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The World Economy Department

FINAL QUALIFYING PAPER (PROJECT)

on the topic:

**«INTERNATIONAL ECONOMIC ACTIVITY OF UKRAINIAN SMALL AND
MEDIUM-SIZED ENTERPRISES»**

(based on the data of Business Plastics LLC, Kyiv)

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LIST OF ABBREVIATIONS

AWU - Annual Work Unit;

CPI – Corruption Perceptions Index;

EU – European Union;

EUR – Euro;

FEA – Foreign Economic Activity;

GDP – Gross Domestic Product;

IP – Intellectual Property;

LLC - Limited Liability Company;

OECD – Organization for Economic Cooperation and Development;

RI - Return on Imports;

SMB – Small and Medium-sized Business;

SMEs - Small and Medium-sized enterprises;

SSSU – State Statistics Service of Ukraine;

USD – United States Dollar;

INTRODUCTION

In today's world, it is hard to imagine global economics without enterprises. However, not only big enterprises play a significant role in economic activities.

The activity of SMEs in any country is important for the further development of the economy (Herr & Nettekoven, 2018, p. 3). To begin with, SMEs contribute to the growth of employment and income in the country. Secondly, SMEs are an internal source of growth and the basis of private sector activity in the country. In addition, SMEs stimulate innovation and helps to stabilise slowdowns in economic activities (Abd Jabar, et al., 2016, p. 151). Auzzir et al. argue that SMEs make up 90 percent of enterprises in developing countries (2018, p. 1131). According to the source, more than 95 percent of companies worldwide are SMEs (Bilal & Al Mqbali, 2015). Therefore, SMEs, even including micro-enterprises, are the engine of the modern world economy. SMEs also play a significant role in the Ukrainian economy.

In developing countries, this can be partly influenced by various factors such as ineffective policies to support the economic and social development of SMEs and limited access to affordable financial resources (Herr & Nettekoven, 2018, p. 2)

The relevance of the topic is that in most countries, SMEs represent the majority of enterprises, provide most of the employment, and make an important contribution to income generation. For instance, SMEs represent 99% of all businesses in the EU (European Commission, 2020). For these reasons, we can safely say that the activities of small and medium enterprises are extremely important for modern Ukraine.

Analysis of the level of development of the topic is quite broad as currently, a lot of researchers and scientists devote their attention to the issue of SMEs and their role in the country's economy. To these researchers belong Dethine et al., (2020)., Abd Jabar et al., (2016), Malca O., et al., (2019), Herr H., Nettekoven Z. M. Moreover, international organizations as European Commission, OECD and World Bank provides with variety of reports on SMEs activities.

The purpose of this paper is to analyze international economic activity of Business Plastics LLC. **The task** of this paper:

- determine the essence and features of Ukrainian SMEs economic activity;
- determine the role of Ukrainian SMEs in international economic activity;
- provide an evaluation of Business Plastics LLC performance in the domestic market;
- provide analysis of the international economic activity of Business Plastics LLC;
- develop measures to improve the economic activity of Business Plastics;
- provide a forecast evaluation of the effectiveness of suggested measures for Business Plastics LLC;

The object of the topic is the process of international economic activity of Ukrainian small and medium-sized enterprises. **The subject** of the topic is methodological principles of operation Business Plastics LLC as Ukrainian SME in context of international economic activity.

In this paper were used different **methods of the research question**. Among them are methods of analysis and synthesis, scientific-analytical methods, comparison methods, a generalization of scientific publications and information databases, qualitative research method and quantitative research method. In constructing the tables and figures were used general methods as abstract-logical, graphical, empirical and statistical.

The scientific and practical novelty of the obtained results is expressed in the study of the activities of Business Plastics LLC, as an example of micro-enterprises in Ukraine. **Information on approbation of research results:** The information on testing the results of the study is represented in the scientific article: “International economic activity of small and medium-sized enterprises in Ukraine” in collection of scientific articles “World Economy”, KNUTE, Kyiv, 2020.

The structure of the paper is organized as follows. The paper consists of three sections, each of which includes 2 paragraphs and short conclusions. The first part focuses on research on the current state of SMEs in Ukraine, which describes the essence and features of SMEs in Ukraine and defines its role in international economic activity of the country. The second section is devoted to the assessment of international economic activity of Business Plastics LLC. The third section considers ways of improvement of international economic activity of Business Plastics LLC and forecast evaluation of the effectiveness of these measures.

PART 1

RESEARCH ON CURRENT STATE OF UKRAINIAN SMALL AND MEDIUM-SIZED ENTERPRISES

1.1 The essence and features of Ukrainian SMEs economic activity

Small and medium-sized enterprises are considered to be the most competitive and vulnerable enterprises in the world economy and are critical to the development of any country because they play a significant role in human development, poverty reduction and sustainable economic growth (Naradda Gamage et al., 2019, p. 4).

Generally, there is no one official and common worldwide definition of SMEs because different countries, depending on their level of development, use different criteria to measure the size of the enterprise. In most countries, the main criteria are capital, the total number of employees, total investment and sales turnover. The abbreviation SME is often used in different countries, such as the European Union and the United States. In addition, the term SME is used by international organizations such as the World Bank, the United Nations and the World Trade Organization (Bilal & Al Mqbali, 2015, p.121-122).

The official definition of SMEs at the legislative level in Ukraine was introduced in 2012. The Government of Ukraine aligned its classification of SMEs with the European Union's definition for comparability of statistics. It defines micro, small and large enterprises based on employment and turnover criteria. Such criteria are broadly consistent with the definition of SMEs in the European Union, although the EU definition uses a little different criterion (OECD et al., 2020, p. 481).

In compiling statistics on SMEs, the State Statistics Service of Ukraine (SSSU) uses both the existing legal definition of SMEs and a definition based only on employment (SSSU to ensure comparability with the EU (OECD et al., 2020, p. 481).

The first general definition of SMEs in the European Union was introduced in 1996 (Commission Recommendation 96/280 / EC of 3 April 1996 regarding the definition of small and medium-sized enterprises). In 2003, the definition of SMEs was revised and as

a result of this process the current version of the definition of SMEs was adopted (European Commission, 2020, p. 32)

According to the European Commission (2020b), enterprises can be classified in different categories according to their size. For this purpose, different criteria may be used, but the most common is the number of employed people (annual work unit (AWU)) and annual turnover or annual balance sheet total.

EU's definition determines the number of employees and the turnover of the enterprise based on consolidated accounts for enterprises or balance sheet total that are related to others. Therefore, it is important to know whether an enterprise is part of a larger business group.

However, in contrast to the EU's definition, the Ukrainian Commercial Code definition, according to which enterprises are defined as small and medium ones, does not take membership of a business group into account. Another difference between EU and Ukrainian SME statistic is the broad definition of medium-sized enterprises in Ukraine.

In the tables below (table 1.1 and table 1.2) are summarized the criteria of SMEs in Ukraine and the European Union and its description. In table 1.1 is described the SME criteria in Ukraine and the EU.

Table 1.1.

Description of the SMEs criteria in Ukraine and EU

Criteria of SMEs in Ukraine	Criteria of SMEs in the EU
According to the Commercial Code of Ukraine Art. 55, as of 22 March 2012:	According to the European Commission, 2020b, p. 11:
<ul style="list-style-type: none"> • <u>Micro-enterprises</u> are defined as enterprises that employ fewer than 10 persons and whose annual income does not exceed EUR 2 million. 	<ul style="list-style-type: none"> • <u>Micro-enterprises</u> are defined as enterprises that employ fewer than 10 persons and whose annual turnover or annual balance sheet total does not exceed EUR 2 million.
<ul style="list-style-type: none"> • <u>Small enterprises</u> are defined as enterprises that employ fewer than 50 persons and whose annual income does not exceed EUR 10 million. 	<ul style="list-style-type: none"> • <u>Small enterprises</u> are defined as enterprises that employ fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed EUR 10 million.

Continuation of Table 1.1

Criteria of SMEs in Ukraine	Criteria of SMEs in the EU
According to the Commercial Code of Ukraine Art. 55, as of 22 March 2012:	According to the European Commission, 2020, p. 11:
<ul style="list-style-type: none"> • <u>Medium-sized enterprises</u> are all enterprises that do not fall into the category of small or large enterprises. 	<ul style="list-style-type: none"> • <u>Medium-sized enterprises</u> are defined as enterprises that employ fewer than 250 persons and either has an annual turnover that does not exceed EUR 50 million, or an annual balance sheet not exceeding EUR 43 million.
<ul style="list-style-type: none"> • <u>Large enterprises</u> are defined as enterprises that employ more than 250 persons and either has an annual income that exceeds EUR 50 million. 	<ul style="list-style-type: none"> • <u>Large enterprises</u> are defined as enterprises that employ more than 250 persons and either has an annual turnover or annual balance sheet total that exceed EUR 43 million.

Source: created by the author based on the data of Commercial Code of Ukraine (2012) and European Commission (2020b)

Table 1.1 proves that Ukrainian definition of SMEs is in line with EU definition, which also is shown in table 1.2. Detailed criteria of SMEs in Ukraine and EU is summarized in table 1.2.

Table 1.2.

SMEs criteria in Ukraine and EU

Criteria/Type of entity	Ukraine		EU		
	Employment	Annual income	(AWU)/ Employment	Annual Turnover	Annual balance sheet
Micro	≤ 10 employees	≤ EUR 2 million	≤ 10 employees	≤ EUR 2 million	≤ EUR 2 million
Small	≤ 50 employees	≤ EUR 10 million	≤ 49 employees	≤ EUR 10 million	≤ EUR 10 million
Medium	All enterprises that do not fall into the category of small or large enterprises		≤ 249 employees	≤ EUR 50 million	≤ EUR 43 million
Large	≥ 250 employees	≥ EUR 50 million	≥ 250 employees	≥ EUR 50 million	≥ EUR 43 million

Source: created by the author based on the data of Commercial Code of Ukraine (2012) and European Commission (2020b)

According to the Annual Report on European SMEs 2018/2019, there were slightly more than 25 million SMEs in the EU-28, of which 93% were micro-SMEs in 2018.

Of all enterprises in the EU-28 non-financial business sector, SMEs accounted for 99.8% and 66.6% of employees (European Commission, 2020a, p.17).

According to Export Strategy of Ukraine, small and medium-sized enterprises also prevail in the business environment of Ukraine (2017, p. 19). The small and medium-sized business sector accounts for more than 99,8 % of the total number of enterprises in Ukraine (table 1.3 and figure 1.1) and employs about two-thirds of the country's entire workforce (table 1.4). These make SMEs an important and integral component of the Ukrainian economy.

Table 1.3

Number of large and SMEs in Ukraine in 2015-2019

Year	Large entities		Medium entities		Small entities		of which Micro entities	
	250 people or more		50-249 people		10-49 people		up to 9 people	
	units	in % to the total	units	in % to the total	units	in % to the total	units	in % to the total
2015	423	0,02	15 510	0,79	1 958 385	99,19	1 910 830	96,78
2016	383	0,02	15 113	0,81	1 850 034	99,17	1 800 736	96,53
2017	399	0,02	15 254	0,85	1 789 406	99,13	1 737 082	96,23
2018	446	0,02	16 476	0,90	1 822 671	99,08	1 764 737	95,93
2019	518	0,03	18 129	0,93	1 922 978	99,04	1 864 013	96,00

Source: created by the author based on the data of State Statistics Service of Ukraine (2020d)

Table 1.3 shows that the highest number of units (enterprises) in share have small enterprises (including micro). However, the share of micro-enterprises is 96%, while the share of small enterprises only – 3, 04 (see figure 1.1). The share of large enterprises is small that it is less than 1%. In the same time, the share of medium enterprises among all other is also less than 1%, however, it is pretty close to cross this border.

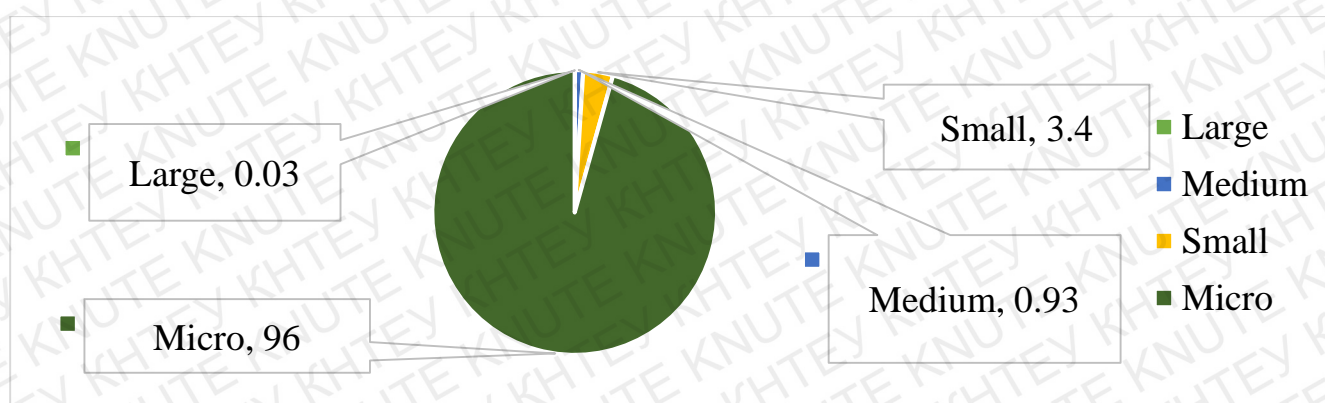


Figure 1.1: % of large and SMEs in Ukraine in 2019

Source: created by the author based on the data of SSSU (2020d)

According to the table 1.4, data provided by State Statistics Service of Ukraine states that among all Ukrainian enterprises registered in 2019, the highest number of employees - 47,90% was hired by enterprises with 10-49 people (referred to small enterprises, which include also micro-enterprises).

Table 1.4

Number of employees, persons, of large and SMEs in Ukraine in 2015–2019

Year	Large entities		Medium entities		Small entities		of which Micro entities	
	250 people or more		50-249 people		10-49 people		up to 9 people	
	persons	in % to the total	persons	in % to the total	persons	in % to the total	persons	in % to the total
2015	1 708 592	20,89	2 632 690	32,18	3 838 749	46,93	2 878 532	35,19
2016	1 586 582	19,57	2 649 985	32,68	3 871 758	47,75	2 814 754	34,71
2017	1 560 900	19,17	2 623 807	32,23	3 956 331	48,60	2 874 845	35,31
2018	1 574 301	18,45	2 784 464	32,63	4 173 665	48,92	3 032 968	35,55
2019	1 608 347	17,84	3 089 709	34,26	4 319 757	47,90	3 168 970	35,14

Source: created by the author based on the data of SSSU (2020e)

Medium-sized enterprises (50–249 employees) account for 34,26% employees, while only 17,84% of employees were higher by large enterprises (more than 250 workers). However, the highest number of employees are in the small-sized business sector (including micro-enterprises), which account for 47,90% in total share. It worth to add that 35,14% out of 47,90% belongs to microenterprises, while only 12,76% were hired by small enterprises (see figure 1.2).

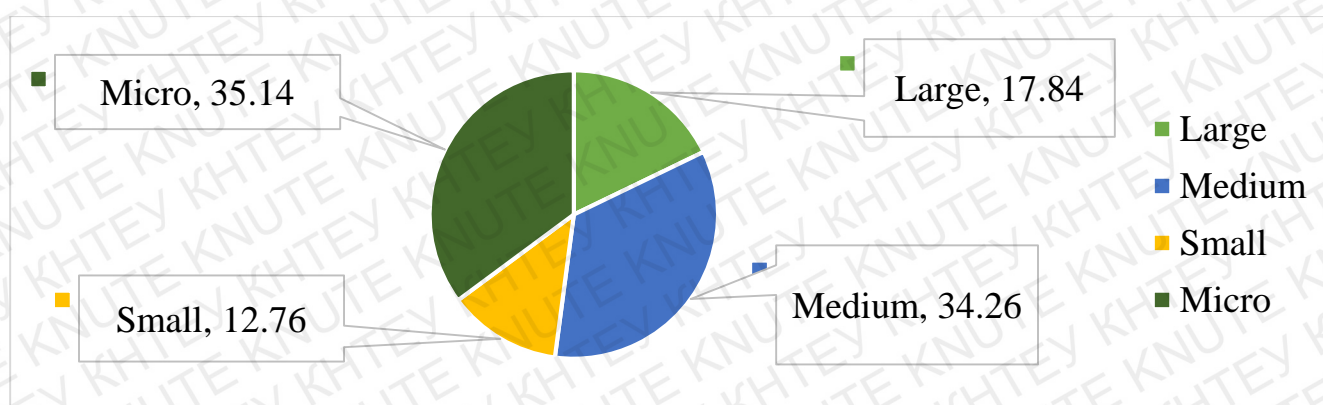


Figure 1.2: % of the number of employees in large and SMEs in Ukraine in 2019

Source: created by the author based on the data of SSSU (2020d)

Labor costs include the wages of workers who are directly involved in production activities, services and benefits such as insurance and medical care (Kaiser, 2019, p, 423).

Table 1.5 consists of labor costs of large and SMEs in Ukraine in 2015–2019.

Table 1.5

Labor costs, thousand UAH, of large and SMEs in Ukraine in 2015–2019

Year	Large entities		Medium entities		Small entities		of which Micro entities	
	250 people or more		50-249 people		10-49 people		up to 9 people	
	thousand UAH	in % to the total	thousand UAH	in % to the total	thousand UAH	in % to the total	thousand UAH	in % to the total
2015	121 936 845	41,22	126 883 714	42,89	46 986 066	15,88	15 413 676	5,21
2016	143 656 615	39,81	159 582 828	44,23	57 591 885	15,96	17 328 980	4,80
2017	177 097 910	37,46	212 589 320	44,97	83 077 514	17,57	23 122 392	4,89
2018	233 279 988	38,77	267 341 926	44,43	101 039 284	16,79	33 156 623	5,51
2019	284 568 735	38,10	340 970 299	45,65	121 440 773	16,26	38 980 645	5,22

Source: created by the author based on the data of SSSU (2020f)

According to the SSSU (2020), table 1.5 shows that share of medium-sized enterprises in labor costs is 45,65%, which makes it the highest share among other types of enterprises. On the second place is the share of large enterprises, which accounts for 38,10%. The share of small enterprises, even including micro-enterprises is only 16,26 in labor costs. The share of micro-enterprises accounts for 5,22%, while the share of small enterprises is 11% (see figure 1.3).

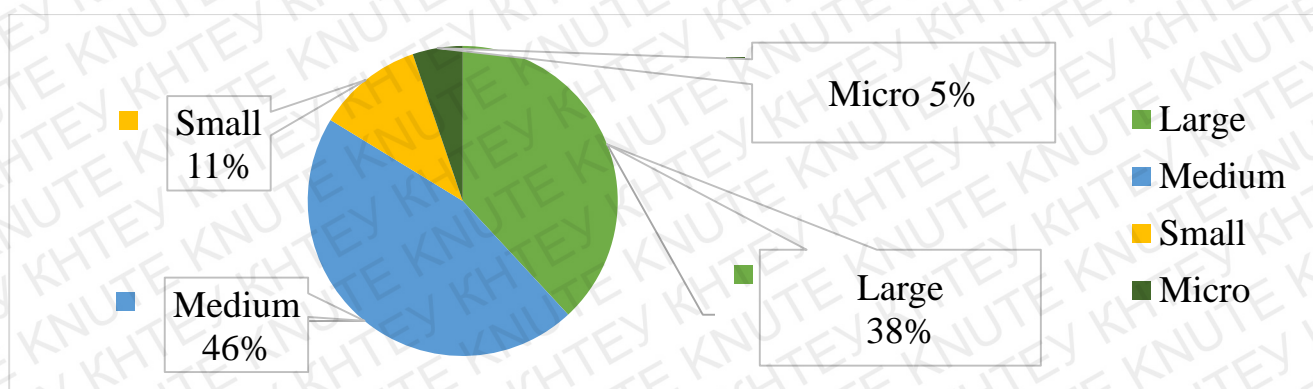


Figure 1.3: Labor costs, thousand UAH, of large and SMEs in Ukraine in 2019

Source: created by the author based on the data of State Statistics Service of Ukraine (2020f)

Figure 1.3 shows that in 2019 medium-sized enterprises (45,65%) spend more costs for labor than large enterprises (38,10%). While small enterprises account for 16,26% labor costs.

According to Soltani, & Davanloo, sales volume is the number of products sold or services provided by the company for a certain period (2016, p. 293). Table 1.6 provides information about sales volume (turnover) of large enterprises and SMEs in Ukraine in 2015-2019 according to the data of State Statistics Service of Ukraine

Table 1.6

Turnover (Sales volume) of large and SMEs in Ukraine in 2015-2019

Year	Large entities		Medium entities		Small entities		of which Micro entities	
	250 people or more		50-249 people		10-49 people		up to 9 people	
	thousand UAH	in % to the total	thousand UAH	in % to the total	thousand UAH	in % to the total	thousand UAH	in % to the total
2015	2 053 189 492	39,8	2 168 764 822	42,04	937 112 826	18,16	307 449 975	5,96
2016	2 391 454 263	38,34	2 668 695 707	42,78	1 177 385 243	18,88	361 784 021	5,8
2017	2 929 516 585	38,01	3 296 417 897	42,77	1 482 000 737	19,23	497 777 058	6,46
2018	3 515 839 461	38,19	3 924 059 641	42,62	1 766 150 444	19,18	599 625 563	6,51
2019	3 631 415 313	37,67	4 168 439 400	43,24	1 839 875 890	19,09	612 370 436	6,35

Source: created by the author based on the data of State Statistics Service of Ukraine (2020g)

Table 1.6 shows that from 2015 to 2019 the turnover of large enterprises decreased from 39,80% to 37,67%. Although the SME sector showed an increase in total turnover in the period from 2015 to 2019. However, this increase remains barely noticeable. SMEs share in total turnover was 62,33% against 37,67% in 2019 (see figure 1.4).

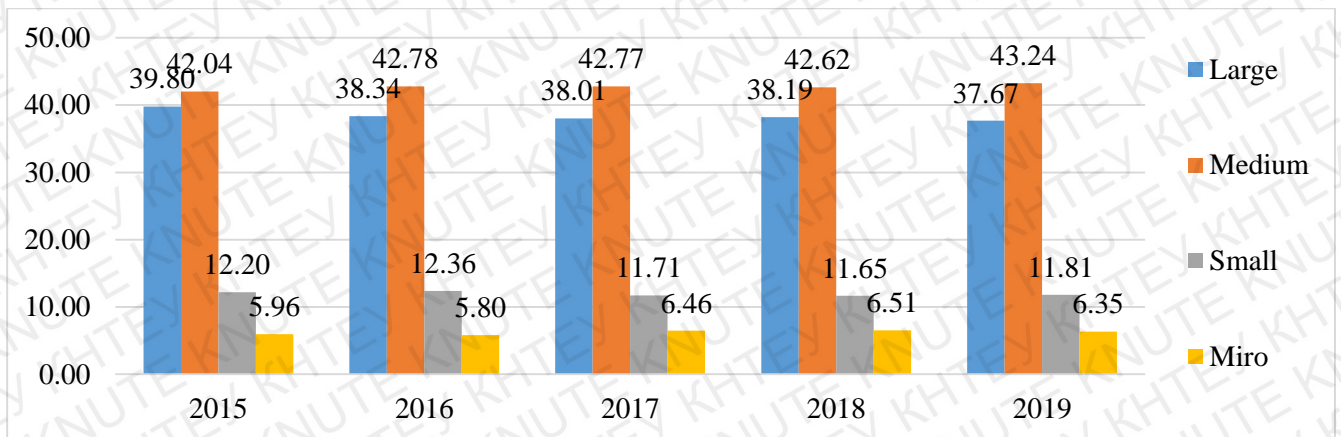


Figure 1.4: Turnover (Sales volume) in % of large and SMEs in Ukraine in 2015-2019
Source: created by the author based on the data of State Statistics Service of Ukraine (2020g)

Figure 1.4 demonstrates that from 2015 to 2019 turnover of large enterprises was larger than the turnover of small enterprises. Nonetheless, figure 1.5 shows the tendency of turnover depending on the size of the enterprise in the period from 2015 till 2019.

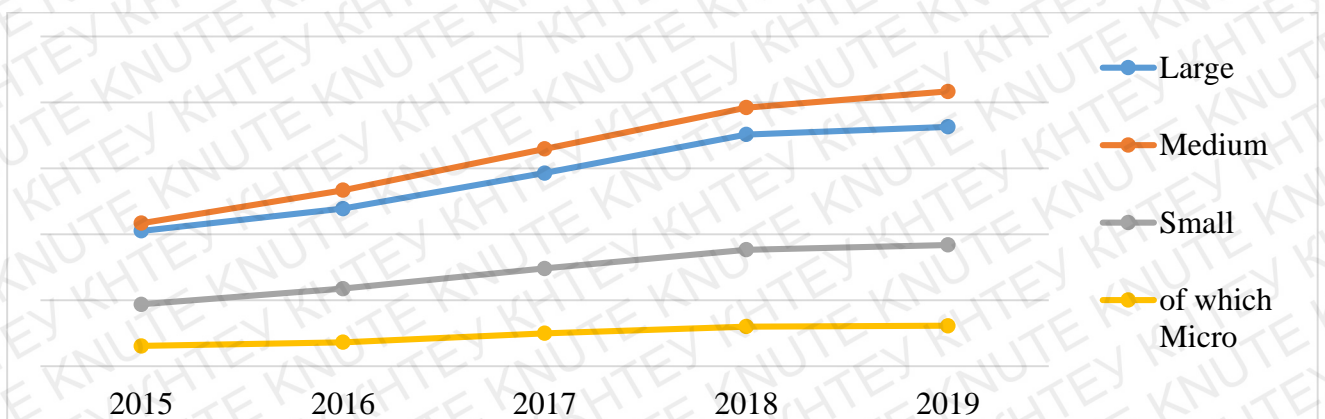


Figure 1.5: Tendency in turnover of large and SMEs in Ukraine in 2015-2019, thsd UAH

Source: created by the author based on the data of State Statistics Service of Ukraine (2020g)

According to the figure 1.5, all types of enterprises had a positive tendency in turnover. However, turnover of micro-enterprises had a small decrease in 2019.

1.2 The role of Ukrainian SMEs in international economic activity

The development of international economic activity allows achieving economic growth and concerns not only trade in goods, but also services and intellectual property (IP). However, it is clear that not all enterprises in national economies can enter international markets, although the internationalization and globalization of SMEs are becoming ubiquitous in the modern world. This is underlined by the growing number of SMEs looking to export and import operations at the international level. In addition to this, the contribution of SMEs to international trade is also growing. This is also accompanied by the expectations of SMEs regarding government action. With the support of governments, SMEs become significant and strong players in international economic markets, accumulating added value and generating profits. SMEs enjoy advantages and greater stability when there is government support to operate in foreign markets (Malecka, 2017, pp. 10-11).

In recent years, Ukraine became highly involved in foreign economic activity in terms of internationalization. Moreover, role of SMEs in international economic activity in Ukraine is also growing due to internationalization.

In turn, the internationalization can be defined as the process of raising the contribution of organizations to foreign markets, which can happen in a variety of ways such as exporting, importing, foreign investment and opening subsidiaries in foreign countries (Dethine et al., 2020, p. 19).

In order to define the role of Ukrainian SMEs in international economic activity, there should be analyzed open statistics data regarding export and import operations. However, in Ukraine, there is a lack of economic statistics on the SME sector's export and import operations.

Nonetheless, in 2018, for the first time, the State Statistics Service of Ukraine (SSSU) released exports and imports statistics by economic entities by a number of hired workers by types of economic activity. Before, in the period 2015 – 2017, SSSU used to do reports on exports and imports of goods by the number of hired workers by types of economic activity.

Table 1.7, demonstrates a number of enterprises, which are engaged in international economic activity as exports of goods, depending on the size of the enterprise by a number of hired workers in the period from 2015 till 2018.

Table 1.7

Exports of goods by type of economic entities in 2015 – 2018, units

Year	Micro entities		Small entities		Medium entities		Large entities	
	up to 9 people		10-49 people		50–249 people		250 people or more	
	number of enterprises	in% to the total number	number of enterprises	in% to the total number	number of enterprises	in% to the total number	number of enterprises	in% to the total number
2015	5 086	37,71	4 259	31,58	2 897	21,48	1 245	9,23
2016	5 656	38,53	4 646	31,65	3 111	21,19	1 268	8,64
2017	5 577	37,43	4 853	32,57	3 204	21,50	1 266	8,50
2018	1 926	20,30	3 544	37,36	2 818	29,71	1 198	12,63

Source: created by the author based on the data of SSSU (2020h, i, j, k)

According to table 1.7, in 2018 there is a noticeable decrease in the number of enterprises which are engaged in export by all types of economic entities, in comparison to 2015. The most rapid decrease was in the number of micro-enterprises, which fall from 5 086 till 1 926. However, there were no extremely noticeable changes in other types of economic entities between 2015 and 2017. In 2018, the share of all SMEs in export operations was 87,37% against 12,63% - the share of large enterprises in export operations (see figure 1.5).

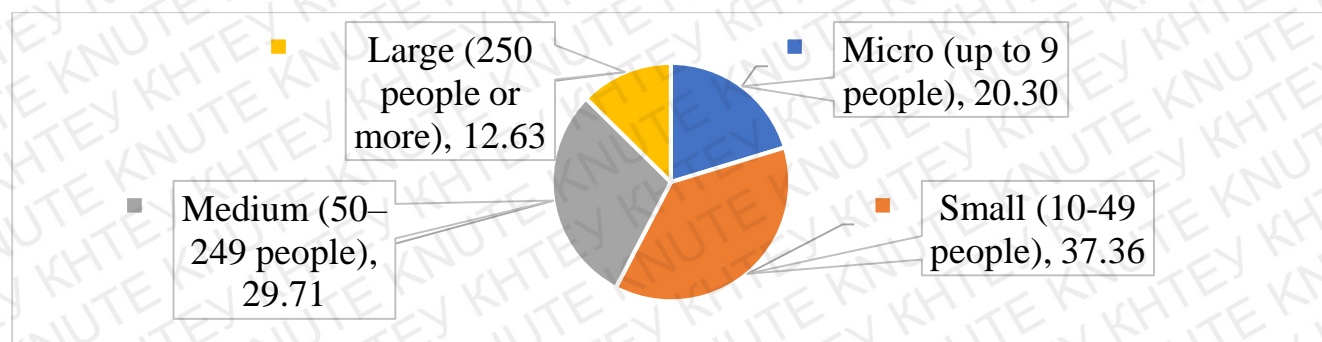


Figure 1.5: Exports of goods by type of economic entities in 2018, the share of units

Source: created by the author based on the data of SSSU (2020h)

Figure 1.5 shows that among 87,37% of SMEs the share of small enterprises was the highest – 37,36%, while the second position belongs to the share of medium-sized enterprises was 29,71%. Finally, the share of microenterprises was the smallest – 20,30% of a total number of enterprises, which were involved in export in 2018.

Table 1.8

Exports of goods by type of economic entities in 2015 – 2018, mln. USD

Year	Micro entities		Small entities		Medium entities		Large entities	
	up to 9 people		10-49 people		50–249 people		250 people or more	
	mln. USD	in% to the total volume	mln. USD	in% to the total volume	mln. USD	in% to the total volume	mln. USD	in% to the total volume
2015	1 728,10	4,73	2 930,10	8,02	6 060,20	16,59	25 815,30	70,66
2016	1 739,90	4,98	2 831,40	8,11	5 721,30	16,38	24 628,30	70,53
2017	1 819,41	4,46	3 209,33	7,87	6 656,92	16,32	29 108,80	71,35
2018	1 298,43	3,02	2 639,40	6,13	7 080,55	16,45	32 031,58	74,41

Source: created by the author based on the data of SSSU (2020h, i, j, k)

According to the table 1.8, in 2018 there is a noticeable decrease in millions of USD in such types of economic entities as micro and small enterprises, which are engaged in export, in comparison to 2015.

However, there were positive changes in millions of USD in other types of economic entities as medium-sized and large enterprises between 2015 and 2018.

Table 1.8 also shows in general, a negative tendency of the share of millions of USD of SMEs to the total volume, in the period from 2015 till 2018.

In 2018, the share of SMEs millions of USD in export operations was only 25,6% against 42,41% - the share of large enterprises in export operations (see figure 1.6).

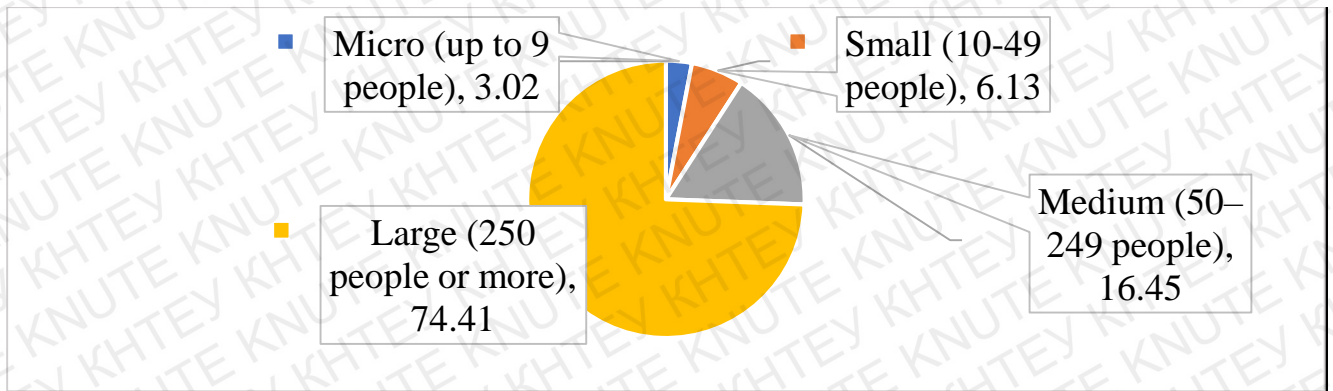


Figure 1.6: Exports of goods by type of economic entities in 2018, share of mln. USD
 Source: created by the author based on the data of SSSU (2020h)

Figure 1.6 shows that among 25,6% of SMEs the share in a total volume of millions of USD of medium-sized enterprises (50-249 people) was the highest – 16,45%, while the second position belongs to the share in a total volume of millions of USD of small enterprises (10-49 people) was 6,13%. Finally, the share in a total volume of millions of USD of microenterprises (up to 9 people) was the smallest – 3,02% of a total number of enterprises, which were involved in export in 2018.

From this export, analysis follows a conclusion (see figure 1.7) that even though the share of SMEs (87,37%) in total number is larger than the share of large enterprises (12,63%), the share of large enterprises in a total volume of millions of USD is significantly higher (74,41%) than in SMEs (25,6%).

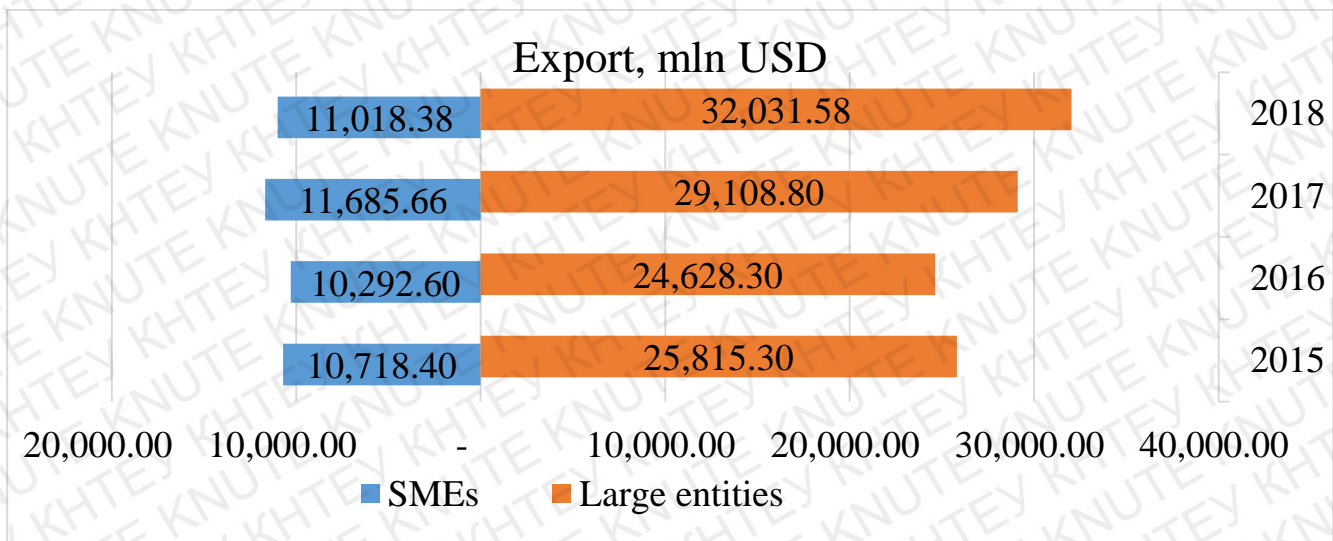


Figure 1.7: Exports of goods by type of economic entities in 2018, share of mln. USD
 Source: created by the author based on the data of SSSU (2020h, i, j, k)

Table 1.9, contains data of a number of enterprises, which are engaged in international economic activity as imports of goods, depending on the size of the enterprise by a number of hired workers in the period from 2015 till 2018: micro (up to 9 people), small (10-49 people), medium (50-249 people) and large (250 people or more).

Table 1.9

Import of goods by type of economic entities in 2015 – 2018, units

Year	Micro entities		Small entities		Medium entities		Large entities	
	up to 9 people		10-49 people		50–249 people		250 people or more	
	number of enterprises	in% to the total number	number of enterprises	in% to the total number	number of enterprises	in% to the total number	number of enterprises	in% to the total number
2015	10 320	50,15	5 996	29,14	2 872	13,96	1 389	6,75
2016	12 416	52,86	6 563	27,94	3 091	13,16	1 418	6,04
2017	12 953	52,19	7 100	28,60	3 267	13,16	1 501	6,05
2018	9 595	47,03	6 269	30,73	3 110	15,25	1 426	6,99

Source: created by the author based on the data of SSSU (2020 l, m, n, o)

As reported by table 1.9, in 2018 there is a pretty rapid decrease in a number of micro-enterprises (up to 9 people), which fall till 9 595 from 10 320 in 2015, and even fall from 12 953 number of micro-enterprises in 2016. Although, there was also a small decrease in the number of other types of economic entities between 2015 and 2018. In 2018, the share of all SMEs in import operations was 93,01% against 6,99% - the share of large (250 people or more) enterprises in import operations (see figure 1.8).

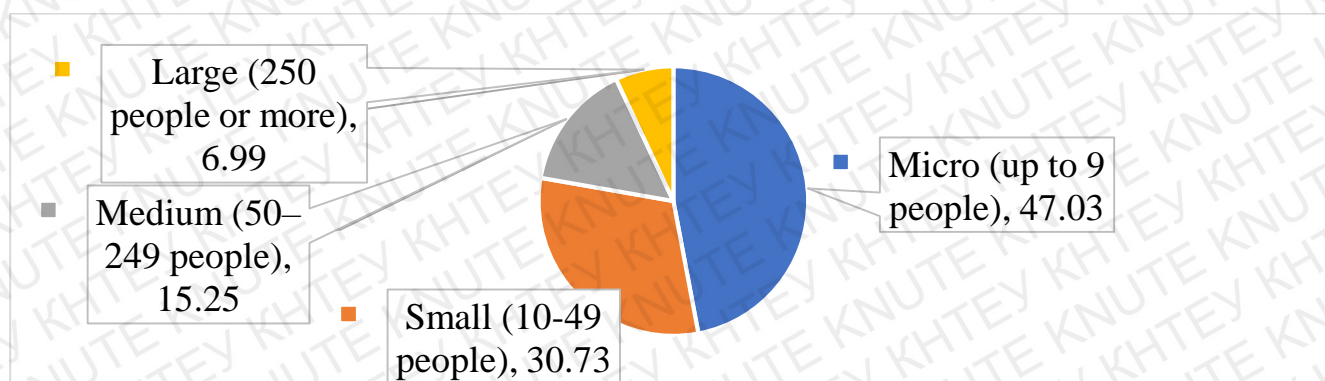


Figure 1.8: Import of goods by type of economic entities in 2018, units

Source: created by the author based on the data of SSSU (2020l)

Figure 1.8 shows that among 93,01% of SMEs the share of micro-enterprises (up to 9 people) was the highest – 47,03%, while the second position belongs to the share of small enterprises (10-49 people) was 30,73%. Finally, the share of medium-sized enterprises (50-249 people) was the smallest – 15,25% of the total number of enterprises, which were involved in import in 2018.

Table 1.10

Import of goods by type of economic entities in 2015 – 2018, mln. USD

Year	Micro entities		Small entities		Medium entities		Large entities	
	up to 9 people		10-49 people		50–249 people		250 people or more	
	mln. USD	in% to the total volume	mln. USD	in% to the total volume	mln. USD	in% to the total volume	mln. USD	in% to the total volume
2015	3 784,20	10,44	5 666,90	15,63	8 206,00	22,64	18 588,00	51,28
2016	4 608,10	12,06	6 628,60	17,35	9 826,20	25,72	17 145,60	44,87
2017	4 965,60	10,44	8 638,00	18,17	11 614,60	24,43	22 322,50	46,95
2018	4 888,60	9,50	9 778,30	19,00	11 278,80	21,92	25 518,70	49,59

Source: created by the author based on the data of SSSU (2020l, m, n, o)

According to the table 1.10, in 2018 there is an increase in millions of USD in such types of economic entities as small enterprises (10-49 people) and large enterprises (250 people or more) which are engaged in import, in comparison to 2015.

However, there were negative changes in millions of USD in other types of economic entities as medium-sized (50-249 people) and micro (up to 9 people) between 2015 and 2018.

In 2018, the share of SMEs millions of USD in import operations was 50,42% against 49,59% - the share of large (250 people or more) enterprises in import operations (see figure 1.9).

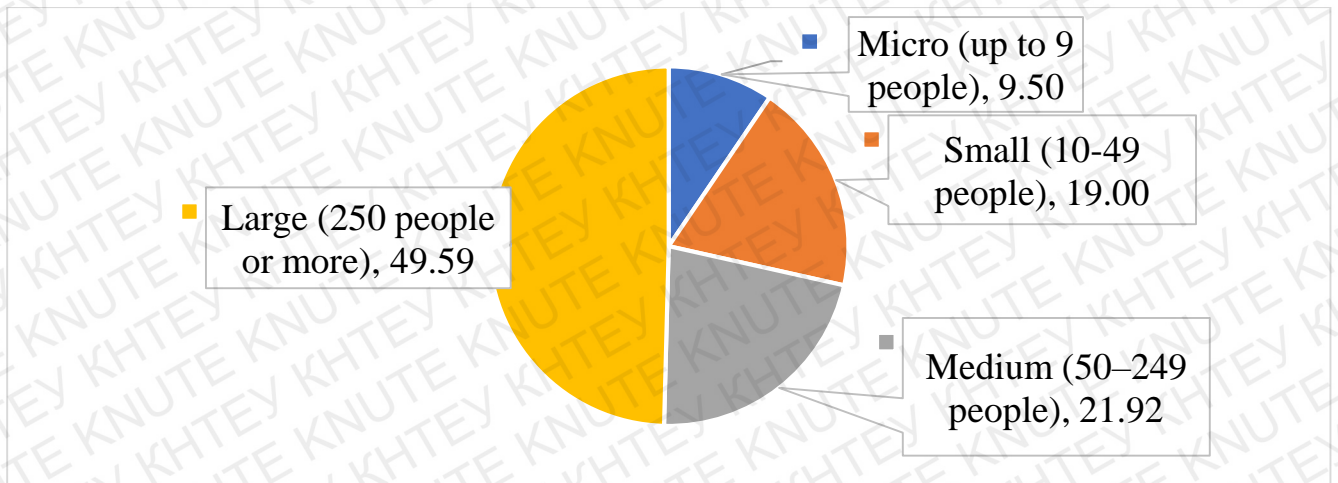


Figure 1.9: Import of goods by type of economic entities in 2018, mln. USD

Source: created by the author based on the data of SSSU (2020I)

Figure 1.9 shows that among 50,42% of SMEs the share in a total volume of millions of USD of medium-sized enterprises (50-249 people) was the highest – 21,92%, while the second position belongs to the share in a total volume of millions of USD of small enterprises (10-49 people) was 19%. Finally, the share in a total volume of millions of USD of microenterprises (up to 9 people) was the smallest – 9,50,02% of a total number of enterprises, which were involved in import in 2018.

From this import, analysis follows conclusion (see figure 1.10) that although the share of SMEs (93,01%) in a total number of enterprises is larger than a share of large enterprises (6,99%), however, the share of large enterprises (49,69%) in a total volume of millions of USD is almost the same as the share of SMEs (50,42%).

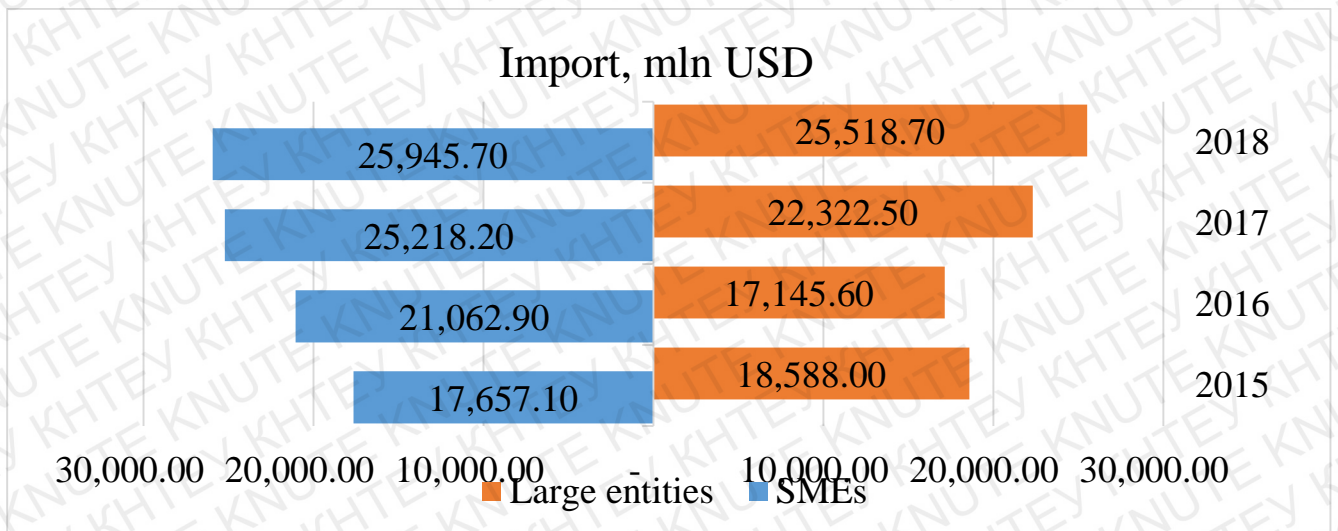


Figure 1.9: Import of goods by type of economic entities in 2018, mln. USD

Source: created by the author based on the data of SSSU (2020I, m, n, o)

International trade in goods and services is characterized by exports and imports of goods and services of the enterprise. That is why to investigate the involvement of Ukrainian SMEs in international trade were used indicators of foreign trade turnover and the foreign trade balance (see table 1.11).

Table 1.11

Foreign trade turnover and balance by economic in the period 2015 - 2018

Indicator	Year	Micro	Small	Medium	Large
		(up to 9 people)	(10-49 people)	(50–249 people)	(250 people or more)
		mln. USD	mln. USD	mln. USD	mln. USD
Export	2015	1 728,10	2 930,10	6 060,20	25 815,30
	2016	1 739,90	2 831,40	5 721,30	24 628,30
	2017	1 819,41	3 209,33	6 656,92	29 108,80
	2018	1 298,43	2 639,40	7 080,55	32 031,58
Import	2015	3 784,20	5 666,90	8 206,00	18 588,00
	2016	4 608,10	6 628,00	9 826,20	17 145,60
	2017	4 965,60	8 638,00	11 614,60	22 322,50
	2018	4 888,60	9 778,30	11 278,80	25 518,70
1. Foreign trade turnover	2015	5 512,30	8 597,00	14 266,20	44 403,30
	2016	6 348,00	9 459,40	15 547,50	41 773,90
	2017	6 785,01	11 847,33	18 271,52	51 431,30
	2018	6 187,03	12 417,70	18 359,35	57 550,28
2. Foreign trade balance	2015	-2 056,10	-2 736,80	-2 145,80	7 227,30
	2016	-2 868,20	-3 796,60	-4 104,90	7 482,70
	2017	-3 146,19	-5 428,67	-4 957,68	6 786,30
	2018	-3 590,17	-7 138,90	-4 198,25	6 512,88

Source: created by the author based on the data of State Statistics Service of Ukraine (2020h -o)

Table 1.11 demonstrates that all SMEs have a negative foreign trade balance, which means SMEs, in general, were involved in importing more than in exporting. While large enterprises have a positive trade balance, what proves their higher involvement in exporting than in importing. Furthermore, large enterprises have larger foreign trade turnover than all SMEs all together during all analyzed period (2015-2018).

Conclusions to part 1

SMEs play a significant role in human development, poverty reduction and sustainable economic growth. Generally, there is no official worldwide definition of SMEs because different countries, depending on their level of development, use different criteria to measure the size of the enterprise. The official definition of SMEs at the legislative level in Ukraine was introduced in 2012, which Ukrainian government brought into alignment with the European Union's definition for comparability of statistics. Ukrainian definition defines micro, small and large enterprises based on employment and turnover criteria. In contrast to this, EU defines micro, small and medium-sized enterprises based the number of employed people and annual turnover or annual balance sheet total.

The SMEs sector accounts for more than 99,8 % of the total number of enterprises in and employs about two-thirds of the country's entire workforce.

In recent years, Ukraine became highly involved in foreign economic activity in terms of internalization. Although, there is still a lack of economic statistics on the SME sector's export and import operations. However, in 2018, for the first time, the State Statistics Service of Ukraine (SSSU) released exports and imports statistics by economic entities by a number of hired workers by types of economic activity. Analyses of export in SMEs sector showed that despite the fact that the share of SMEs in total number is larger than the share of large enterprises in export operations, the share of large enterprises in a total volume of millions of USD is significantly higher than in SMEs.

In contrast to this, by analyzing import operations in SMEs sector claims was found that the share of SMEs in a total number of enterprises is also larger than a share of large enterprises in import operations. However, there is almost the same share SMEs in a total volume of millions of USD as share of large enterprises.

Furthermore, research on international trade showed that all SMEs have a negative foreign trade balance, which means SMEs, in general, were involved in importing more than in exporting. In addition, large enterprises have larger foreign trade turnover than all SMEs all together during all analyzed period (2015-2019).

PART 2

ASSESSMENT OF INTERNATIONAL ECONOMIC ACTIVITY OF BUSINESS PLASTICS LLC

2.1. Evaluation of Business Plastics LLC performance in the domestic market

Business Plastics Limited Liability Company is a wholesale supplier of various types of polymers, which was established on August 14 in 2015. Despite the young age of the company, it already provides the Ukrainian market with different types of polymers such as plexiglass, ABS sheets, polystyrene, polypropylene, polyethylene and PET sheets. The clients of Business Plastics LLC are such well-known and successful companies as Epicentr K LLC and PJSC Nova Linia. The company has a good business reputation and occupies a leading position in the market due to product quality, as well as a high level of service, the efficiency of order fulfilment and attentive attitude to customer needs.

Business Plastics LLC can be defined as micro-enterprise according to Ukrainian criteria. A number of Business Plastics LLC employees is less than 10 and annual income is less than EUR 2 million.

Furthermore, Business Plastics LLC carries out foreign economic activity, in particular the import of finished products.

Business Plastics LLC is a certified supplier to Ukraine of such brands as RODECA (Germany), Yug-Oil-Plast (Russia), DOTT.GALLINA (Italy), PALRAM (Israel), MADREPERLA (Italy). These companies are world market leaders in the production of polymeric materials. Also, Business Plastics LLC carries out realization on sale or the subsequent resale at retail.

The company Business Plastics LLC provides the following services:

1. Implementation of polycarbonate, prismatic polycarbonate, plexiglass, mirror polystyrene (silver/gold), prismatic polystyrene, ABS / ABS sheets, polypropylene sheet, sheet and rolled PET;
2. Implementation of membrane protector (PET, polycarbonate);

3. Manufacture and installation of translucent structures, supply on a contractual basis of products with specified technical characteristics (light-reflecting, antifouling, anti-fogging, will withstand mechanical damage;
4. Advising on the use of innovative polymeric materials in a specific field of use;
5. Technical support and project support;
6. Material processing: cutting, bending, molding and cutting of materials;

Table 2.1

General information about Business Plastics LLC

Name:	BUSINESS PLASTICS LIMITED LIABILITY COMPANY
USREOU:	39951834
TIN:	399518326533
Share capital:	1 000.00 UAH
Registration Date:	14.08.2015
Address:	02090, Kyiv, street Kharkivs'ke Hwy, bldg. 19, Room 818
Founders:	Proshchenko Kostiantyn Petrovych - the head
Activities:	46.73 Wholesale of wood, construction materials and sanitary equipment 22.21 Manufacture of plastic plates, sheets, tubes and profiles 22.23 Manufacture of builders' ware of plastic 43.29 Other construction works 43.91 Roofing works 43.99 Other specialized construction activities, n. in. and. in.
Contacts:	+38 (044) 593-82-25
Web-site:	https://plastics.karbosnab.com/

Source: created by the author based on the data of Business Plastics LLC

In order to evaluate the financial condition of the enterprise Business Plastics LLC for the last five years, there are calculated indicators of liquidity, solvency, financial stability and profitability.

This analysis was performed using the Balance Sheet (Statement of Financial Position) (Appendix A) and the Statement of Financial Performance (Statement of comprehensive income) of the enterprise (Appendix B).

To begin with, table 2.2 shows liquidity and solvency ratios of Business Plastics LLC in the period 2015 – 2019.

Table 2.2

Liquidity and solvency ratios of Business Plastics LLC in the period 2015 - 2019

Indicator	Year					Relative deviation			
	31.12. 2015	31.12. 2016	31.12. 2017	31.12. 2018	31.12. 2019	2016/ 2015	2017/ 2016	2018/ 2017	2019/ 2018
Cash ratio	0,02	0,02	0,05	0,07	0,01	5,57%	174,30%	31,20%	-89,97%
Current ratio	1,06	1,08	1,09	1,07	0,98	2,48%	0,43%	-1,37%	-8,97%
Liquidity solvency ratio	1,22	1,30	1,21	1,09	1,05	6,10%	-6,55%	-9,78%	-3,66%
Quick ratio	0,73	0,78	0,79	0,84	0,65	6,17%	1,62%	6,11%	-22,05%

Source: created by the author based on the data of Business Plastics LLC

In table 2.2, were analyzed next indicators:

1. Cash ratio (absolute liquidity ratio), shows the share of the company's current liabilities that can be repaid immediately. The normative value is from 0.1 to 0.2 (Kobyletsky V.R., 2020a). However, Business Plastics LLC during the period 2015-2019 has a lower rate, which indicates that the company was not able to repay debts and will not be able to do so in time if the payments are due soon.

2. The current liquidity ratio shows the ratio of current assets and current liabilities. The normative value is in the range of 1-3 (Kobyletsky V.R., 2020e). Unfortunately, the ratio of Business Plastics LLC in 2019 was below the norm, which indicates a problematic state of solvency, because current assets were not enough to meet current liabilities. The downside is that it leads to a decrease in confidence in the company by creditors, suppliers, investors and partners. However, in the period from 2015 to 2018, the value of the indicator was within the norm.

3. Liquidity solvency ratio is the ratio of current assets to short-term liabilities. The normative value of the indicator is usually greater than 1 and reflects how much the liquid value of working capital is greater than payment obligations. Business Plastics LLC in the period from 2015 to 2019 had a rate above one, which indicates the liquidity of solvency. However, in 2019 there was the smallest ration of Business Plastics LLC for the whole period.

4. Quick Ratio is an indicator of the short-term liquidity of the company, which measures the company's ability to timely repay its short-term liabilities with highly liquid assets. The ratio is in the range of 0.5-1 and above (Kobyletsy V.R., 2020i). Analysis of this indicator showed that in the period from 2015 to 2019, Business Plastics LLC had enough liquid working capital for timely settlement of liabilities because the quick liquidity ratio was within the normative value. However, during the analysed period there was a tendency of declining. In 2019, for each 1 UAH of current liabilities, there will be 0,65 UAH of highly liquid current assets.

Secondly, table 2.3 shows Indicators of business activity of Business Plastics LLC in the period 2015 – 2019.

Table 2.3

Business activity indicators of Business Plastics LLC on 31.12.2015 – 31.12.2019

Indicator	Year					Relative deviation			
	31.12. 2015	31.12. 2016	31.12. 2017	31.12. 2018	31.12. 2019	2016/ 2015	2017/ 2016	2018/ 2017	2019/ 2018
Inventory Turnover, Times	1,76	2,01	2,89	3,39	2,58	14,17%	43,84%	17,58%	-23,96%
Accounts Receivable Turnover, Times	2,14	2,16	3,37	3,79	3,31	1,03%	55,87%	12,44%	-12,65%
Accounts Payable Turnover, Times	8,76	10,16	11,13	8,32	5,71	16,00%	9,53%	-25,19%	-31,40%

Source: created by the author based on the data of Business Plastics LLC

In table 2.3, were analyzed next indicators:

1. Inventory Turnover is an indicator of business activity, which indicates the effectiveness of inventory management in the company. The value of the indicator indicates the number of turnovers that made stocks during the year. It is calculated as the ratio of production costs and the average annual amount of inventories (Kobyletsy V.R., 2020f). Analyzing this indicator for Business Plastics LLC in the dynamics is clear that in the period from 2015 to 2018, it tended to increase, although in 2019 this indicator decreased by almost 24%.

2. Accounts Receivable Turnover is an indicator of business activity that indicates the effectiveness of debt management of customers and other debtors. The value of the ratio shows the number of turnovers of receivables, ie how many times debtors have repaid their obligations to the company. The indicator is calculated as the ratio of revenue (net income) to the average for the period the number of receivables (Kobyletsky V.R., 2020j). In general, for Business Plastics LLC was a positive trend during the analyzed period (2015-2018), although in 2019 the indicator had a downward trend and decreased by about 13% compared to the previous year.

3. Accounts Payable Turnover is an indicator of business activity, which indicates the number of turnovers made by accounts payable during the year. The indicator is calculated as the ratio of cost to the average annual amount of accounts payable (Kobyletsky V.R., 2020l). For Business Plastics LLC, this indicator indicates that the company used accounts payable throughout the analyzed period (2015-2019) to finance its own debtors, and part of these funds was used to finance other assets because the amount of accounts payable exceeded accounts receivable throughout of the analyzed period (2015-2019). However, this trend is declining, because in 2019 the difference between accounts payable and accounts receivable decreased significantly

Thirdly, table 2.4 shows indicators of financial stability of Business Plastics LLC in the period 2015 – 2019.

Table 2.4

Financial stability indicators of Business Plastics LLC on 31.12.2015 – 31.12.2019

Indicator	Year					Relative deviation			
	31.12. 2015	31.12. 2016	31.12. 2017	31.12. 2018	31.12. 2019	2016/ 2015	2017/ 2016	2018/ 2017	2019/ 2018
Financial stability ratio	0,52	0,49	0,46	0,36	0,34	-6,36%	-6,65%	-20,48%	-7,13%
Financial autonomy ratio	0,43	0,40	0,39	0,34	0,31	-5,30%	-2,67%	-14,29%	-8,08%
Long-term liability ratio	0,75	0,74	0,55	0,27	0,23	-2,36%	-24,92%	-51,92%	-13,85%
Rated funds ratio	0,13	0,12	0,11	0,10	0,12	-8,91%	-0,72%	-14,08%	21,98%

Source: created by the author based on the data of Business Plastics LLC

In table 2.4, were analyzed next indicators, which trends are shown in figure 2.1:

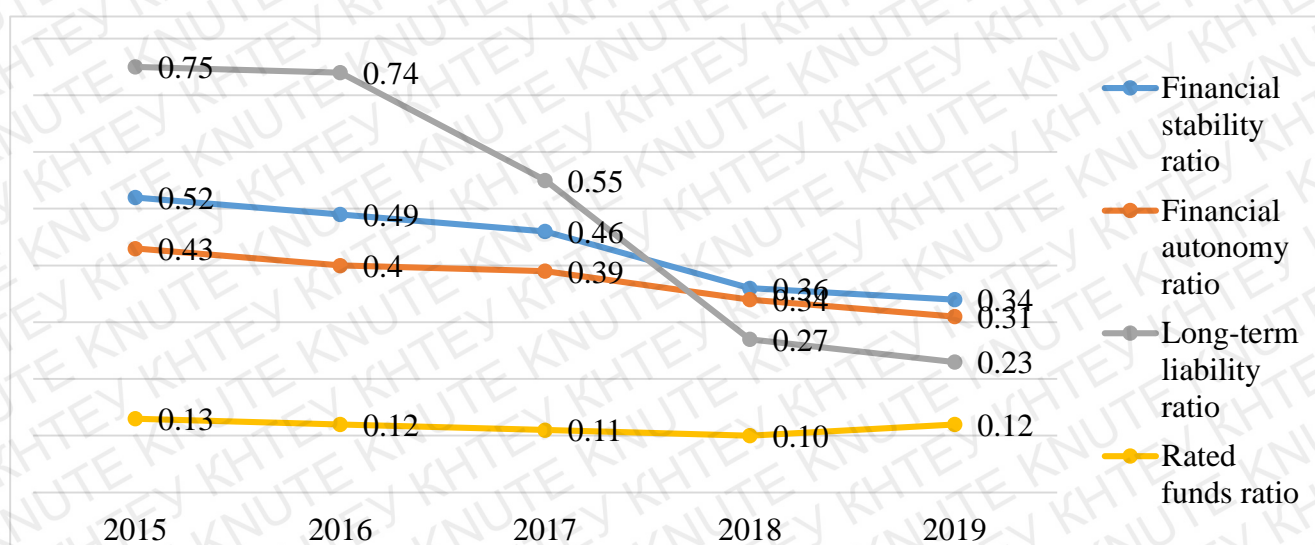


Figure 2.1: Financial stability indicators of Business Plastics LLC on 31.12.2015 – 31.12.2019

Source: created by the author based on the data of Business Plastics LLC

1. The financial stability ratio is an indicator that indicates the company's ability to remain solvent in the long run. This is calculated as the ratio of the sum of equity and long-term liabilities to the amount of liabilities. The normative value is in the range of 0.7-0.9 (Kobyletsky V.R. (2020c)). The indicator of Business Plastics LLC was below the norm, which indicates a lack of financial stability in the long run and there is a certain risk of loss of solvency.

2. The indicator of financial autonomy is one of the most important coefficients of financial stability. It is equal to the ratio of the company's equity to all financial resources. The value of the indicator indicates what part of its assets the company is able to finance from its own financial resources (Kobyletsky V.R., 2020b). The ratio of Business Plastics LLC in 2019 was 0.31, which means that the company was able to finance 31% of assets from equity. In general, the normative value of the indicator is in the range of 0.4 - 0.6. The ratio of Business Plastics LLC in the period from 2015 to 2016 was within the norm. Since 2017, the indicator has had a low value, which may indicate a high level of risk and low sustainability of the company in the medium term.

3. Long-term liability ratio is an indicator inverse to the coefficient of autonomy. The growth of this indicator causes an increase in the share of borrowed funds in financing

the enterprise. After analyzing this indicator for Business Plastics LLC, it is seen that during the analyzed period, this indicator tended to decline. In 2019, the value of the indicator decreased by almost 14% compared to the previous (2018) year.

4. Rated funds ratio is the most common assessment of the financial stability of the enterprise. From 2015 to 2018 inclusive, Business Plastics LLC showed a decline in this indicator, which indicated that the company became less dependent on external investors and creditors. From 2018 to 2019, this indicator tended to increase, which is negative, because the company has become more dependent on external investors and creditors.

Finally, table 2.5 shows the profitability indicators of Business Plastics LLC in the period 2015 – 2019.

Table 2.5

Profitability indicators of Business Plastics LLC in the period 2015 - 2019

Indicator	Year				
	2015	2016	2017	2018	2019
Return on Assets (ROA)	-7,49	-10,06	-3,57	4,01	4,79
Return on Equity (ROE)	-17,61	-24,98	-9,12	12,54	16,21
Net Profit Margin	28,09	27,46	38,85	36,06	39,60
Operating Income Margin	11,86	12,32	22,94	25,46	27,09

Source: created by the author based on the data of Business Plastics LLC

In table 2.5, were analyzed next indicators, which trends are shown in figure 2.2:

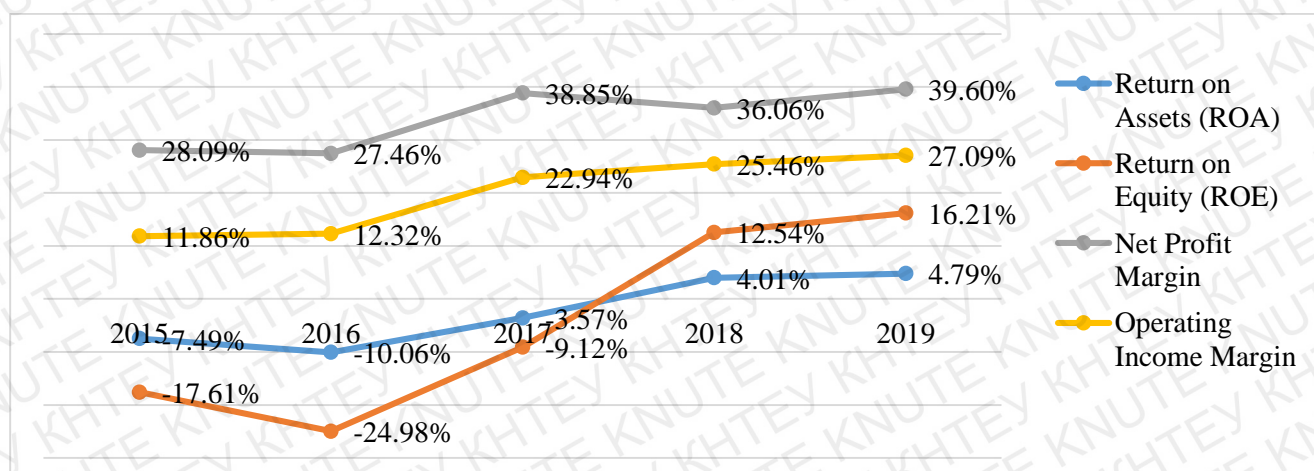


Figure 2.2: Profitability indicators of Business Plastics LLC in the period 2015 – 2019

Source: created by the author based on the data of Business Plastics LLC

1. ROA shows the efficiency of using the company's assets to generate profit. The high value of the indicator indicates the good performance of the enterprise (Kobyletsky V.R., 2020k). Business Plastics LLC had a negative indicator in the period from 2015 to 2017, because the company was unprofitable. Although, in 2018, Businessplastics LLC received 4,01 kopecks of net profit for each 1 UAH of used assets, and in 2019 4,79 kopecks of net profit for 1UAH of used assets.

2. ROE is an indicator of how efficiently equity is used, ie how much profit was generated for each 1UAH of borrowed equity (Kobyletsky V.R., 2020d). Business Plastics LLC had a negative indicator in the period from 2015 to 2017, because the company was unprofitable and used credit capital instead of its own as a source of financing. Since 2018, Business Plastics LLC tends to stable growth of the return on equity, because the company made a profit. This means that Business Plastics LLC has started to increase the ability to generate profit for owners. In 2018, for Business Plastics LLC, each attracted 1UAH of own funds allowed to receive 12,54 kopecks of net profit, and in 2019 – 16,21.

3. Net Profit Margin is a measure of profitability, which indicates the amount of net profit (company revenue, net of operating expenses, interest, taxes, etc.), which generates each 1UAH sales. The indicator is calculated as the ratio of net profit to sales. The value indicates the share of the company's revenue that remains after deducting all expenses for the current period (Kobyletsky V.R., 2020h). Table 2.4 shows that the share of revenue of Business Plastics LLC after deducting all expenses for the current period increased from 28,09 in 2015 to 39,60 in 2019.

4. Operating Income Margin is a measure of profitability that measures the amount of operating profit (gross profit less operating expenses) generated by each 1UAH in sales. The higher the operating profit margin, the better the company operates (Kobyletsky V.R., 2020g). At the end of 2019, for the Business Plastics LLC, each 1UAH of sales allowed to receive 27,09 kopecks of operating profit, while for the period of 2015 each 1UAH of sales allowed to receive 11,86 kopecks of operating profit.

2.2. Analysis of international economic activity of Business Plastics LLC

As was mentioned in part 2.1, Business Plastics LLC is a certified supplier to Ukraine of various types of polymers. However, Business Plastics LLC does not currently engage in any type of export. The main international economic activity of Business Plastics LLC is importing. All imported products by Business Plastics LLC are sold within Ukraine.

According to the Law of Ukraine "On Foreign Economic Activity" of 16.04.1991 № 959-XII, import (import of goods) is defined as: “the purchase (including payment in the non-monetary form) by Ukrainian subjects of foreign economic activity from foreign economic entities of goods from import or without the import of these goods into the territory of Ukraine, including the purchase of goods intended for own consumption by institutions and organizations of Ukraine located outside it”.

Business Plastics LLC imports goods under the following Ukrainian classification of goods for foreign trade code as: 3920 30 00 90 (table 2.6).

Table 2.6

Deciphering the Ukrainian classification of goods for foreign trade code, according to which Business Plastics LLC is importing its goods

Section VII	Polymeric materials, plastics and goods made of it; rubber and goods made of it
Group 39	Plastics, polymeric materials and goods made of it
[39B]	Waste and scrap; intermediate goods;
-3923	Plastic products for transportation and packaging of goods; stoppers, lids, caps and other products of plastic for sealing:
--[39232]	bags, sacks, bags (including beads):
- - - 3923 21 00 00	of polymers of ethylene

Source: created by the author based on the Ukrainian classification of goods for foreign trade

To understand what role imports play in Business Plastics LLC economic activity, it is necessary to provide an analysis of main trade partners and import volumes in dynamic with these partners. Furthermore, there is a need to investigate the volume of import in terms of assortment groups (thousand UAH) and to calculate main indicators of efficiency of import operations.

To begin with, there is an analysis of the main trade partners of Business Plastics LLC in table 2.7. To these partners belong such countries as Germany, Italy, Russia and Israel.

Table 2.7

Dynamics of import volumes of Business Plastics LLC by countries for 2015-2019, thousand UAH

Country	Year				
	2015	2016	2017	2018	2019
Germany	31 349,00	57 395,00	96 287,00	185 938,00	264 510,00
Italy	29 112,00	38 130,00	69 365,00	179 380,00	196 655,00
Israel	24 061,00	37 127,00	55 375,00	93 298,00	133 108,00
Russia	58 458,00	85 469,00	156 274,00	305 862,00	395 853,00
Total	141 980,00	218 121,00	377 301,00	764 478,00	990 126,00

Source: created by the author based on the data of Business Plastics LLC

In table 2.7 is shown that import volumes of Business Plastics LLC were constantly grown for the last five years (2015-2019). During the analyzed period the highest dynamics of import volumes was reached with Russia and Germany, while import volumes with Italy and Israel were approximately on the same level till 2017 (see figure 2.3).

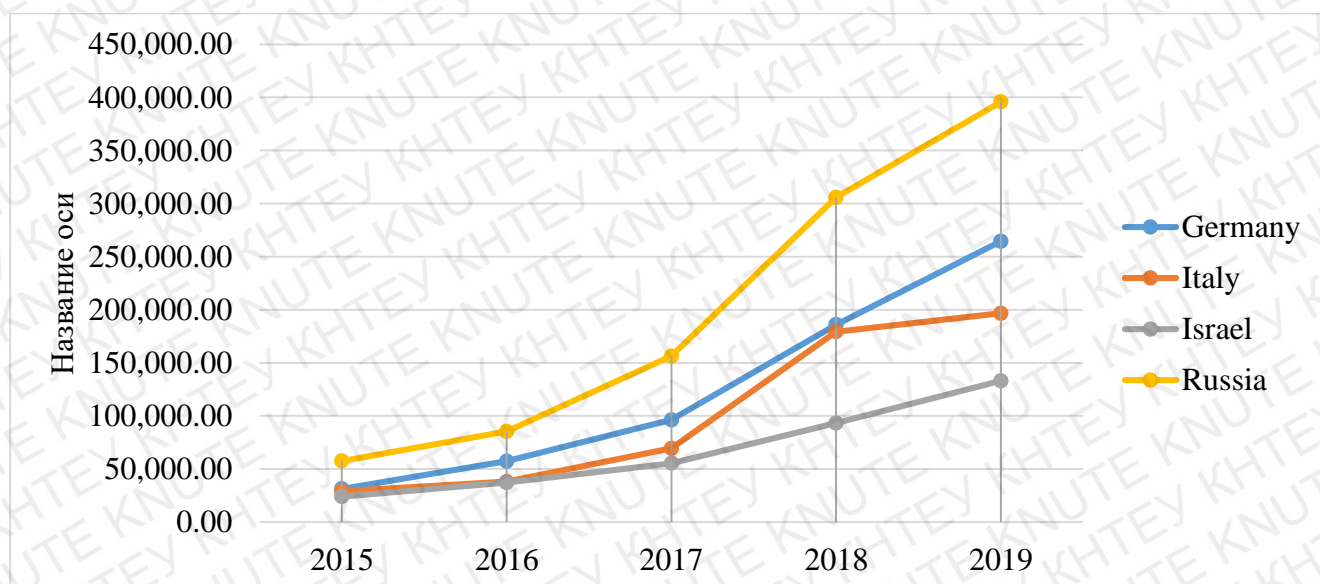


Figure 2.3: Dynamics of import volumes of Business Plastics LLC by countries for 2015-2019, thousand UAH

Source: created by the author based on the data of Business Plastics LLC

Figure 2.3 demonstrates that from the beginning of 2017 there is a clear growth of import volumes with Israel, as in 2018 volumes were almost the same as with Germany. Despite that import volumes with Israel tend to decrease in 2019, it is higher than import volumes with Italy. Russia remained the main supplier of Business Plastics LLC with polycarbonate during the whole period.

Secondly, it should be noted that Business Plastics LLC imports not only polypropylene and polystyrene but also PET sheets, plexiglass and other types of plastic. The dynamics of imports of Business Plastics LLC in the period 2015-2019 in terms of assortment groups are shown in the table. 2.8.

Table 2.8

Dynamics of import volumes of Business Plastics LLC for 2015-2019 in terms of assortment groups, UAH thousand

Goods	Year				
	2015	2016	2017	2018	2019
PLEXIGLASS	24 096,00	43 506,00	69 312,00	121 321,00	161 609,00
ABS SHEETS	20 808,00	30 075,00	52 703,00	125 436,00	149 813,00
POLYSTYRENE	21 678,00	35 690,00	58 637,00	146 881,00	180 443,00
POLYPROPYLENE	25 405,00	40 975,00	69 966,00	123 722,00	163 916,00
POLYETHYLENE	28 263,00	38 443,00	59 803,00	108 515,00	155 671,00
POLYETHYLENE TEREPHTHALATE (PET SHEETS)	21 730,00	29 432,00	66 880,00	138 603,00	178 674,00
Total	141 980,00	218 121,00	377 301,00	764 478,00	990 126,00

Source: created by the author based on the data of Business Plastics LLC

Table 2.8 demonstrates the constant growth of all assortment groups during the analyzed period. However, to avoid misunderstanding, and to see clearly which assortment group takes the highest and the lowest share to the total volume and to see fluctuations of all assortment groups, there was constructed a graph, which shows the dynamics of import volumes of Business Plastics LLC for 2015-2019 in terms of assortment group in shares of products in assortment group (see figure 2.4)

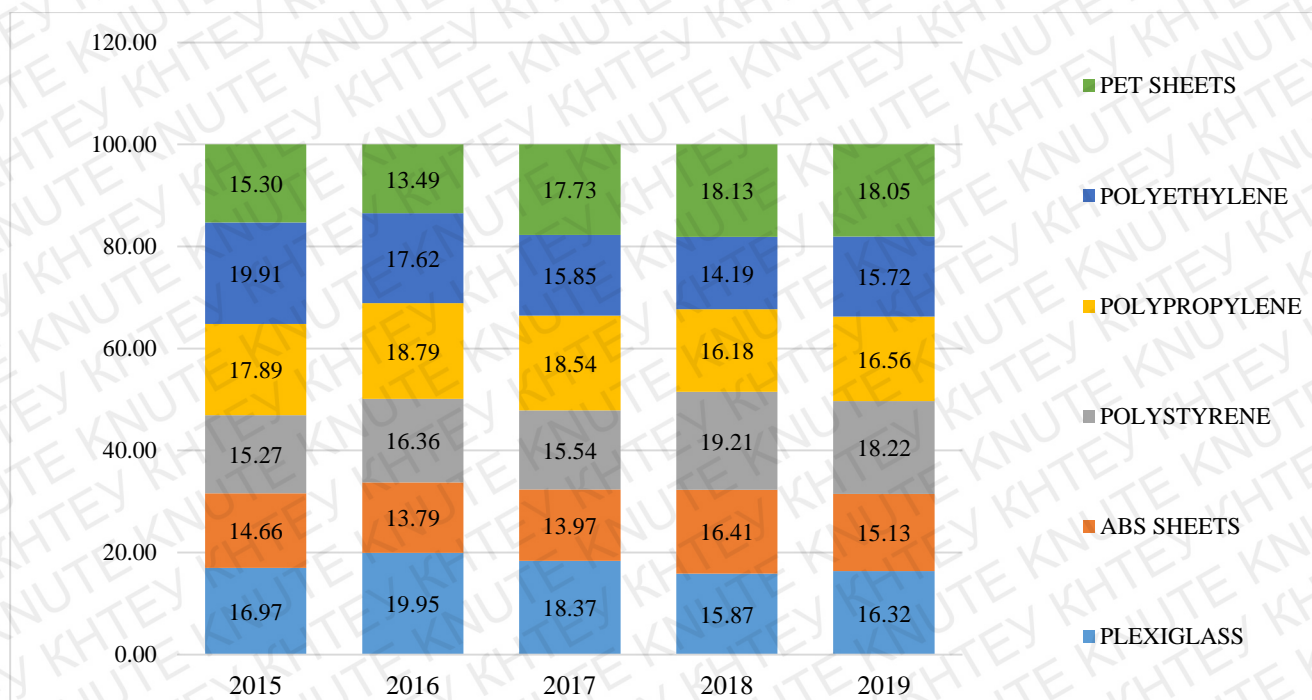


Figure 2.4 Dynamics of import volumes of Business Plastics LLC for 2015-2019 in terms of assortment group, share of products in assortment group

Source: created by the author based on the data of Business Plastics LLC

Figure 2.4 shows that there are no constant expenditures on each product group during the analyzed period (2015-2019). Moreover, there are significant fluctuations for example, in polyethylene share (19,91%). In 2015 the highest share polyethylene means that Business Plastics LLC spent more thousand UAH on buying this position, however in 2019 Business Plastics LLC spent only 15,72% on it. Also, PET sheets fluctuated during the analyzed period. There is as a negative as a positive dynamic during the whole period in PET sheets. In general, 2019 showed that expenditures (18,05%) on this position in comparison to the 2015 (15,30%) increased, nonetheless its share decreased in comparison to 2018 (18,30%). Moreover, expenditures of Business Plastics LLC in 2019 decreased in a share of polypropylene, which decreased from 17,89% (2015) to 16,56% (2019); In addition, there was a decrease in the share of plexiglass, which decreased slightly from 16,97% (2015) to 16,32% (2019). In contrast to this, expenditures of Business Plastics LLC in 2019 increased in share of ABS sheets from 14,66% (2015) to 15,13% (2019). And also, there was an increase in the share of polystyrene to the total share, which changed from 15,27% (2015) to 18,22% (2019).

Thirdly, to evaluate the effectiveness and efficiency of Business Plastics LLC import operations, there are calculated such indicators as the indicator of economic efficiency of imports (formula 2.1), the indicator of the economic effect of imports (formula 2.2) and the rate of return on imports (formula 2.3) in the period from 2015 to 2019, which are shown in the table 2.10. Moreover, in table 2.10 are also defined the share of imports of Business Plastics LLC (formula 2.4) and profitability of imports (formula 2.5).

The indicator of economic efficiency of imports (Grinko, P. O., 2018, p. 124):

$$IAEI = \frac{PIP}{CPIP} \quad (2.1)$$

where, *IAEI* - Indicator of economic (absolute) efficiency of imports;

PIP - The price of imported products in the domestic market;

CPIP - The cost of purchasing imported products.

Import activity for the enterprise will be defined as effective if Indicator of economic efficiency of imports > 1 .

The economic effect of imports:

$$IEEI = PIP - CPIP \quad (2.2)$$

where, *IEEI* - Indicator of the economic effect of imports;

PIP - The price of imported products in the domestic market;

CPIP - The cost of purchasing imported products.

The greater the value of the economic effect of imports, the greater the company's profit, and its import activities - more efficient.

The rate of return on imports:

$$RI = IEEI/CPIP \quad (2.3)$$

where, *RI* - The rate of return on imports;

IEEI - Indicator of the economic effect of imports;

CPIP - The cost of purchasing imported products.

RI shows the amount of profit from the sale of imports per 1 UAH of costs for its acquisition.

Share of imports (Grinko, P. O., 2018, p. 124):

$$SI = \frac{PIP}{VSP} \quad (2.4)$$

SI - Share of imports;

PIP - The price of imported products in the domestic market;

VSP - Volume of sold products (thousand UAH)

Profitability of imports (Grinko, P. O., 2018, p. 124):

$$PrIm = \frac{PIP - CPIP}{CPIP} \quad (2.5)$$

PrIm - Profitability of imports;

PIP - The price of imported products in the domestic market;

CPIP - The cost of purchasing imported products.

Finally, table 2.10 includes the import change rates, which shows how the import of Business Plastics LLC changed in comparison to the previous period during 2015-2019. All indicators are calculated based on the data of Business Plastics LLC (table 2.9).

Table 2.9

Import data of Business Plastics LLC in 2015 - 2019, thousand UAH

Indicator	2015	2016	2017	2018	2019
The price of imported products in the domestic market	183 545,00	298 772,00	521 302,00	942 407,00	1 255 690,00
The cost of purchased imported products	141 980,00	218 121,00	377 301,00	764 478,00	990 126,00
Volume of sold products	428 345,00	516 893,00	998 603,00	1 306 885,00	1 549 360,00

Source: created by the author based on the data of Business Plastics LLC

Table 2.10

Import effectiveness indicators of Business Plastics LLC on 31.12.2015 – 31.12.2019

Indicator	31.12. 2015	31.12. 2016	31.12. 2017	31.12. 2018	31.12. 2019
Share of imports	42,85%	57,80%	52,20%	72,11%	81,05%
Import change rate	*	1,19	1,26	1,47	1,05
Indicator of economic efficiency of imports	1,29	1,37	1,38	1,23	1,27
Indicator of the economic effect of imports	41 565,00	80 651,00	144 001,00	177 929,00	265 564,00
The rate of return on imports (RI)	0,29	0,37	0,38	0,23	0,27
Profitability of imports	29,28%	36,98%	38,17%	23,27%	26,82%

Source: created by the author based on the data of Business Plastics LLC

Table 2.10 shows that firstly, the share of import was constantly increasing during the analyzed period. In 2019 the share of import (42,85%) of Business Plastics LLC in a total volume of sold products doubled (81,05%) in comparison to 2015. Secondly, it is shown that the import change rate decreased in 2019 (1,05) in comparison to 2018 (1,47). However, the import activity for Business Plastics LLC remained effective during the last five years (2015-2019), as the value of the indicator of economic efficiency of imports was higher than 1. Furthermore, the indicator of the economic effect of imports shows a tendency to constant growth during the analyzed period. In addition, the rate of return on imports showed that in 2017 was reached the highest amount of profit from the sale of imports per 1 UAH - 0,38 kopecks; while in 2018 was reached the smallest amount of profit from the sale of imports per 1 UAH - 0,23 kopecks. In contrast to the 2019 year, there was a pretty low profit from the sale of imports per 1 UAH - 0,27. Nonetheless, it shows a positive tendency in comparison to 2018. Finally, the profitability of imports of Business Plastics LLC in 2019 was 26,82%, which means that in contrast to 2015 (29,28%), there was a decrease in profitability. However, in contrast to 2018 (23,27%), there is a slight positive change, as profitability increased.

Conclusions to the part 2

To provide the analysis of the international economic activity of SMEs in Ukraine as an example was chosen Business Plastics LLC. Business Plastics LLC is a wholesale supplier of various types of polymers and can be defined as micro-enterprise according to Ukrainian criteria.

Firstly, there was an assessment of the financial performance of Business Plastics LLC. The evaluation included calculations of indicators of liquidity, solvency, financial stability, business activity and profitability. To conclude the results on liquidity and solvency, Business Plastics LLC was not able to repay debts during the analyzed period (2015-2019). The current liquidity ratio of Business Plastics LLC in 2019 was below the norm, which indicates a problematic state of solvency because current assets were not enough to meet current liabilities. In general, Business Plastics LLC results are not satisfying the norm. Research on the business activity of enterprise showed that in general, for Business Plastics LLC it was within the norm, however, had a negative trend to decline. Indicators of financial stability of Business Plastics LLC in 2015 – 2019 showed that enterprises are unstable and contractors could define it as an unreliable enterprise. Although, despite all declining trends of previously mentioned indicators, Business Plastics LLC profitability indicators was satisfying, always with a tendency to increase.

Secondly, there was an evaluation of the international economic activity of Business Plastics LLC. Business Plastics LLC carries out foreign economic activity, in particular the import of finished products. Import volumes of Business Plastics LLC were constantly grown for the last five years (2015-2019) and the highest dynamics of import volumes was reached with Russia and Germany. In addition, there was a constant growth of all assortment groups during the analyzed period.

Finally, there was done an evaluation of the effectiveness of Business Plastics LLC import operation. There were calculated such indicators as the indicator of economic efficiency of imports, the indicator of the economic effect of imports and the rate of return on imports in the period from 2015 to 2019. The result showed that the import activity for Business Plastics LLC remained effective during the last five years.

PART 3

WAYS OF IMPROVEMENT OF INTERNATIONAL ECONOMIC ACTIVITY OF BUSINESS PLASTICS LLC

3.1. Development of measures to improve the economic activity of Business Plastics LLC

The creation of the internationalization of small and medium-sized enterprises mostly starts with foreign economic activity. Unfortunately, many companies are reluctant to understand their potential or are actually unable to consider the possibilities at their hands. Moreover, SMEs must allocate their resources and funds to international economic activity, and resolve numerous barriers on their way. It follows that it is highly important for SMEs to research the factors that may decide their potential success (Malca et al., 2019, p. 831). That is why it is important to analyze as external as internal factors, which can influence on the foreign economic activity of Business Plastics LLC.

First of all, it would be appropriate to do a PESTEL/PESTLE analysis, which is the most common tool for identifying macroenvironmental factors that may affect enterprise (table 3.1 and Annex C). PESTLE analysis consists of next categories: P (Political), E (Economical), S (Social-Culture), T (Technological), L (Legal) and E (Environmental / Ecological). Each category of factors has a corresponding letter in the method name abbreviation. The main purpose of the PESTLE analysis is to identify factors that outside the control of the company, however, have a certain level of impact on the enterprise (Rastogi & Trivedi, 2016, p. 385).

To analyze political factors were included 4 factors. The first factor is the level of corruption. According to the studies of the Corruption Perceptions Index (CPI) in 2019 Ukraine took 126th place in the ranking among 180 countries. (Transparency International, 2020). The second factor is tax policies, which in general remains quite complex. According to the Doing Business 2020 report, despite the fact that the number of required tax payments per year is small (5), the number of hours that need to be spent on tax administration procedures is significant (328) (World Bank, 2019). The third

political factor is import and export regulation, which is highly important for Business Plastics LLC because it is directly dependent on import operations. Finally, factor as SME development is significantly important for Business Plastics LLC. Ukraine is actively developing SME sector since in May 2017, the Cabinet of Ministers approved the first Strategy for the Development of SMB in Ukraine for the period up to 2020 (OECD et al., 2020, p. 481).

Table 3.1

PESTEL analysis of Business Plastics LLC

FACTOR		Assessment of the influence of factors, with probability of their changes	FACTOR	Assessment of the influence of factors, with probability of their changes
Political factors			Technological factors	
I	Corruption level	0,11	R&D activity	0,02
II	Tax policies	0,15	Access to new technology	0,12
III	Import-export regulation/resctrictions	0,17	Level of innovation	0,05
IV	SME development	0,10	Automation	0,17
Economic factors			Environmental factors	
I	Interest rate	0,15	Environmental policies	0,15
II	Inflation rate	0,24	Natural disasters	0,07
III	Exchange rate	0,24	Recycling standards	0,19
IV	Unemployment trend	0,15	Attitudes towards green products	0,22
Social factors			Legal factors	
I	Population size and growth rate	0,17	Employment laws	0,17
II	Birth rates	0,03	Consumer protection laws	0,15
III	Life expectancy rates	0,08	Health and safety laws	0,10
IV	Wages/Earnings	0,19	Education laws	0,08

Source: created by the author, (Annex C)

Secondly, PESTEL analysis included economic and social factors, which are shown in table 3.2.

Table 3.2

Economic and social factors description:

Economic factors		
I	Interest rate (24.07.2020) (SSSU, 2020c)	6%
II	Inflation rate (September 2020)	2,30%
III	Exchange rate (26.09.2020) (National Bank of Ukraine, 2020)	1 USD = 28,24;
		1 EUR = 32,89
IV	Unemployment rate (Statista, 2020)	8, 93%
Social factors		
I	Population size and growth rate (SSSU, 2020a & Worldometer 2020)	41 723 998; (-0.59 %)
II	Birth rates (January – September) (SSSU, 2020b)	193 138
III	Life expectancy rates (World Life Expectancy, 2020)	Male - 67,6; Female – 77,1; Total – 72,5; World Rank – 99.
IV	Wages/Earnings (Average monthly earnings in UAH) (SSSU, 2020c)	11 446,00

Source: created by the author

Factors that are represented in table 2.3 should be taken into account by Business Plastics LLC because it is engaged in international economic activity, the results of which directly depends on the exchange rate and inflation rate. Moreover, results of the economic activity of Business Plastics LLC are dependent on average monthly earnings of Ukrainians as it defines consumers purchase ability.

Technological factors have also a great impact on Business Plastics LLC. Since enterprise introduced Bitrix24 software, sales managers spend less time on processing clients request. Hence, automation helps to increase sales, because managers are able to more spend time on processing new clients request at a higher speed.

Environmental factors can influence on the Business Plastics LLC pretty strong as it is retailing plastic. In addition, introducing new regulations on recycling standards will make Business Plastics LLC respond it, so there will be spent extra time and costs on it. An attitude towards green products may decrease willingness in consumers to purchase polycarbonate, despite its privilege to the natural, less practical in use, materials.

Finally, legal factors have an impact on the Business Plastics LLC not directly, however, consequences of these factors can negatively reach Business Plastics LLC performance.

Through external analysis, Business Plastics LLC is able to identify critical threats and opportunities in its competitive environment. On the other hand, Business Plastics LLC must conduct an internal analysis that will help identify its strengths and weaknesses.

Thus, secondly, it also would be appropriate to identify internal factors of Business Plastics LLC with the help of SWOT analysis. This methodology determines which of Business Plastics LLC resources and capabilities can be sources of competitive advantages, and which cannot. A SWOT analysis has four components: Strengths, Weaknesses, Opportunities and Threats. Strengths and weaknesses refer to internal factors of the enterprise, while opportunities and threats represent external factors (Gürel, & Tat, 2017, p. 995). The results of the SWOT analysis are showed in table 3.3.

Table 3.3

SWOT analysis of Business Plastics LLC

Strength (internal, positive)	Weaknesses (internal negative)
Well-developed international logistics	Lack of qualified workforce;
Long-term contracts with existing partners;	High expenditures on advertising;
B2B; B2C; DIY relations;	Lack of knowledge about the product in customers;
Is the unique supplier of certain kind of plastics in Ukraine;	Probability of unreliable contactor;
Competitive price in Ukrainian market;	Weak access to finance;
Opportunities (External, positive)	Threats (External, negative)
To increase R&D activity & technological awareness;	Interest rate & inflation rate;
To get access to new technology through cooperation with foreign countries;	Exchange rate & political instability;
To get an opportunity to use higher level of innovation in enterprise;	Attitudes towards green products;
To increase import volumes;	Environmental policies
	Recycling standards;
	Import-export restrictions;

Source: created by the author

Thus, by defining external and internal factors it makes possible to define main measure (figure 3.1 and figure 3.2), which should be implemented by Business Plastics LLC in order to achieve effective and efficient economic activity on the domestic and international markets.

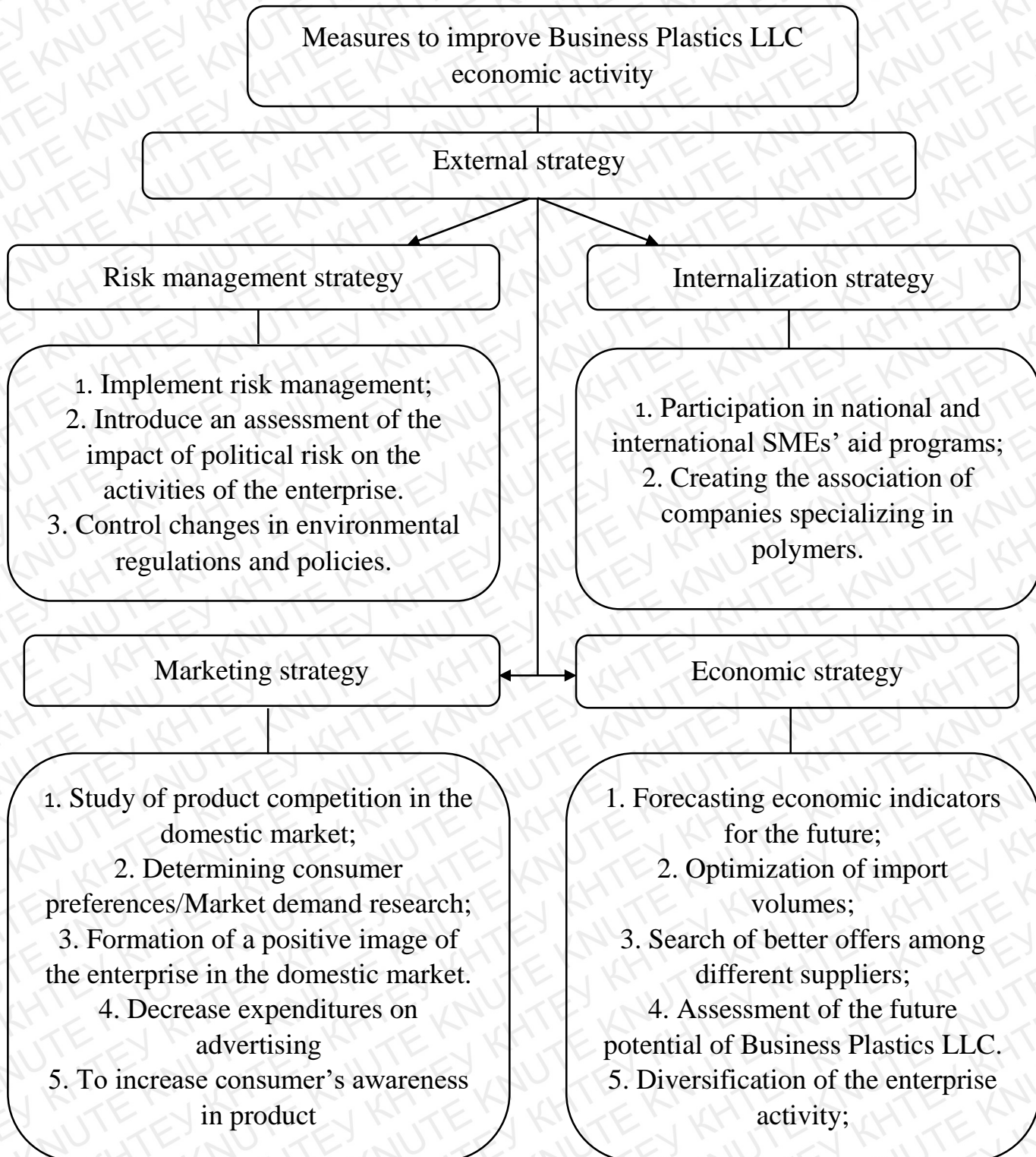


Figure 3.1: External measures to improve Business Plastics LLS economic activity

Source: created by the author

According to figure 3.1, there are four directions of improvement of external strategy. Among them are marketing strategy, internalization strategy, economic strategy and risk management strategy. However, there is also internal strategy, which is shown in figure 3.2.

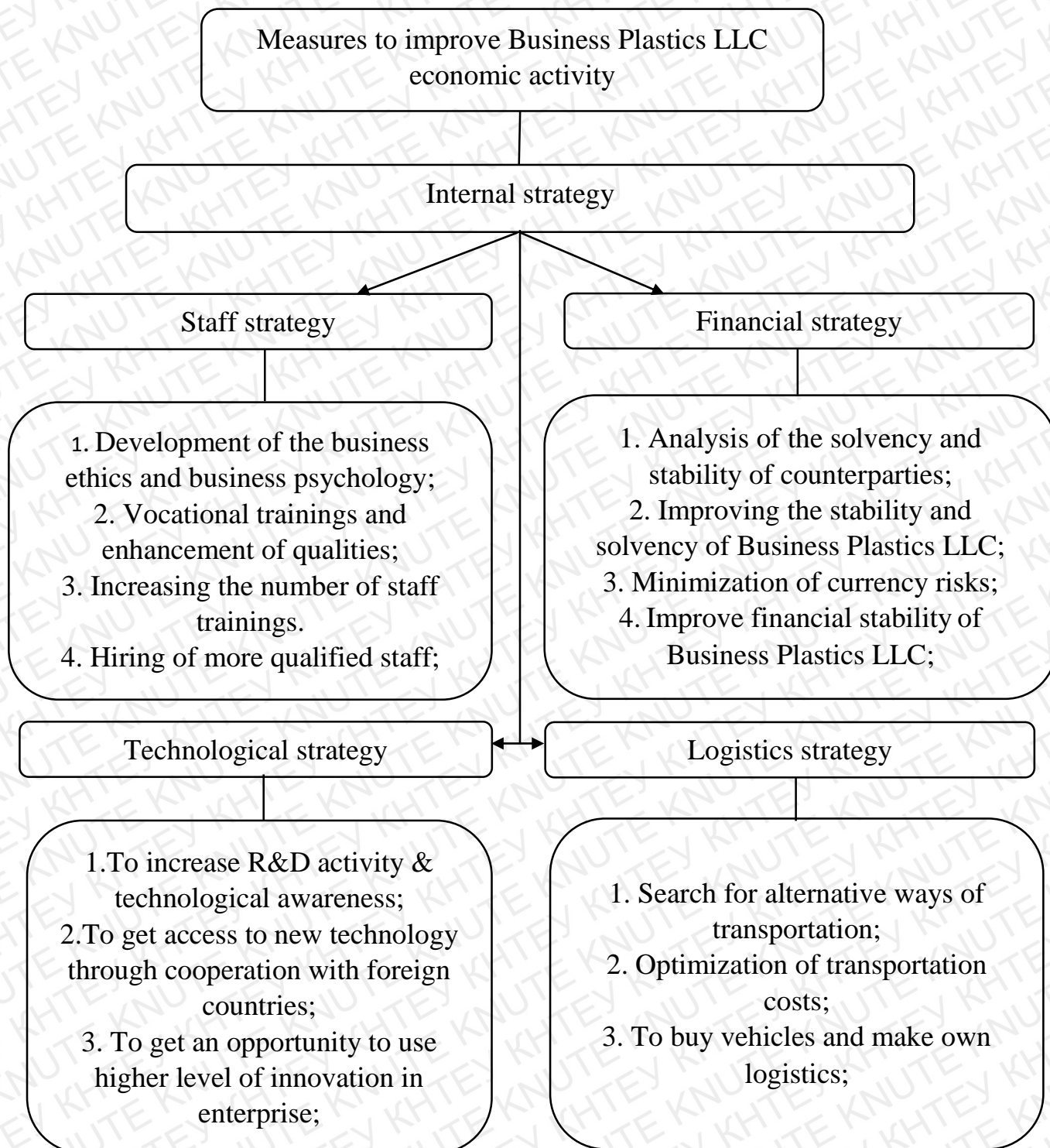


Figure 3.2: Internal measures to improve Business Plastics LLC economic activity

Source: created by the author

Moreover, according to figure 3.2, there are four ways of internal strategy, which can improve the internal activity of the enterprise. To internal strategies belong technological strategy, logistics strategy, staff strategy and financial strategy. All these directions were developed to cope with obstacles and threats and to help in realization of opportunities, which were defines with the help of external and internal analyses as SWOT (table 3.3) and PESTEL (3.1).

To conclude external strategy, Business Plastics LLC should implement risk management because it is difficult to forecast political instability or Ukrainian economy fluctuations that can influence the business activity. Therefore, Business Plastics LLC should be as flexible as possible in future plans and react quickly to any changes. Moreover, a risk manager is able to proactively analyze the risks associated with future business decisions and create a solid foundation for strategic direction. The risk manager would also be able to react correctly to any market changes. However, there should also be a professional economist in Business Plastics LLC, who can track all economic fluctuations and report it to the risk manager. That is why economic strategy is an integral part of the whole external strategy.

The marketing strategy would help Business Plastics LLC to be specialized on those products, which consumers are interested in and this would cause supply=demand relationship. Furthermore, market demand research is now becoming an important task for the operation of Business Plastics LLC. Constant tracking of demand and the ability to instantly react to the slightest changes in it (that is, production flexibility) - all this can predetermine the successful output. It is very important to set the price in such a way that it is the golden middle, which is not too high or too low. Moreover, by increasing consumer's awareness in the Business Plastics LLC products, it would help to save sales managers time on an explanation of the product details to the clients.

Internalization strategy implying participation in national and international SMEs' aid programs as Business Plastics LLC can get access to finance because Ukrainian SMEs lack of funds to expand their business. Another step that is recommended for Business Plastics LLC is creating the association of companies specializing in polymers. It is easier for associations to counteract external factors since firms are united by common interests.

Considering internal strategy, qualified staff as e.g. risk manager will be able to make and implement a number of management decisions aimed at reducing the likelihood of an adverse outcome and minimizing the potential losses. In addition, higher qualification of employees is increasing the quality of work, and decreasing time, which altogether leads to the higher revenues of the enterprise. For example, vocational training allows improving skills of existing staff without wasting a lot of time and cost. Hiring a new qualified employee is quite expensive, so for SMEs, it is more acceptable to invest in their employees. Taking into account the fact that the labor force is the main engine of the enterprise's work, the key indicator of success would be always its productivity.

However, what is also important for the successful performance of the enterprise is internal ethics and business psychology. That is especially important for Business Plastics LLC as it is engaged in international economic activity, which is represented by large interactions between enterprises and heavy traffic of people, goods and services. Operating in foreign markets requires working visits as meetings, negotiations with potential partners. That is why foreign trade managers, logisticians and marketing specialists of the enterprise must be aware of cultural differences and the possible impact of these differences on the success of their work.

Moreover, Business Plastics LLC should realize its potential access to new technologies through cooperation with foreign partners. As is known, the implementation of new technologies could help to save time and decrease costs of the enterprise.

Financial performance of Business Plastics LLC is extremely important for future success. From the provided financial analyses in part 2, there are some indicators, which were below the normal, and this means that Business Plastics LLC could be classified as risky. This can lead to a decrease in trust to the Business Plastics LLC and as a consequence loses of trade partners, which lead to a decrease in revenues. So financial strategy can be defined as a primary strategy, which should be realized as soon as possible.

Finally, logistics strategy should be taken into account as with its optimization and decreasing expenses on it, Business Plastics LLC would be able to achieve higher revenues.

3.2 Forecast evaluation of the effectiveness of suggested measures for Business Plastics LLC

A significant aspect of the planning of the future effectiveness of enterprise performance is forecasting.

In this paragraph was made a long-term forecast for Business Plastics LLC in period for the next five years (2020-2024) based on previous data (2015-2019).

The forecast methodology was based on linear regression. Linear regression is a regression model of the dependence of one variable on another. In the case of for Business Plastics LLC analysis, X is the forecast period (2020-2024), which depends on the y – dependent variable, which is an analyzed indicator in the period from 2015 to 2019. Period 2015 to 2019 is represented by variable x, which is independent. This technique was used by the Excel “Predict” function.

Although the forecast is based on the already known data, there are internal and external factors which can influence the forecasted results. In the case of Business Plastics LLC, there were developed measures to improve the internal and external environment of the business activity described in paragraph 3.1. This means that already forecasted results will not match with real results of the enterprise in 5 years if enterprise would implement developed measures of improvement of its effectiveness. However, to avoid inaccuracy of data, forecasting must be implemented as a regular process (e.g. yearly).

To begin with, table 3.4 shows the forecast for liquidity and solvency ratios of Business Plastics LLC in the period 2020 – 2024.

Table 3.4

Forecast liquidity and solvency ratios of Business Plastics LLC in period 2020 - 2024

Indicator	Year					Forecast				
	31.12. 2015	31.12. 2016	31.12. 2017	31.12. 2018	31.12. 2019	31.12. 2020	31.12. 2021	31.12. 2022	31.12. 2023	31.12. 2024
Cash ratio	0,02	0,02	0,05	0,07	0,01	0,04	0,04	0,05	0,05	0,05
Current ratio	1,06	1,08	1,09	1,07	0,98	1,00	0,99	0,97	0,95	0,93
Liquidity solvency ratio	1,22	1,30	1,21	1,09	1,05	1,01	0,96	0,90	0,85	0,80
Quick ratio	0,73	0,78	0,79	0,84	0,65	0,73	0,72	0,71	0,70	0,69

Source: created by the author

Table 3.4 shows the forecast of liquidity and solvency ratios of Business Plastics LLC in period 2020 – 2024 if enterprise would not implement measure to improve its activity, however, figure 3.3 gives the alternative scenario of liquidity and solvency ratios, if measures will be implemented.

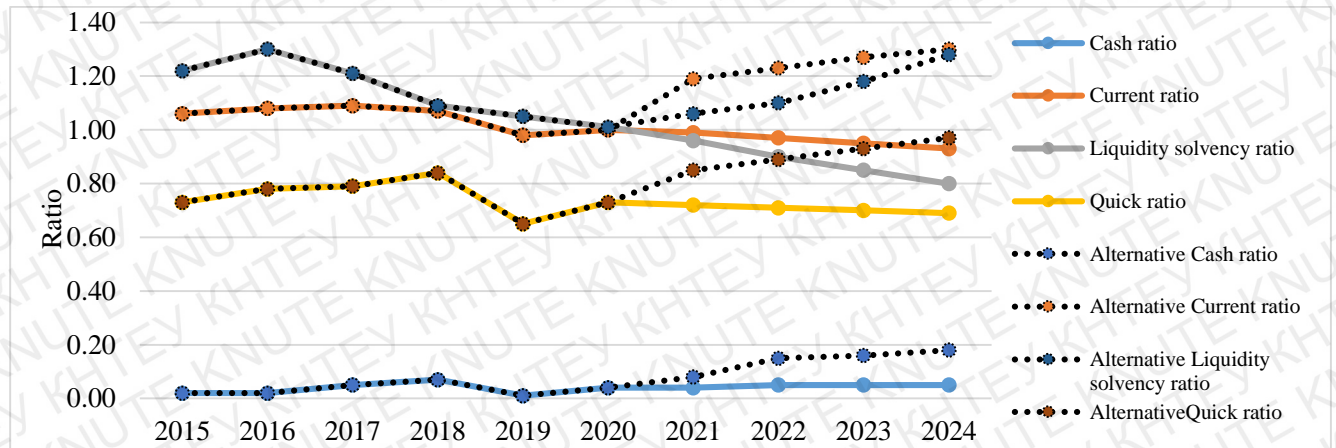


Figure 3.3: Forecast liquidity and solvency ratios of Business Plastics LLC in period 2020 - 2024

Source: created by the author

Figure 3.3 shows that liquidity and solvency ratios of Business Plastics LLC, in general, tends to decrease if there will not be taken action to improve it. However, if the financial strategy would be implemented, there are showed black dotted lines, which shows an alternative forecast for liquidity and solvency ratios of Business Plastics LLC, which tend to increase. Besides, integral indicators of successful activity of Business Plastics LLC are business activity indicators, which are forecasted in table 3.5.

Table 3.5

Forecast of business activity indicators of Business Plastics LLC in period 2020 - 2024

Indicator	Year					Forecast				
	31.12. 2015	31.12. 2016	31.12. 2017	31.12. 2018	31.12. 2019	31.12. 2020	31.12. 2021	31.12. 2022	31.12. 2023	31.12. 2024
Inventory Turnover, Times	1,76	2,01	2,89	3,39	2,58	3,43	3,74	4,04	4,34	4,65
Accounts Receivable Turnover, Times	2,14	2,16	3,37	3,79	3,31	4,15	4,54	4,94	5,34	5,73
Accounts Payable Turnover, Times	8,76	10,16	11,13	8,32	5,71	6,44	5,64	4,85	4,06	3,26

Source: created by the author

So, secondly, table 3.5 shows the forecast of business activity indicators of Business Plastics LLC in the period 2020 – 2024. In general, all indicators tend to increase for the forecast period, except Accounts Payable Turnover indicator, which trend is downwards. Figure 3.4 depicts results from table 3.5 and gives an alternative scenario for Accounts Payable Turnover.

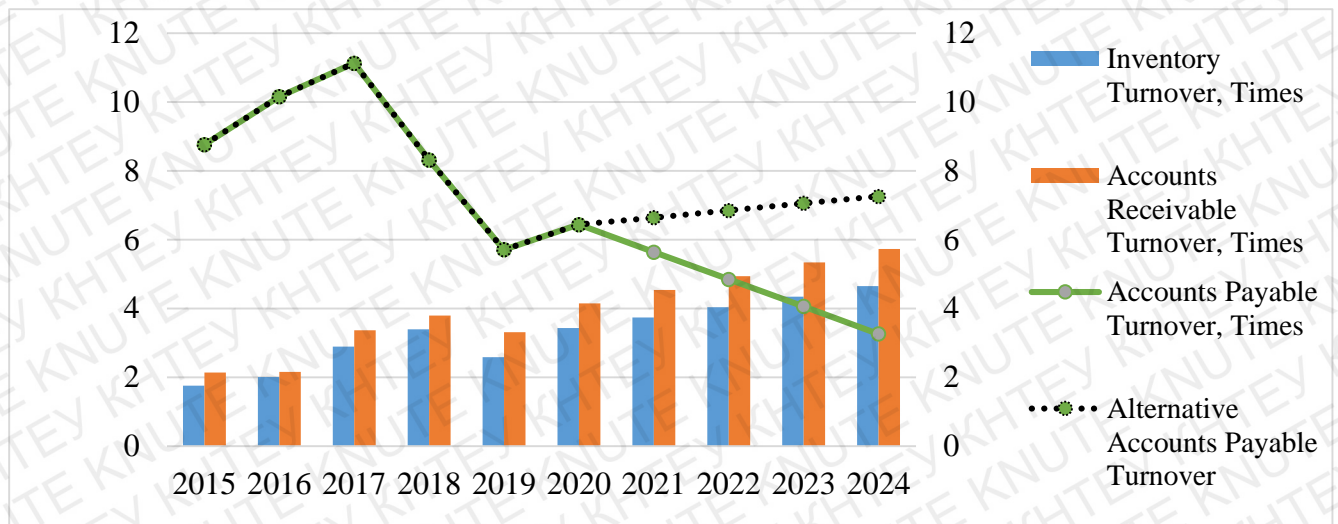


Figure 3.4: Forecast of indicators of business activity of Business Plastics LLC in the period 2020 - 2024

Source: created by the author

As is shown in figure 3.4, the main accent is made on Accounts Payable Turnover indicator. In original forecasted period, it tends to decrease, which implicates that on the one hand, this decline is a good phenomenon, because Business Plastics LLC has the opportunity to finance its activities from a free source - from suppliers and contractors. But on the other hand, the increase in this indicator indicates that Business Plastics LLC will settle with its suppliers faster. That is why, figure 3.4 also shows an alternative scenario, where this indicator tends to increase if the financial strategy would be implemented.

Thirdly, the performance of the Business Plastics LLC depends on its reputation on the domestic and international markets, which depend on the indicators of financial stability. These indicators can show contractors how reliable is enterprise and shows are there any chances that enterprise will become bankrupt. That is why table 3.6 shows a forecast of indicators of financial stability of Business Plastics LLC.

Table 3.6

Forecast of financial stability indicators of Business Plastics LLC in period 2020
– 2024

Indicator	Year					Forecast				
	31.12. 2015	31.12. 2016	31.12. 2017	31.12. 2018	31.12. 2019	31.12. 2020	31.12. 2021	31.12. 2022	31.12. 2023	31.12. 2024
Financial stability ratio	0,52	0,49	0,46	0,36	0,34	0,28	0,23	0,19	0,14	0,09
Financial autonomy ratio	0,43	0,40	0,39	0,34	0,31	0,28	0,25	0,22	0,19	0,16
Long-term liability ratio	0,75	0,74	0,55	0,27	0,23	0,05	0,00	0,00	0,00	0,00
Rated funds ratio	0,13	0,12	0,11	0,10	0,12	0,11	0,10	0,10	0,10	0,09

Source: created by the author

Table 3.6 shows that all indicators of financial stability have downwards trends. However, an indicator as Long-term liability ratio should tend to decrease as it will mean that Business Plastics LLC in the forecasted period will be independent of long-term liabilities. The downward trend of other indicators will be negative in the forecasted period for Business Plastics LLC if there would not be implemented measures of improvement activity of the enterprise. In an alternative scenario, if Business Plastics LLC would implement financial strategy it can have a positive trend of other indicators in the forecasted period (see figure 3.5).

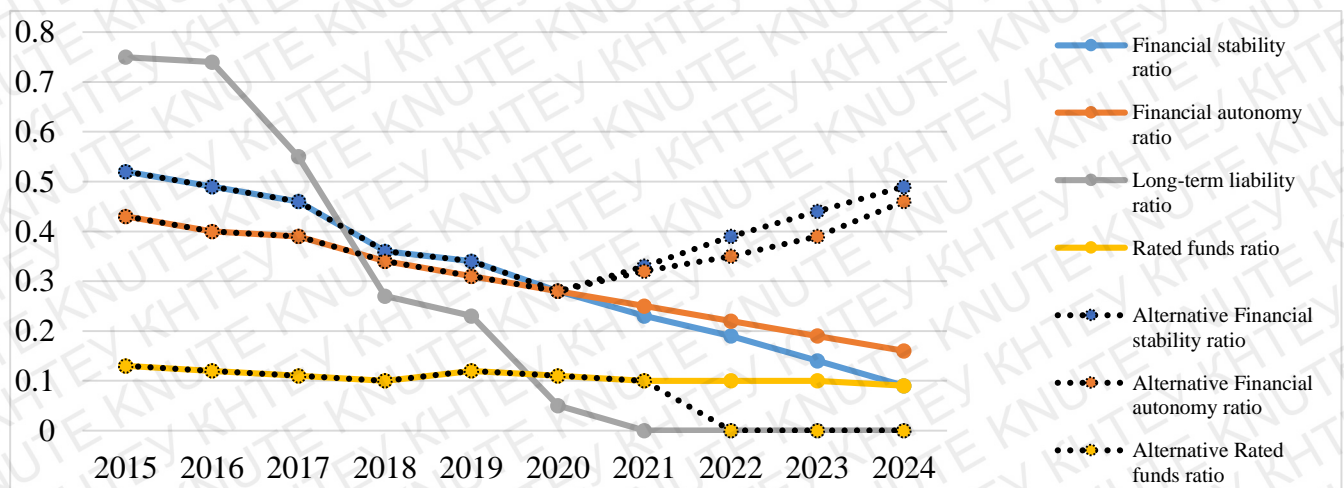


Figure 3.5: Forecast of indicators of financial stability of Business Plastics LLC
in the period 2020 – 2024

Source: created by the author

Figure 3.5 shows that indicators of financial stability can tend to increase in an alternative scenario if Business Plastics LLC would implement measures to improve its financial stability and increase its reputation among contractors.

Finally, the significance of the profitability ratios is that they are the most reliable indicators of the company's performance. Since they are focused on quantitative data, the counterparty is far more assured in their decision. Table 3.7 shows the forecast of profitability indicators of Business Plastics LLC.

Table 3.7

Forecast of profitability indicators of Business Plastics LLC in period 2020 – 2024

Indicator	Year					Forecast				
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ROA	-7,49	-10,06	-3,57	4,01	4,79	9,12	12,98	16,84	20,70	24,57
ROE	-17,61	-24,98	-9,12	12,54	16,21	26,96	37,47	47,99	58,50	69,02
Net Profit Margin	28,09	27,46	38,85	36,06	39,60	43,49	46,65	49,81	52,98	56,14
Operating Income Margin	11,86	12,32	22,94	25,46	27,09	33,02	37,38	41,74	46,10	50,46

Source: created by the author

Table 3.7 shows that despite the other negative financial indicators depicted in previous tables and figures, all profitability indicators of Business Plastics LLC tend to increase in the forecasted period (see figure 3.6).

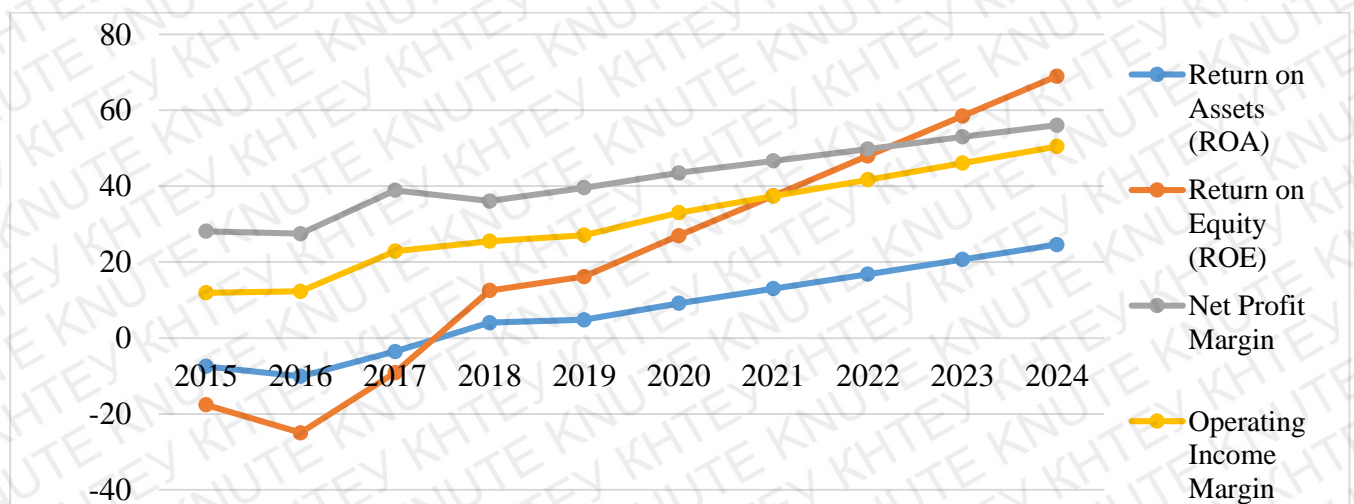


Figure 3.6: Forecast of profitability indicators of Business Plastics LLC in period 2020 – 2024

Source: created by the author

While financial indicators play a significant role in the internal performance of the enterprise, international economic activity indicators define success for the external performance of the enterprise. In the case of Business Plastics LLC, the main international economic activity is importing. Table 3.8 shows the forecast of dynamics of import volumes of Business Plastics LLC by countries if a measure of increasing importing efficiency would be implemented.

Table 3.8

Forecast of dynamics of import volumes of Business Plastics LLC by countries for 2020-2024, thousand UAH

Country	Forecast				
	2020	2021	2022	2023	2024
Germany	305 555	365 042	424 528	484 015	543 501
Italy	245 429	293 063	340 696	388 330	435 964
Israel	150 873	178 300	205 726	233 153	260 579
Russia	469 338	559 056	648 775	738 493	828 211
Total	1 171 196	1 395 461	1 619 726	1 843 991	2 068 256

Source: created by the author, based on table 2.7

Table 3.3 shows that in case of implementing suggested measures as implementing risk management, to engage professional economist to the enterprise activity and concentrate on marketing strategy there would be an increase in import volumes in all countries (see also figure 3.7).

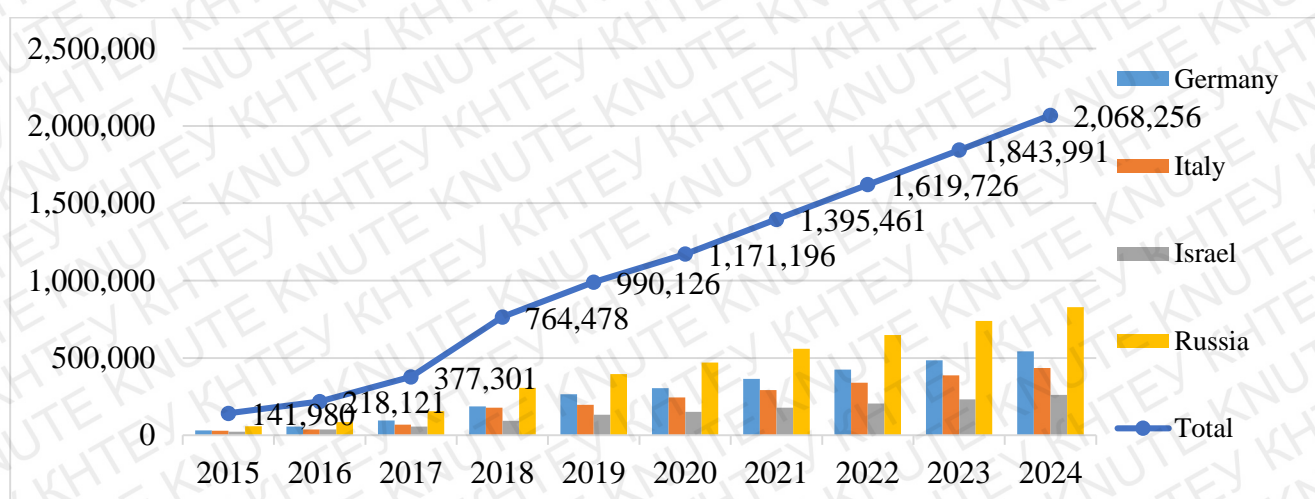


Figure 3.7: Forecast of dynamics of import volumes of Business Plastics LLC by countries for 2020-2024, thousand UAH

Source: created by the author, based on table 2.7 and 3.8

Figure 3.7 shows that as the result of the measures implemented will increase as the result total import volumes. In addition, there was made a forecast of whole import data of Business Plastics LLC in 2020 – 2024 (see table 3.9).

Table 3.9

Forecast of import data of Business Plastics LLC in 2020 - 2024, thousand UAH

Indicator	Forecast				
	2020	2021	2022	2023	2024
The price of imported products in the domestic market	1 476 720,70	1 755 513,20	2 034 305,70	2 313 098,20	2 591 890,70
The cost of purchased imported products	1 171 195,90	1 395 460,80	1 619 725,70	1 843 990,60	2 068 255,50
Volume of sold products	1 869 623,80	2 172 826,00	2 476 028,20	2 779 230,40	3 082 432,60

Source: created by the author, based on table 2.9

Besides, table 3.9 shows in addition to the increase of import volumes, there will be also an increase in the volume of all sold products in the forecasted period (2020-2024), which is shown in figure 3.8.

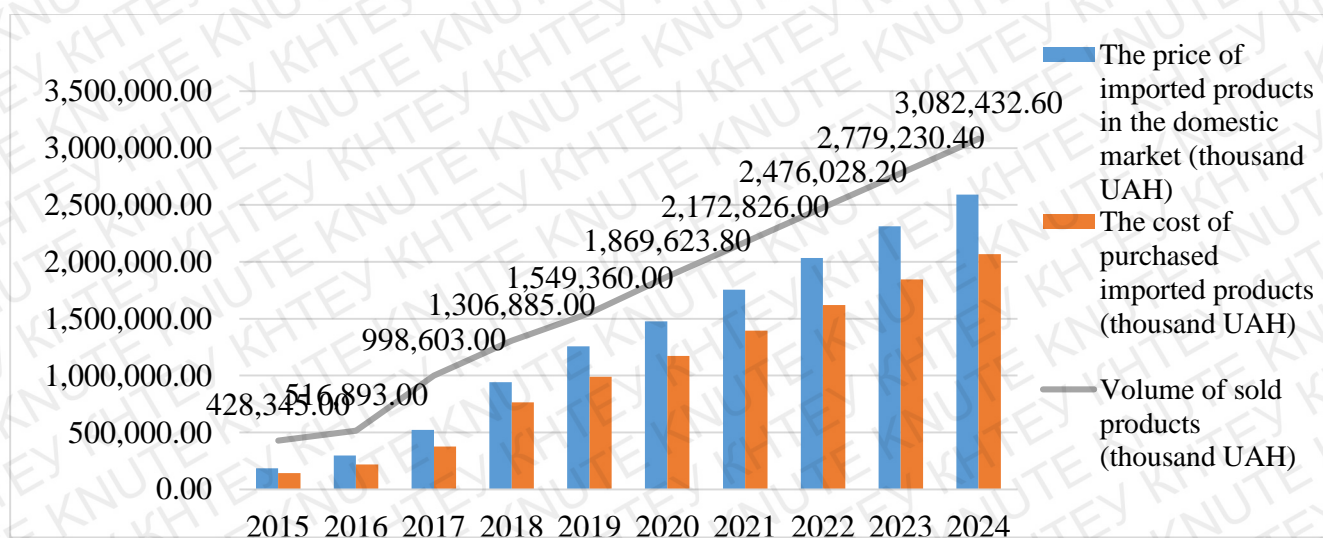


Figure 3.8: Forecast of import data of Business Plastics LLC in 2020 - 2024, thousand UAH

Source: created by the author, based on table 2.9 and table 3.9

Based on the forecasted data of import activity of Business Plastics LLC in 2020 – 2024 it was possible to forecast indicators of import effectiveness of Business Plastics LLC in 2020-2024, which are shown in table 3.10.

Table 3.10

Forecast of indicators of import effectiveness of Business Plastics LLC in 2020-2024

Indicator	Forecast				
	2020	2021	2022	2023	2024
Share of imports	78,98%	80,79%	82,16%	83,23%	84,09%
Import change rate	0,93	0,94	0,92	0,91	0,89
Indicator of economic efficiency of imports	1,26	1,26	1,26	1,25	1,25
Indicator of the economic effect of imports, thsd UAH	305 524,80	360 052,40	414 580,00	469 107,60	523 635,20
RI	0,26	0,26	0,26	0,25	0,25
Profitability of imports	26,09%	25,80%	25,60%	25,44%	25,32%

Source: created by the author, based on table 2.10

Table 3.10 shows that the share of import will increase every predicted year. During the forecasted period, change rate of import should be approximately 90%. Indicator of economic efficiency of import is always larger than 1, which means that import operations in the forecasted period will be efficient (see figure 3.9).

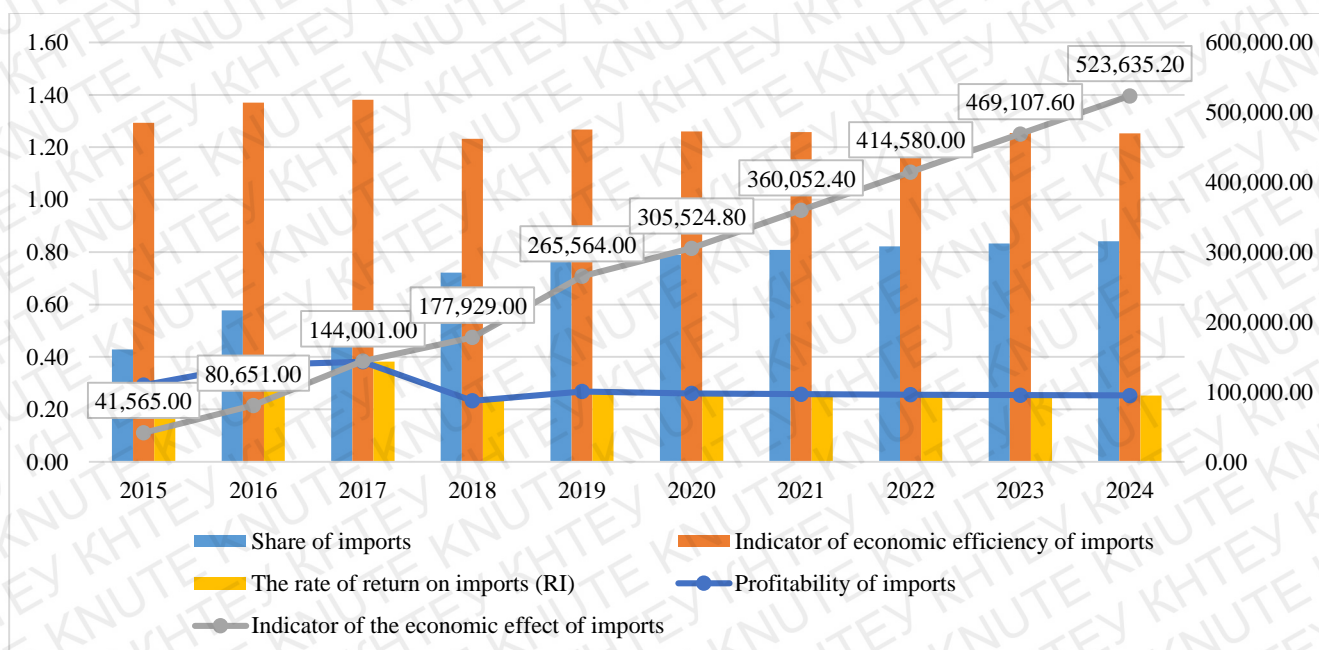


Figure 3.9: Forecast of indicators of import effectiveness of Business Plastics LLC in 2020-2024

Source: created by the author, based on table 2.10 and table 3.10

Figure 3.9 shows that indicator of the economic effect of imports has a trend to increase. However, the profitability of import would be approximately on the same level as an indicator of return on import.

Conclusions to part 3

In part 3 were analyzed external and internal factors, which could influence on the foreign economic activity of Business Plastics LLC. To provide these analyses were used PESTEL and SWOT techniques. PESTEL analysis included external Political factors as corruption level, tax policies, import-export regulation, level of SME development. Economic factors included interest rate, inflation rate, exchange rate, unemployment trend. Social factors included population size and growth rate, birth rates, life expectancy rates and wages, which could influence on Business Plastics LLC performance as a result. In addition to these factors, were also included technological, environmental and legal factors. Based on PESTEL later was constructed SWOT, which also showed internal factors, which can have an impact on enterprise such as strength and weaknesses of the Business Plastics LLC. Thus, by defining external and internal factors was possible to define main measures, which should be implemented by Business Plastics LLC in order to achieve effective economic activity on the domestic and international markets.

There were developed four directions of improvement of external strategy. Among them are marketing strategy, internalization strategy, economic strategy and risk management strategy. Moreover, there also were developed four ways of internal strategy, which can improve the internal activity of the enterprise. To internal strategies belong technological strategy, logistics strategy, staff strategy and financial strategy. All these directions were developed to cope with obstacles and threats and to help in realization of opportunities, which were defines with the help of external and internal analyses as SWOT and PESTEL.

Moreover, part 3 included forecast evaluation of the effectiveness of suggested measures for Business Plastics LLC. There were shown scenario of financial performance of the enterprise if there would be no implementation of suggested measures to improve financial indicators. An also there was developed alternative forecast in case of implementation of the suggested measures. In addition, there was made a forecast of indicators of international economic activity of Business Plastics LLC. In case if Business Plastics LLC will implement measures all import indicators would have a positive tendency in future.

CONCLUSION

The activity of SMEs in any country is important for the further development of the economy because SMEs contribute to the growth of employment and income in the country. Besides, SMEs stimulate innovation and helps to stabilize slowdowns in economic activities. In most countries, SMEs represent the majority of enterprises, provide most of the employment, and make an important contribution to income generation. In Ukraine, the small and medium-sized business sector accounts for more than 99,8 % of the total number of enterprises and employs about two-thirds of the country's entire workforce, which make SMEs an important and integral component of the Ukrainian economy. Even though in Ukraine, there is a lack of economic statistics on the SME sector's export and import operations, State Statistic Service of Ukraine released its first report in 2018 on exports and imports statistics by economic entities by a number of hired workers by types of economic activity.

Based on SSSU data has been done the research, where was found out that the share of SMEs enterprises involved in export and import operation is larger than the share of large enterprises. However, the largest share of millions of USD belongs to the large enterprises in export operations, while in import operation there is an almost equal share of millions of USD as SMEs as large enterprises.

Analysis of Business Plastics LLC, which is Ukrainian micro-enterprise, showed that despite unstable financial indicators it was able to be profitable during 2015-2019 years. The main foreign economic activity of Business Plastics LLC is import operations from Germany, Russia, Israel, Italy various kind of plastic as ABS sheets, plexiglass and other. Research on import operations showed its effectiveness for the last five years (2015-2019) despite the young age of Business Plastics LLC. However, to increase its effectiveness in futures there was developed a set of measures, which would help Business Plastics LLC realize its opportunities and decrease influence of threats in future. In addition, a set of measures was also aimed to improve its strength and get rid of weaknesses. forecast evaluation of the effectiveness of suggested measures for Business Plastics LLC.

The forecast of evaluation of suggested measures showed two scenarios of financial performance of the enterprise. One showed a negative tendency and tends to decline if there would be no implementation of suggested measures to improve financial indicators.

Second, an alternative forecast in case of implementation of the suggested measures showed a positive tendency to strengthen financial performance of Business Plastics LLC. In addition, there was made a forecast of indicators of international economic activity of Business Plastics LLC. In case if Business Plastics LLC will implement measures all import indicators would have a positive tendency in future.

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APPENDICES

Appendix A

FINANCIAL REPORT of Business Plastics LLC in 2015-2019

Assets	Line code	On 31.12.		On 31.12.		On 31.12.	
		2015	2016	2017	2018	2019	
I. Non-current assets							
Intangible assets	1000	12,205.00	12,371.00	12,389.00	12,410.00	13,845.00	
initial value	1001	24,165.00	24,742.00	24,778.00	24,820.00	28,390.00	
amortization	1002	14,085.00	14,375.00	14,411.00	14,453.00	187,020.00	
Incomplete capital investments	1005	6,930.00	7,187.50	7,205.50	7,226.50	8,338.00	
Fixed assets:	1010	172,890.00	173,194.00	173,446.00	173,740.00	175,880.00	
initial value	1011	206,275.00	207,832.80	208,135.20	208,488.00	210,900.00	
amortization	1012	51,135.00	51,958.20	52,033.80	52,122.00	52,250.00	
Investment Property:	1015	0.00	0.00	0.00	0.00	0.00	
initial value	1016	0.00	0.00	0.00	0.00	0.00	
amortization	1017	0.00	0.00	0.00	0.00	0.00	
Long-term biological assets	1020	0.00	0.00	0.00	0.00	0.00	
initial value	1021	0.00	0.00	0.00	0.00	0.00	
amortization	1022	0.00	0.00	0.00	0.00	0.00	
Long-term financial investments		0.00	0.00	0.00	0.00	0.00	
which are accounted for using the equity method of other enterprises	1030	0.00	0.00	0.00	0.00	0.00	
other financial investments	1035	0.00	0.00	0.00	0.00	0.00	
Long-term receivables	1040	70,400.00	74,565.00	74,331.00	74,644.00	77,343.00	
Deferred tax assets	1045	0.00	0.00	0.00	0.00	0.00	
Goodwill	1050	0.00	0.00	0.00	0.00	0.00	
Deferred acquisition costs	1060	0.00	0.00	0.00	0.00	0.00	
Balance in centralized insurance reserve funds	1065	0.00	0.00	0.00	0.00	0.00	
Other non-current assets	1090	0.00	0.00	0.00	0.00	0.00	
Total for section I	1095	558,085.00	566,225.50	566,729.50	567,903.50	753,966.00	
II. Current assets							
Stocks	1100	175,300.00	198,524.00	224,698.00	267,880.00	457,655.00	
Inventories	1101	128,580.00	138,665.00	157,825.00	189,654.00	232,535.00	
Unfinished production	1102	0.00	0.00	0.00	0.00	0.00	
Final products	1103	45,875.00	58,963.00	64,043.00	71,523.00	84,250.00	
Goods	1104	550.00	896.00	2,830.00	6,703.00	18,635.00	
Current biological assets	1110	0.00	0.00	0.00	0.00	0.00	
Reinsurance deposits	1115	0.00	0.00	0.00	0.00	0.00	
Promissory notes received	1120	0.00	0.00	0.00	0.00	0.00	
Accounts receivable for products, goods, works, services	1125	200,115.00	277,933.60	314,577.20	375,032.00	560,870.00	
Accounts receivable according to calculations:							

Continuation of the appendix A

on issued advances	1130	0	0	0	15,900.00	0
with a budget	1135	10,125.00	15,480.00	16,348.00	17,922.00	18,705.00
including income tax	1136	400	469.09	495.39	543.09	550
from accrued income	1140	0	0	0	0	0
from internal calculations	1145	0	0	0	0	0
Other current receivables	1155	0	0	0	0	0
Current financial investments	1160	0	0	0	0	0
Money and their equivalents	1165	10,000.00	12,695.00	40,472.00	80,382.00	10,000.00
Cash	1166	0	0	0	13	500
Bank accounts	1167	0	0	0	200,588.00	
Deferred expenses	1170	0	0	0	0	
The reinsurer's share in insurance reserves	1180	0	0	0	0	
including:						
reserves for long-term liabilities	1181	0	0	0	0	0
other insurance reserves	1184	0	0	0	0	0
Other current assets	1190	0	0	0	0	0
Total for section II	1195	570,945.00	703,625.69	821,288.59	1,226,140.09	1,383,700.00
III. Non-current assets held for sale and disposal groups	1200	0	0	0	0	0
Balance	1300	1,129,030.00	1,269,851.19	1,388,018.09	1,794,043.59	2,137,666.00

Liabilities	Line code	On 31.12.	On 31.12.	On 31.12.	On 31.12.	On 31.12.
		2015	2016	2017	2018	2019
I. Equity						
Registered (share) capital	1400	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Contributions to unregistered authorized capital	1401	0	0	0	0	0
Capital in revaluations	1405	0	0	0	0	0
Additional capital	1410	350,000.00	350,000.00	350,000.00	350,000.00	350,000.00
Issue income	1411	0	0	0	0	0
Accumulated exchange rate differences	1412	0	0	0	0	0
Reserve capital	1415	5000	5,000.00	5,000.00	5,000.00	5000
Retained earnings (uncovered loss)	1420	124080	155,325.00	187,962.00	246,587.00	304000
Unpaid capital	1425	0	0	0	0	0
Withdrawn capital	1430	0	0	0	0	0
Other reserves	1435	0	0	0	0	0
Total for section I	1495	480,080.00	511,325.00	543,962.00	602,587.00	660,000.00
II. Long-term liabilities and collateral						
Deferred tax liabilities	1500	8000	8,000.00	8,000.00	8,000.00	8000

Continuation of the appendix A

long-term bank credits	1510	100000	100,000.00	80,000.00	39,000.00	50850
Other long-term liabilities	1515	0	30	20	0	0
Long-term security	1520	0	0	0	0	0
Long-term staff costs	1521	0	0	0	0	0
Targeted financing	1525	0	0	0	0	0
reserve for long-term liabilities; (At the beginning of the reporting period)	1531	0	0	0	0	0
loss reserve or payments reserve; (At the beginning of the reporting period)	1532	0	0	0	0	0
reserve for unearned premiums; (At the beginning of the reporting period)	1533	0	0	0	0	0
other insurance reserves; (At the beginning of the reporting period)	1534	0	0	0	0	0
Investment contracts;	1535	0	0	0	0	0
Prize fund	1540	0	0	0	0	0
Reserve for jackpot payout	1545	0	0	0	0	0
Total for section II	1595	108000	108,030.00	88,020.00	47,000.00	58850
III. Current liabilities and collateral						
Short-term bank loans	1600	0	0	0	0	0
Promissory notes issued	1605	0	0	0	0	0
Current accounts payable:	1610	35175	38652	71113.09	129678	198150
on long-term liabilities						
for goods, works, services	1615	16850	17,800.00	25,000.00	56,000.00	76100
according to calculations with the budget	1620	6055	7,052.00	9,000.00	18,000.00	43350
for including income tax	1621	0	0	0	0	0
according to insurance calculations	1625	1715	1,800.00	1,848.09	3,704.00	
according to payroll calculations	1630	0	0	0	0	0
on the received advances	1635	10555	12,000.00	35,265.00	51,974.00	78700
according to calculations with participants	1640	0	0	0	0	0
from internal calculations	1645	0	0	0	0	0
for insurance activities	1650	0	0	0	0	0
Current supplies	1660	20000	20,854.00	53,247.00	89,996.59	100066
Deferred income	1665	450555	552,296.19	560,474.91	794,959.00	922,450.00
Deferred commission income from reinsurers	1670	0	0	0	0	0
Other current commitments	1690	45	42	88	145	
Total for section III	1695	540950	650496.19	756036.09	1144456.59	1418816
IV. Liabilities related to non-current assets held for sale and disposal groups	1700	0	0	0	0	0
V. Net asset value of a private pension fund	1800	0	0	0	0	0
Balance	1900	1,129,030.00	1,269,851.19	1,388,018.09	1,794,043.59	2,137,666.00

Statement of financial results of Business Plastics LLC in 2015-2019

Source	Line code	2015	2016	2017	2018	2019
Net income from sales of products (goods, works, services)	2000	428,345.0 0	516,893.00	998,603.00	1,306,885.00	1,549,360.00
Net earned insurance premiums	2010	0.00	0.00	0.00	0.00	0.00
Change in the reserve for unearned premiums, gross amount	2013	0.00	0.00	0.00	0.00	0.00
Cost of goods sold (goods, works, services)	2050	308,015.0 0	374,960.00	610,632.00	835,641.00	935,885.00
Net incurred losses on insurance payments	2070	0.00	0.00	0.00	0.00	0.00
Gross profit	2090	120,330.0 0	141,933.00	387,971.00	471,244.00	613,475.00
Gross: damage	2095	0.00	0.00	0.00	0.00	0.00
Income (expenses) from changes in reserves for long-term liabilities	2105	0.00	0.00	0.00	0.00	0.00
Income (expenses) from changes in other insurance reserves	2110	0.00	0.00	0.00	0.00	0.00
Change in the share of reinsurers in other insurance reserves	2112	0.00	0.00	0.00	0.00	0.00
Other operating income	2120	59,690.00	75,900.00	97,321.00	223,090.00	410,640.00
Income from changes in the value of assets measured at fair value	2121	0.00	0.00	0.00	0.00	0.00
Income from initial recognition of biological assets and agricultural products	2122	0.00	0.00	0.00	0.00	0.00
Income from the use of funds exempt from taxation	2123	0.00	0.00	0.00	0.00	0.00
Administrative expenses	2130	10,480.00	12,630.00	16,800.00	35,314.00	53,200.00
Selling expenses	2150	18,360.00	20,687.00	40,678.00	45,561.00	60,140.00
Other operating expenses	2180	100,390.0 0	120,840.00	198,700.00	280,736.00	490,988.00
Expenses on changes in the value of assets measured at fair value	2181	0.00	0.00	0.00	0.00	0.00
Financial result from operating activities: profit	2190	50,790.00	63,676.00	229,114.00	332,723.00	419,787.00
Financial result from operating activities: loss	2195	0.00	0.00	0.00	0.00	0.00
Income from equity participation	2200	0.00	560	0.00	0.00	0.00
Other financial income	2220	375.00	451	494	536	778.00
Other income	2240	48,235.00	60,348.00	109,647.00	167,320.00	247,689.00

Continuation of the appendix B

Income from charitable assistance	2241	0.00	0.00	0.00	0.00	0.00
Financial expenses	2250	43,557.00	51,325.00	91,548.00	115,131.00	185,600.00
Losses from equity participation	2255	0.00	0.00	0.00	0.00	0.00
Other expenses	2270	140,398.00	201,452.00	297,325.00	313,574.00	380,325.00
Profit (loss) from the impact of inflation on monetary items	2275	0.00	0.00	0.00	0.00	0.00
Pre-tax financial result: profit	2290	0.00	0.00	0.00	71,874.00	102,329.00
Pre-tax financial result: loss	2295	-84,555.00	-127,742.00	-49,618.00	0.00	0.00
Expenses (income) from income tax	2300	0.00	0.00	0.00	0.00	0.00
Profit (loss) from discontinued operations after tax	2305	0.00	0.00	0.00	0.00	0.00
Net financial result: profit	2350	0.00	0.00	0.00	71,874.00	102,329.00
Net financial result: loss	2355	-84,555.00	-127,742.00	-49,618.00	0.00	0.00
II. COMPREHENSIVE INCOME						
Accumulated exchange rate differences	2410	0.00	0.00	0.00	0.00	0.00
Share of other comprehensive income of associates and joint ventures	2415	0.00	0.00	0.00	0.00	0.00
Other total income	2445	0.00	0.00	0.00	0.00	0.00
Other aggregate pre-tax income	2450	0.00	0.00	0.00	0.00	0.00
Income tax related to other comprehensive income	2455	0.00	0.00	0.00	0.00	0.00
Other total income after tax	2460	0.00	0.00	0.00	0.00	0.00
Total income (sum of lines 2350, 2355 and 2460)	2465	-84,555.00	-127,742.00	-49,618.00	71,874.00	102,329.00
III. ELEMENTS OF OPERATING COSTS						
Material costs	2500	48,640.00	54,321.00	57,888.00	64,438.00	83,200.00
salary expenses	2505	150,000.00	150,000.00	150,000.00	150,000.00	15,000.00
Deductions for social events	2510	10,000.00	10,000.00	12,300.00	15,000.00	17,000.00
Amortization	2515	13,280.00	15,361.00	16,911.00	18,724.00	20,500.00
Other operating expenses	2520	100,390.00	120,840.00	198,700.00	280,736.00	490,988.00
Together	2550	322,310.00	350,522.00	435,799.00	515,398.00	626,688.00
IV. CALCULATION OF SHARE RETURN INDICATORS						
Average annual number of ordinary shares	2600	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Adjusted average annual number of common shares	2605	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Net profit (loss) per common share	2610	-8.46	-12.77	-4.96	7.19	10.23
Adjusted net income (loss) per common share	2615	-8.46	-12.77	-4.96	0.00	0.00
Dividends per simple share	2650	0.00	0.00	0.00	0.00	0.00

PESTEL analysis of Business Plastics LLC

FACTOR		Influence of the factor	expert review		Average all grades (review)	Assessment of the influence of factors, with probability of their changes
			Propability of change			
Political factors			1	2		
I	Corruption level	2	4	3	3,5	0,11
II	Tax policies	3	3	3	3	0,15
III	Import-export regulation/resctrictions	3	3	4	3,5	0,17
IV	SME development	3	2	2	2	0,10
Economic factors						
I	Interest rate	3	3	3	3	0,15
II	Inflation rate	3	5	5	5	0,24
III	Exchange rate	3	5	5	5	0,24
IV	Unemployment trend	2	4	5	4,5	0,15
Social factors						
I	Population size and growth rate	3	3	4	3,5	0,17
II	Birth rates	1	2	2	2	0,03
III	Life expectancy rates	2	3	2	2,5	0,08
IV	Wages/Earnings	3	4	4	4	0,19

Continuation of the Appendix C

PESTEL analysis of Business Plastics LLC

FACTOR		Influence of the factor	expert review		Average all grades (review)	Assessment of the influence of factors, with probability of their changes
			Propability of change			
Technological factors			1	2		
I	R&D activity	1	1	1	1	0,02
II	Access to new technology	3	3	2	2,5	0,12
III	Level of innovation	2	2	1	1,5	0,05
IV	Automation	3	3	4	3,5	0,17
Environmental factors						
I	Environmental policies	3	3	3	3	0,15
II	Natural disasters	3	2	1	1,5	0,07
III	Recycling standards	3	4	4	4	0,19
IV	Attitudes towards green products	3	4	5	4,5	0,22
Legal factors						
I	Employment laws	3	3	4	3,5	0,17
II	Consumer protection laws	3	3	3	3	0,15
III	Health and safety laws	2	3	3	3	0,10
IV	Education laws	2	3	2	2,5	0,08
TOTAL		62				

Source: created by the author based on the data of Business Plastics LLC