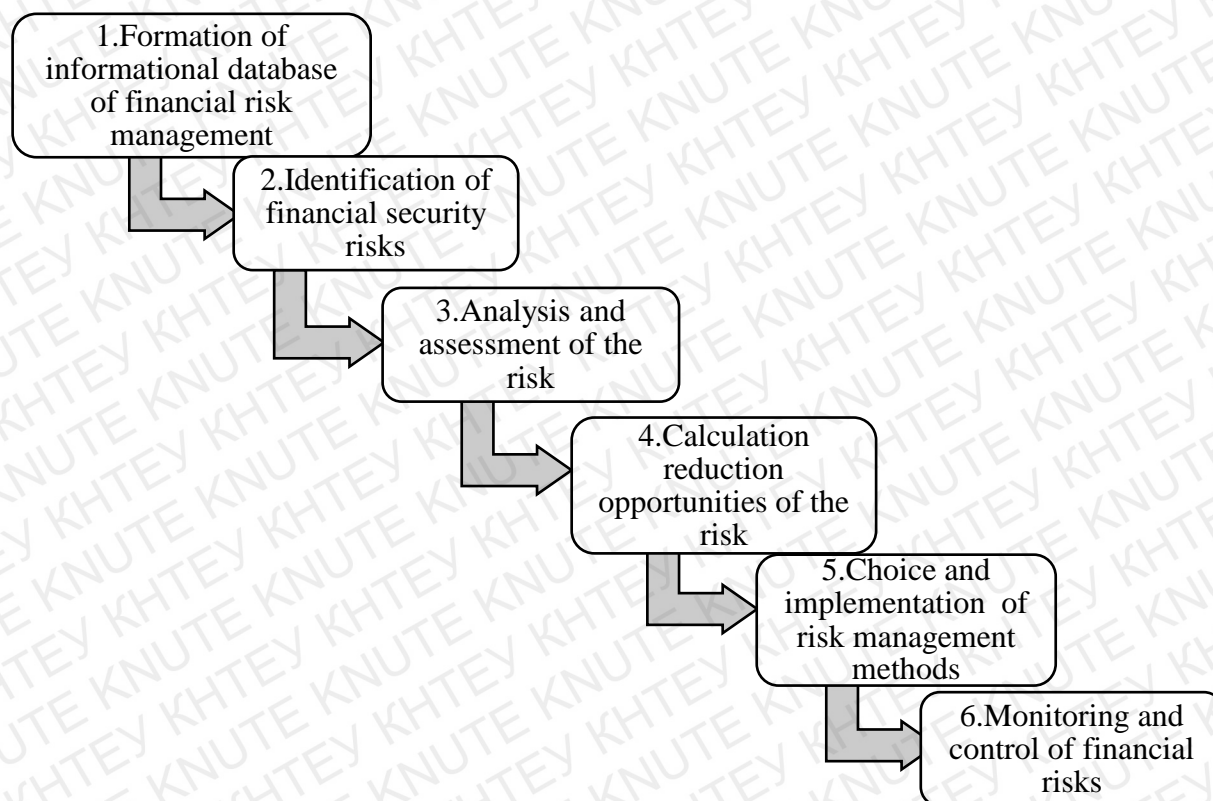


Figure 3.2 Stages of the process of financial risk management

All depicted steps of financial risk management are made to create and use the risk management program for the company, which is an object of the financial security level improving.

For Sumatra-LTD risk management can be quite effective tool in the process of ensuring its financial security.

First of all, there is a necessity of identification of risks the company deals with. And of course the events which leads to occurring of these risks (risk factors or triggers) should be specified. To reveal risk factors and formulate risks it is advisable to make evaluation and built the risk matrix (table 3.1).

Table 3.1

The risk matrix of SUMATRA-LTD, 2016-2017 years

№	Risk object	Triggers	Impact, UAH	Likelihood, %	Impact	Likelihood
1	decrease of realisation volumes	worsening of the population's solvency, unemployment	30000	25%	3	2
2	weakening of competitive position	inadequate evaluation of purpose-oriented market and competitors' underestimation	15000	35%	3	2
3	increasing of product prices by suppliers	raw material price raising	5000	75%	1	5
4	fixed costs volume increasing	increasing rent, utility costs	20000	15%	2	1
5	additional costs for logistics	increase in fuel prices	10500	60%	2	4
6	inability to repay credit obligations	increase of the discount rate of the National bank	50000	45%	4	3
7	non-conformity of the product with the requirements of the market	weak innovation activity of the enterprise, mismatch of supply and demand	12000	5%	2	1
8	losses from realized investment decisions	unjustified investment policy	10000	10%	1	1
9	reduction of liquidity and financial stability	a large proportion of borrowed sources	30000	65%	3	4
10	get into a state close to bankruptcy	unstable economic situation, mismatch of aims of owners and possibilities of enterprise, bad governance	60500	55%	4	4

Source: developed by the author

By the method of expert estimates risk triggers which influence the company's business goals were identified, risks and their impact on the company's activities, as well as the likelihood of a risk event were formulated and assessed.

The probability and impact parameters were determined according to the following criterias:

1) Probability of an event taking place - very high >71% (5 points), high 51-70% (4 points), occasional 36-50% (3 points), very low 21-35% (2 points), almost impossible <20% (1 point).

2) Impact of the event - catastrophic >50 ths UAH (4 points), critical 30-49 ths UAH (3 points), significant 11-39 ths UAH (2 points), marginal <10 ths UAH (1 point).

The second step in the risk management program is the risk map creation. According to the risk matrix and estimates, reflected there, the risk map of Sumatra-LTD was built (figure 3.3).

Likelihood					
5	Very high	3			
4	High		5	9	10
3	Occasional				6
2	Very low			1,2	
1	Almost impossible	8	4,7		
		Marginal	Significant	Critical	Catastrophic
		1	2	3	4
		Impact			

Figure 3.3 The risk map of Sumatra-LTD

Thus, from the figure 3.3 we can make conclusions that risks 6, 9 and 10 (inability to repay credit obligations, reduction of liquidity and financial stability, get into a state close to bankruptcy) are above the tolerance boundary that means enterprise should take proactive measures before these events take place.

Risks 1, 2, 3, 5 have high level of probability and impact too, so management should also pay attention for them.

Risks 4, 7, 8 are situated in the green zone, that means their impact on company activity are low and a probability of appearance too.

Risk mapping is a powerful analytical tool that allows to understand the risks of an economic entity and place them at the top priority. After all, the top of the skill

in risk management is the point and systematic actions for each of risks, which causes the transformation of problems into the development and success of the enterprise.

Thanks for this analysis, the company's management can see the different risks they should deal with and go to the next steps of risk management - choosing and implementation of risk management methods. Among them:

- avoiding risk – to avoid operations with risks. For the analyzed business entity this can be refusal from unreliable partners, suppliers, risky projects, to carry out too risky business transactions, reduction of part of borrowed funds in economic turnover;
- setting limits for the concentration of risk - limits of operations according to criteria the level of risk (establishing of appropriate economic and financial standards, of the maximum volume of a commercial transaction for the purchase of goods, which is concluded with one counterparty, establishing of the maximum size of the total inventory of goods at the enterprise, of a minimum size of working assets in a highly liquid form (with the allocation of their amount in the form of ready-made means of payment), establishing the maximum amount of borrowed funds in circulation);
- hedging - conclusion the agreements with opposite terms;
- diversification - increasing the variety of independent business processes (diversification of assortment of products, suppliers of major product groups, markets);
- distribution risk - distribution responsibilities for different risks (insurance, creation of mutual insurance and reinsurance structures, distribution of responsibilities between partners);
- self-ensuring - gathering funds to compensate harmful influence of risks.

Of course, each of the methods has its own limitations in the application, but their reasonable combination contributes to reducing the level and impact of financial risks on financial and economic security.

The choice of SUMATRA-LTD financial security service have to take into account the degree of risks danger, as well as the enterprise possibilities and its financial strategy.

3.3 Ways to increase the level of financial security of SUMATRA-LTD Ltd

Nowadays, under conditions of integration processes, there is a need to develop, approve and implement a strategy to ensure the financial security of an enterprise in the form of an appropriate future program, continuous monitoring of real and potential threats to financial security in order to identify them in a timely manner and develop measures to neutralize them.

Additionally to the all measures of increasing the level of SUMATRA-LTD financial security the effective security management system can be created (figure 3.4). It includes the such elements:

1. Information Gathering and Analysis - ongoing analysis of the data will provide a basis for continuous improvement of security approaches and processes.
2. Security Assessment Process and Reviews – security, risk and threats assessments and reviews will help SUMATRA-LTD ensure security controls are suitable and effective.
3. Voluntary Principles on Security - this approach will reduce exposure to operational, financial and legal risks, and minimize potential damage to its reputation. Good governance in this area will create business opportunities by enhancing stakeholder confidence.
4. Control Frameworks – financial security of the company also provides achievement of these objectives: enable effective auditing to ensure standards are being maintained; create controls over unnecessary or redundant expenditure; align security activity with key priorities across the corporation. So security management should take a systematic approach to the company's security needs by providing appropriate frameworks, procedures, standards, and guidelines that can be

consistently applied across all operations. This will enable the company to implement best practices and achieve planned security outcomes.

5. Critical Incident Management - for high-impact critical incidents, a critical incident management plan to ensure an appropriate response and an orderly recovery process should be developed.

6. Investigations - all financial security investigations will be governed by guidelines set out in company's financial security standards, and conducted in compliance with the laws and regulations.

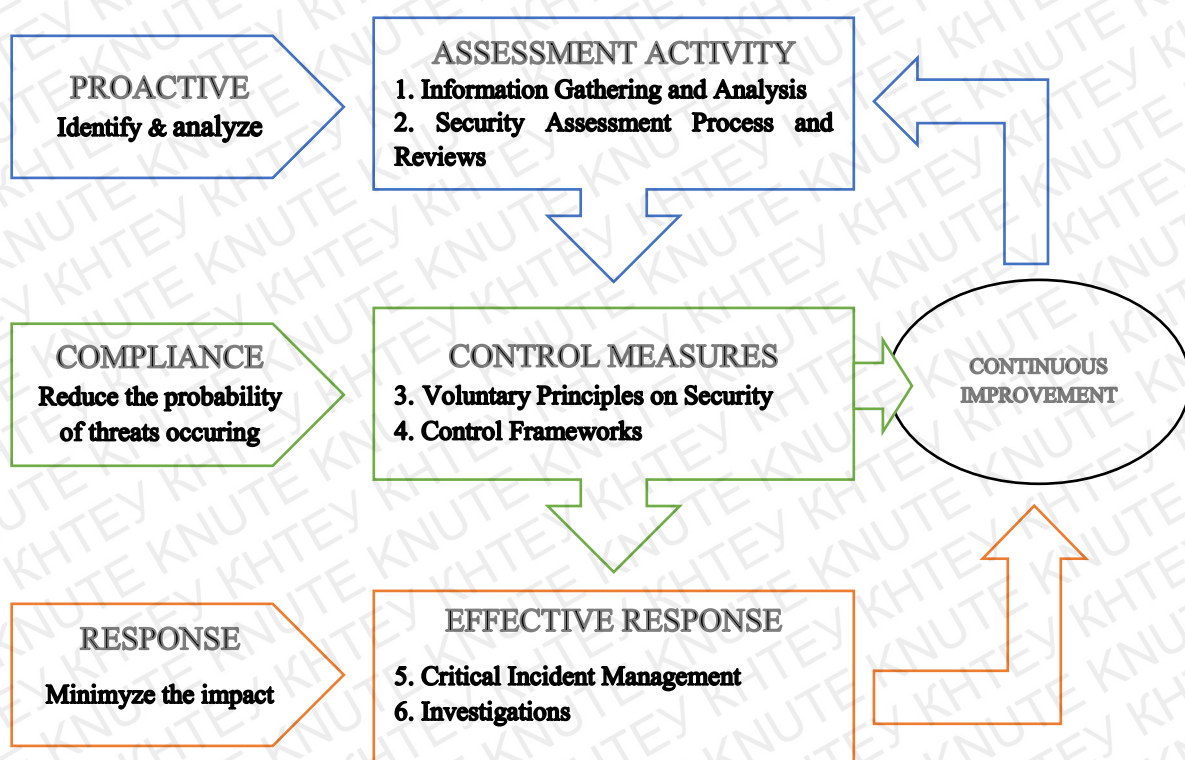


Figure 3.4 The security management system process

Figure 3.4 illustrates how the six elements of the security management system will work together to help SUMATRA-LTD achieve exceptional security performance and continuously improve.

This governance model ensures alignment between policy direction and implementation, with oversight at each level to ensure accountability for activities and results.

After conducting analytical studies, it is possible to identify the following factors affecting the level of financial security of Sumatra-LTD. There are the size of equity and profit, the amount of expenses of the enterprise (including the cost of goods sold), the level of payables and receivables, other factors.

All the ways, mentioned in the two previous paragraphs, to ensure a high level of financial security for SUMATRA-LTD are useful and suitable. In addition to them and taking into account all affecting factors, the issues of cost optimization and revenue enhancement are relevant.

Since today the company has quite strong competitors with huge discounts and highly established internal processes, the costs associated with the purchase of goods from suppliers are quite high, because for some competitors the best prices are set. The creation of a procurement pool of several companies, which will include the investigated enterprise may be decision of this situation. As a result, suppliers will be able to provide lower prices, which will reduce costs and payables.

An important aspect in raising the level of financial security is the increase in operating profit and net profit. To solve the first problem, the company should develop a unique system of inventory management, which allows to reduce the cost of production. Another possible measure is an increase in the period of depreciation of fixed assets, but for this it is necessary to scrutinize carefully all the options that must be consistent with the standards of depreciation imposed by law.

In addition, there is a necessity to apply all possible marketing and financial measures to increase sales.

Another important point for this company is the investment program. To improve financial security, SUMATRA-LTD should invest in small assets that will bring at least a small profit, and not in large ones, from which not only zero profit but also a loss is possible (for example, in choosing between opening of small specialized or overall beauty stores the first should be preferred).

As the interest rate on loans significantly affects net profit, it is necessary to consider ways to optimize such a source of financing assets of the enterprise. Today

SUMATRA-LTD invests most of the free money in the development of activities, and not to repay its obligations.

One of the ways to increase the level of financial security, namely ensuring proper financial stability for this enterprise, may be increasing the equity by changing the policy of the owners. This can be done by transferring the existing long-term loan from the parent company to the own capital.

To have a clear understanding of how all these means can help the enterprise, the calculation and creation of planned Income statement and Balance Sheet should be made.

In the process of planning we are going to implement such measures:

- to increase net sales by sale of 5% of inventory held in warehouses with the 10% discount;
- to decrease the cost of good sold by 1,9% by finding new suppliers, or changing the terms of the contract with the old ones;
- to decrease the administrative expenses by 15% (downsizing of administrative personnel by 1% and reduction of costs for its maintenance by 12%);
- to reduce the accounts payable by 36% and receivable turnover by 20%;
- transfer long-term loan from owners to additional capital;
- to sell 10% of fixed assets that are not used by the enterprise and thus increase other operating income;

The process of planning of Income Statement shows the results below.

The amount of net sales (NS) usually is planned using the growth rate (R_g). And taking into account the information above:

$$R_g = \sqrt[2]{\frac{NS_{2017}}{NS_{2015}}} = \sqrt[2]{\frac{1560501}{1433991}} = 1,043$$

$$NS_{pl} = NS_{2017} * R_g + (I_{2017} - 5\% - 10\%) = 1560501 * 1,043 + (205473 - 5\% - 10\%) = 1636848,83 \text{ ths. UAH}$$

The sum of the cost of goods sold (COGS) is planned through its decreasing by 10%:

$$\text{COGS}_{\text{pl}} = \text{COGS}_{2017} - 1,9\% = 1109685 - 1,9\% = 1088600,99 \text{ ths. UAH}$$

The gross profit according to calculations will be:

$$\text{GP}_{\text{pl}} = \text{NS}_{\text{pl}} - \text{COGS}_{\text{pl}} = 1636848,83 - 1088600,99 = 548247,84 \text{ ths. UAH}$$

Calculated other operating income (OOI) taking into account our measures:

$$\text{OOI}_{\text{pl}} = \text{OOI}_{2017} + \text{FA}_{2017} * 10\% = 34931 + 3646,65 = 38577,65 \text{ ths. UAH}$$

Administrative expenses (AE) for the planning period:

$$\text{AE}_{\text{pl}} = \text{AE}_{2017} - 15\% = 101831 - 15\% = 86556,35 \text{ ths. UAH}$$

Sales expenses (SE) is planned using the growth rate:

$$R_g = \sqrt[2]{\frac{\text{SE}_{2017}}{\text{SE}_{2015}}} = \sqrt[2]{\frac{344841}{290140}} = 1,09$$

$$\text{SE}_{\text{pl}} = \text{SE}_{2017} * R_g = 344841 * 1,09 = 375876,69 \text{ ths. UAH}$$

The amount of other operating expenses (OOE) will stay at the level of the last reporting year:

$$\text{OOE}_{\text{pl}} = 61907 \text{ ths. UAH}$$

Thus, the amount of EBIT for the planning period will be:

$$\text{EBIT}_{\text{pl}} = \text{GP}_{\text{pl}} + \text{OOI}_{\text{pl}} - \text{AE}_{\text{pl}} - \text{SE}_{\text{pl}} - \text{OOE}_{\text{pl}} = 548247,84 + 38577,65 - 86556,35 - 375876,69 - 61907 = 62485,45 \text{ ths. UAH}$$

The amount of financial expenses (FE) also is planned using the growth rate:

$$R_g = \sqrt[2]{\frac{\text{FE}_{2017}}{\text{FE}_{2015}}} = \sqrt[2]{\frac{55092}{44041}} = 1,1185$$

$$\text{FE}_{\text{pl}} = \text{FE}_{2017} * R_g = 55092 * 1,1185 = 61620,4 \text{ ths. UAH}$$

The amount of other expenses (OE) will stay at the level of the last reporting year:

$$\text{OE}_{\text{pl}} = 168 \text{ ths. UAH}$$

$$\text{EBT}_{\text{pl}} = \text{EBIT}_{\text{pl}} - \text{FE}_{\text{pl}} - \text{OE}_{\text{pl}} = 62485,45 - 61620,4 - 168 = 697,05 \text{ ths. UAH}$$

Income tax (IT) will be:

$$\text{IT}_{\text{pl}} = 697,05 * 0,18 = 125,47 \text{ ths. UAH}$$

Consequently, the forecast amount of net profit (NP) in the planned period will be:

$$\text{NP}_{\text{pl}} = \text{EBT}_{\text{pl}} - \text{IT}_{\text{pl}} = 697,05 - 125,47 = 571,58 \text{ ths. UAH}$$

The enterprise has an opportunity to receive net profit according to the planned Income Statement (table 3.2)

Table 3.2

Planned Income Statement of SUMATRA-LTD, ths. UAH

Statement item	2017 Year	2018 (planned) year
Net sales	1560501,00	1636848,83
Cost of goods sold	1109658,00	1088600,99
Gross profit	450843,00	548247,84
Other operating income	34931,00	38577,65
Administrative expenses	101831,00	86556,35
Sales expenses	344841,00	375876,69
Other operating expenses	61907,00	61907,00
EBIT	-22805,00	62485,45
Financial expenses	55092,00	61620,40
Other expenses	168,00	168,00
EBT	-78065,00	697,05
Income tax	-	125,47
Net profit (loss)	-78065,00	571,58

Source: calculated by the author

The process of Balance Sheet planning.

1) Assets planning.

There was decided to decrease the fixed assets (FA) in the planned period by the sale of its unnecessary and unused parts. So, the amount of fixed assets is:

$$FA_{ApI} = FA_{2017} - 10\% = 36466,5 - 10\% = 32819,85 \text{ ths.UAH}$$

The amount of intangible assets (IA) and incomplete capital investments (ICI) will stay at the average level of the last reporting year - $IA_{pl} = 4826,5$ ths.UAH and $ICI_{pl} = 16030$ ths.UAH.

And the total amount of non-current assets - 53676,35 th.UAH.

According to the measure was made previously to increase sales, inventories for the planned period will decrease and be:

$$I_{pl} = I_{2017} - 5\% = 205473 - 5\% = 195199,35 \text{ ths.UAH.}$$

Taking into account the task to decrease the period turnover of receivables (AR):

$$AR_{pl} = COGS_{pl} * TP_{AR_{pl}} - 30\% / 360 = 1088600,99 * 14 / 360 = 42334,48 \text{ th.UAH}$$

Cash is calculated through its level in revenues from sales and also it will grow for the amount of inventories and fixed assets which were sold:

$$L_c = C_{2017} / NS_{2017} = 35814 / 1560501 = 0,022$$

$$C_{pl} = NS_{pl} * 2,2\% + FA_{sold} + I_{sold} = 1636848,83 * 0,022 + 3646,65 + 10273,65 = 49930,97 \text{ ths.UAH}$$

Other current assets (OCA) will stay at the average level of the last reporting year:

$$OCA_{pl} = 2185,5 \text{ ths.UAH}$$

$$\text{Total current assets} = 289650,3 \text{ ths.UAH}$$

$$\text{Total assets} = 343326,65 \text{ ths.UAH}$$

2) Equity and liabilities Planning.

Registered capital (RG) will stay the same - 83111 ths.UAH in planning period.

According to the proposed idea to transfer long-term loan from owners to additional capital (AC), the last will be:

$$AC_{pl} = 437517 \text{ ths. UAH}$$

Planning retained earnings (unrecovered loss) will increase by the amount of net profit.

$$UL_{pl} = UL_{2017} + NP_{pl} = -554991 + 571,58 = -554419,42 \text{ ths.UAH}$$

$$\text{Total equity} = -33791,42 \text{ ths.UAH}$$

$$\text{Long-term liabilities} = 4845 \text{ ths.UAH}$$

Accounts payable (AP) planning. Accounts payable are calculated through its turnover period:

$$AP_{pl} = NS_{pl} * TP_{APpl} - 20\% / 360 = 1636848,83 * 54 / 360 = 245527,33 \text{ ths.UAH}$$

Bank loan (BL) and other current liabilities (OCL) will stay at the level of the last reporting year: $BL_{pl} = 60000 \text{ ths. UAH}$, $OCL_{pl} = 55247 \text{ ths. UAH}$.

$$\text{Total current liabilities} = 360774,33 \text{ ths.UAH}$$

$$\text{Total passive} = 331827,91 \text{ ths.UAH}$$

As we can see, the amount of the asset, exceeds the capital and liabilities amount. We make balance of these two parts adding the difference between the assets and passive to the item "other current liabilities". Thereby, other current liabilities in the planned period will amount to 66745,74 ths. UAH, and all current liabilities:

372273,07 ths. UAH, and the balance will be 343326,65 ths. UAH. The results of the planned Balance Sheet of the enterprise are presented in table 3.3.

Table 3.3

Planned Balance Sheet of SUMATRA-LTD, ths. UAH

Assets			Passive		
Statement item	2017 year	2018 (planned) year	Statement item	2017 year	2018 (planned) year
Fixed assets	36466,50	32819,85	Registered capital	83111,00	83111,00
Intangible assets	4826,50	4826,50	Additional capital	0,00	437517,00
Incomplete capital investments	16030,00	16030,00	Retained earnings (unrecovered loss)	-515958,50	-554419,42
Long-term financial investments	0,00	0,00	Other equity	0,00	0,00
Other non-current assets	0,00	0,00	Total equity	-432847,50	-33791,42
Total non-current assets	57323,00	53676,35	Long-term bank loans	0,00	0,00
Inventories	205473,00	195199,35	Other long-term liabilities	436947,50	4845,00
Accounts receivable	53150,50	42334,48	Total long-term liabilities	436947,50	4845,00
Cash	35814,00	49930,97	Short-term bank loans	59000,00	60000,00
Current financial investments	0,00	0,00	Current accounts payable	257627,00	245527,33
Other current assets	2185,50	2185,50	Other current liabilities	33219,00	66745,74
Total current assets	296623,00	289650,30	Total current liabilities	349846,00	372273,07
BALANCE	353946,00	343326,65	BALANCE	353946,00	343326,65

Source: calculated by the author

From the table 3.3 we can see that, even despite of the overall decrease of the total value of the balance, the value of equity for the planned period is higher than average in 2017 and enterprise has much more ready means of payment, which could be forwarded for the repayment of its liabilities (for example borrowed capital or payables).

For the clear vision of improvements after implementation of proposed measures main financial ratios of SUMATRA-LTD company for the planned period were calculated. The results are reflected in the table 3.4.

Table 3.4

Planned financial ratios of SUMATRA-LTD

Ratio	2017 Year	2018 (planned) year
Absolute liquidity ratio	0,1049	0,1341
Current ratio	0,7802	0,7781
Financial autonomy ratio	-1,3280	-0,0984
Debt ratio	2,3280	1,0984
ROA, %	-22,06	0,17
ROD, %	-19,84	0,15
Net return on sales, %	-5,00	0,03

Source: calculated by the author

In the planned period almost all ratios show that financial security of SUMATRA-LTD is becoming better comparing with 2017.

According to the calculations in planned period the enterprise can meet 13% of its current liabilities immediately by the ready-made funds.

The structure of capital has changed, the share of the borrowings in total amount of capital and liabilities is smaller than previously and the financial autonomy of the enterprise increased, though still is negative.

The profitability ratios also give an opportunity to say, that financial state of SUMATRA-LTD has improved. At least this is evidenced by the appearance of positive values of key indicators. And gradually the situation will improve and the company will be able to restore its financial stability and solvency.

Thus, using the above-mentioned measures, an enterprise can increase its financial security, thereby ensuring more efficient and stable financial and economic activity and achieving a high level of protection of the financial interests of the owners of the enterprise.

CONCLUSIONS AND PROPOSALS

In the conditions of financial instability, which is characterized by the fluctuation of factors of the external environment of the enterprise, threats to its financial interests from individual business entities, a high level of financial risks, one of the current areas of management of the enterprise is to ensure its financial security.

The concept of financial security has become the object of research of many scientists, and based on the interpretations and analysis of types highlighted in their writings it can be said that financial security of the company is a state of financial resources of the enterprise that will meet the to satisfy the coordinated balanced financial interests of its economic agents and to stably operate and develop under the influence of external and internal threats.

The very significant impact on the financial security is made by the factors of the external and internal environment (business conditions, effective demand and consumer income, tax and credit policy of the government, material and resource support, economic and technical development of the enterprise, level of profitability, etc.). They can have both positive and negative effects. The analysis of these factors helps to identify the strengths and weaknesses in the activities of the enterprise and to develop measures and courses of action by which it could increase the sustainability of development and ensure its success.

To identify destructive impacts, to develop and apply preventive measures to protect financial security, as well as to counter the identified threats, an assessment of the level of financial security of an enterprise is carried out.

Methods of such assessment are diverse, but if at the state level they are already fully developed, at the enterprise level they remain debatable. This primarily concerns the choice of criteria for assessing the financial security of an enterprise and the system of indicators characterizing it.

Disclosure of the topic of the final qualifying paper was carried out through a study of the financial position of SUMATRA-LTD, that carries out its activity in the field of trade. The company operates in the European format that is called drogerie.

A study of the market situation in the drogerie network showed that the company has a small market share and ranks last after its main competitors in the number of open retail stores. Also other networks show significantly better dynamics of the absolute value of sales figures and the number of checks for the store.

In this project threats of an external nature and the degree of their influence on the level of financial security of LLC SUMATRA-LTD were investigated. So, the least destructive actions are caused by the technological threats. The greatest threat to the financial security of an enterprise is the negative impact of economic factors, which include a slow economic growth rate, ultrahigh inflation and interest rates, high unemployment, strengthening of competitors' positions, and others.

Analysis of the financial state of the company showed the existence of problems related to the stability, solvency and profitability of the enterprise, which were caused by losses in the last three years, which in turn led to a negative equity value.

Using various methodological approaches, the assessment of the level of financial security of SUMATRA-LTD was carried out. Thus, it was revealed that the enterprise is at a very low level, and the diagnosis of the possibility of bankruptcy as a result showed a greater threat of its formation.

In order to get out of the negative financial situation prevailing in the enterprise, measures to improve the mechanism for managing the security of the enterprise and ways to increase the level of financial security were taken.

So, in order to ensure sufficient financial security of SUMATRA-LTD the equity share should be increased through the implementation of the such measures: change in the size of the statutory fund, an increase in profitability (an increase in sales volumes and an increase in products profitability, a reduction of costs of goods sold and optimization of expenses, improvements of the efficiency of financial services on the enterprise), an increase in the efficiency of the acquisition of total assets and debt repayment and debt capital.

There was also considered the system of enterprise risk management as one of the ways to deal with the critical level of financial security. Risk management has

much more narrower field of activity than common system of financial management, but aimed to protect financial interests of enterprise from possible external and internal threats. In this regard, the main objective of managing financial risks is to improve the financial security of the enterprise in the process of its development and prevent a possible reduction of its market value.

So, for the successful management of the financial and economic security of an enterprise, an effective financial management system is needed, which is capable of ensuring a compromise between the interests of the enterprise's development, the availability of a sufficient level of funds and the solvency of the enterprise. In this case, the main strategic objectives of the enterprise should be: profit maximization; optimization of capital structure and ensuring the financial sustainability of the enterprise; minimization of the financial risks which were revealed on the enterprise and their impact; ensuring the investment attractiveness of the enterprise; improving the competitive position of the enterprise in the market.

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