

Kyiv National University of Trade and Economics  
Department of Economics and Business Finance

## **FINAL QUALIFYING PAPER**

on the topic:

### **MANAGEMENT OF THE CREDITWORTHINESS OF AN ENTERPRISE**

based on data of LLC "Ukraine international media culture", Kyiv

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## INTRODUCTION

**Relevance of the research.** Creditworthiness - one of the major descriptions of an enterprise. Given the great practical significance of this economic category, it is very important to formulate its unambiguous scientific content. Therefore, there is a need to investigate in more detail the content of this economic category, to determine the drivers of influence on this economic category, to provide a qualitative definition of Creditworthiness.

In modern economics, there is a range of definitions for Creditworthiness. Also, in the scientific literature, there are a lot of factors definitions that determine and influence the Creditworthiness of an enterprise, but these factors also need to be supplemented and modified. In modern economic conditions, ensuring a high level of creditworthiness is one of the priorities of ensuring sustainable development and improving their position in the market environment.

The creditworthiness of an enterprise plays a key role, as it depends on the company's ability to meet the conditions of potential creditors. Among the well-known authors' works that have made a significant contribution to the coverage of the essence of the creditworthiness management of the enterprise the following scientists should be mentioned: V. Borisova, E. Brigham, L. Vdovenko, L. Gapenski, I. Davydovych, P. Demyanenko, O. Donets, V. Lagutin, L. Lakhtionova, I. Lomachynska, O. Oliynyk, A. Poezdnik, P. Rose, M. Savluk, J. Sinki, O. Tereshchenko and many other Ukrainian and foreign scientists.

However, the problem of effective credit management of the enterprise remains relevant in modern conditions. The reason for this is the dynamic development of the economy, globalization, the unstable internal economic environment of the state, and so on. These and other factors are constantly changing and cause the need to improve the methodology of credit management of the enterprise.

**The purpose and tasks.** The purpose of the study is to determine the nature of the creditworthiness of the enterprise, to investigate its types, and to analyze the existing methods of determining the creditworthiness of the enterprise.

As a result, the following tasks were set and resolved:

- to determine the theoretical basis of an enterprise creditworthiness management;
- to analyze the results of enterprise financial and economic activities of LLC "Ukraine international media culture";
- to analyze the structure and dynamics of credit support of an enterprise activity;
- assess the creditworthiness of the enterprise;
- to consider ways to increase the creditworthiness of LLC "Ukraine international media culture".

**The subject of research** is theoretical and methodological approaches to assessing the creditworthiness of the enterprise.

**Object of the research** is the process of formation and diagnosis of the creditworthiness of LLC "Ukraine international media culture".

LLC "Ukraine international media culture" is a leading Ukrainian company implementing joint projects with the People's Republic of China and other Asian countries. UIMC's activities cover a variety of areas, from art and culture to business and finance. The main activity of the enterprise, according to the classification of economic activities, is section M "Professional and scientific activities" section 73 "Advertising and market research". code 73.20. The enterprise, according to the Unified state register of enterprises and organizations of Ukraine, has the following code: 41010277. LLC "Ukraine international media culture" was founded in 2000, at the address – 03055, 117 Borshchahivska str., office 247, Kyiv Ukraine.

**Information support of the research** legislative and other normative documents regulating the Ukrainian enterprise's activity, statistical materials,

reports of the enterprise, in particular, financial statements: Form №1 and Form №2. Processing of information material was carried out with the use of modern information technologies.

**The methods of the research** are economic and statistical for the analysis of indicators of enterprise activity, integral methods for measuring the influence of factors on the final result, scientific analysis, and synthesis. In the process of creating the project such software packages as "MS Office", "Adobe Acrobat Reader DC" were used.

**Approbation.** Publication of the results of the final qualifying work is published on the topic "The theoretical basis of an enterprise creditworthiness management".

**Practical meaning.** The practical significance of the obtained results of the study is aimed at increasing creditworthiness LLC "Ukraine international media culture".

**Structure of the paper.** The structure of the paper consists of an introduction and three chapters. Chapter 2 is divided into 3 sections. The final part of the work contains conclusions and suggestions.

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## **CHAPTER 1**

### **THEORETICAL BASIS OF AN ENTERPRISE CREDITWORTHINESS MANAGEMENT**

In the conditions of market transformations, the effective activity of an economic entity is impossible without a sufficient amount of financial resources and, accordingly, the attraction of various loans. Borrowing capital helps to increase the efficiency of economic activity of the enterprise, accelerate the movement of its financial and material resources, increase the efficiency of capital use, reduce the payback period of investment, expand the scope and scope of activities, the formation of various trust funds, thereby increasing market value.

Businesses are currently operating in adverse economic conditions. Dynamic exchange rates, instability of the economic and political environment significantly complicate the activities of enterprises, negatively affecting their creditworthiness; a significant number of domestic enterprises are being liquidated. To stay in the market and develop further under such conditions, companies need to build a credit management strategy.

Creditworthiness is a comprehensive evaluation of the ability and trustworthiness of various economic organizations to fulfill commitments.

Managing the creditworthiness of the enterprise in modern conditions is one of the main areas of its management. Effective implementation of this process allows the company to quickly solve problems in a competitive environment and be able to timely and in the required amount to obtain and repay loans.

A high level of creditworthiness helps to maximize profits and increase profitability by attracting credit resources. All this increases the value of the enterprise itself, thus ensuring its investment attractiveness. It should be noted that in the modern economic literature and regulations there are different approaches to the interpretation of the essence of the concept of "creditworthiness" (Table 1.1).

According to Table 1, we can conclude that the existing approaches to defining the essence of the concept of "creditworthiness" should be divided into two blocks:

- 1) creditworthiness as the ability to fully and on time to pay their debts;
- 2) creditworthiness is the financial condition of the enterprise, which allows you to get a loan and repay it on time.

*Table 1.1*

**Approaches to the definition of "creditworthiness"**

Author	Definition of the concept
Lagutin V. [12]	"Is the ability of the borrower to pay its debts in full and on time"
Lakhtionova L. [13]	"This is the financial condition of the company, which allows you to get a loan and repay it in a timely manner"
Oliynyk O. [16]	"It is the ability and desire of the borrower to pay its debts in full within the term specified in the loan agreement and in full"
Galasyuk V. [3]	"The bank's confidence in the borrower in the presence of prerequisites for obtaining a loan in the maximum amount based on a qualitative assessment, confirmed by the material and financial capabilities of the borrower, his reputation, guarantee, desire and ability to timely fulfill obligations to repay debt"
Nechiporenko A. [15]	"The financial condition of the enterprise, in which it is able to effectively use borrowed funds, as well as timely repay loans"
Verkhusha N. [2]	"The ability of the borrower under the specific terms of the loan in full and within the period specified in the loan agreement to settle its debt obligations exclusively in cash generated in the ordinary course of business"

The creditworthiness of an enterprise is its ability to meet its accounts payable. The processes of credit management of the enterprise are a component of management policy. The creditworthiness ratio is closely related to the solvency

and liquidity ratios. But for banks, as well as for creditors, it is the indicator of creditworthiness of the enterprise that is important.

The financial condition of the enterprise is formed in the process of all its production and economic activities and under the influence of internal and external factors [10].

The external manifestation of the normal financial condition of the enterprise is the proper level of its creditworthiness. Factors affecting the creditworthiness of the enterprise are classified into the following two groups: external and internal. External factors include: the state of socio-economic development of the country; monetary and tax policy of the country; financial market conditions; political situation in the country; settlement and payment discipline of contractors; efficiency of communication with contractors, etc.

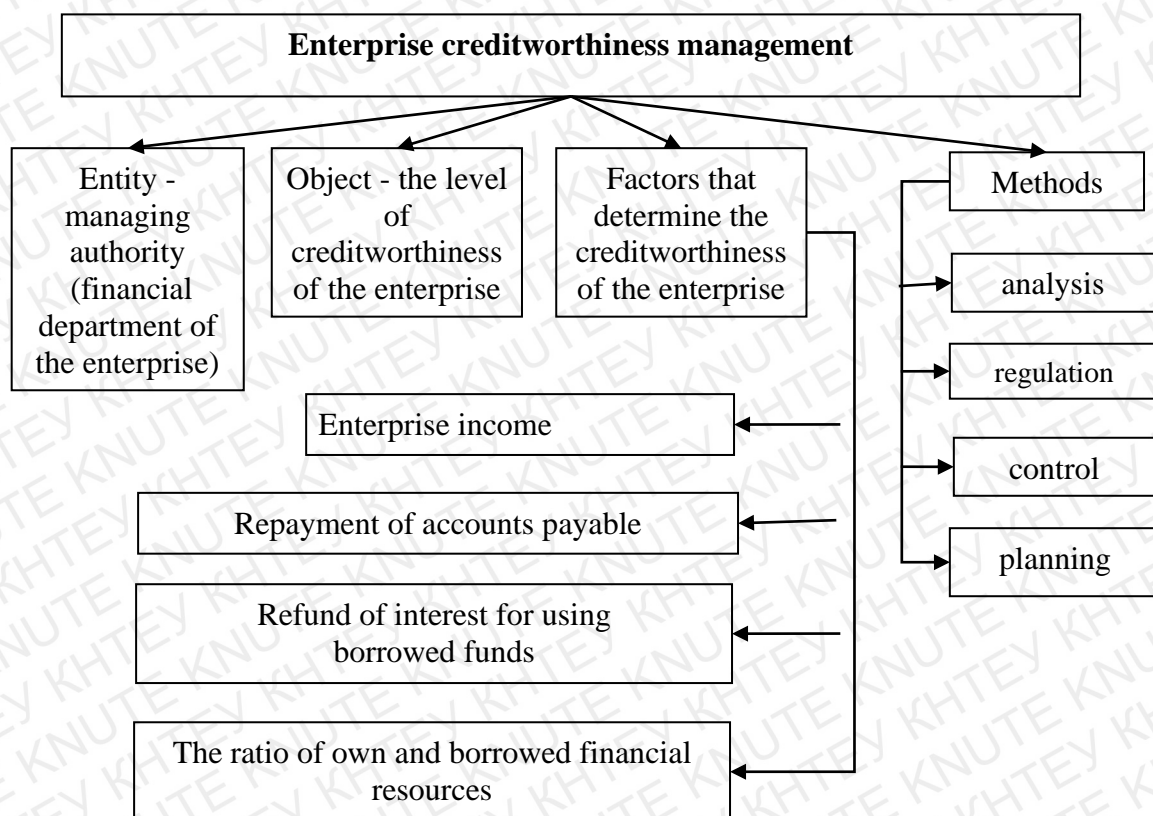
The internal factors that affect the creditworthiness of the enterprise include: the composition and structure of current and non-current assets; Cash and cash equivalents; the amount of short-term liabilities; receivables; budget planning; corporate discipline; level of production organization; marketing policy of the enterprise, etc. It should also be noted that the creditworthiness management of the enterprise is closely related to the processes of solvency and liquidity management. These indicators are interdependent, because in the absence of the necessary financial resources, the company attracts loans to improve its liquidity and solvency, and at the same time, with low liquidity and solvency, the company will not be able to meet its credit obligations.

An effective mechanism of creditworthiness of the enterprise should be based on a qualitative, systematic analysis of its financial performance, as well as on the assessment of the market environment. Due to the dynamic development of the economy and society as a whole, it is difficult to use a universal approach to assessing the creditworthiness of the enterprise. However, we can identify the key principles on which the methodology of its assessment should be based: ensuring the maximum reliability of the assessment; determination of a wide range of



indicators that comprehensively characterize the creditworthiness of the enterprise, taking into account the specifics of its activities; use of modern scientific methods, valuation models, involvement of independent experts, application of modern innovative approaches to the assessment and optimization of credit management processes of the enterprise.

The purpose of credit management is to ensure a certain level of creditworthiness at which the company would be able to meet its obligations to repay the principal amount of debt and interest thereon in the current and future periods [39]. Also, the purpose of the mechanism of credit management of the enterprise is to maintain and achieve its established level through a timely response to changes in internal and external conditions of the business entity. Fig. 1 presents the structure of credit management of the enterprise.



**Fig. 1.1. Credit management of the enterprise [20]**

The company may be considered insolvent, but creditworthy, as a significant impact on the settled indicator has the security of the loan [39].

The process of managing the creditworthiness of enterprises is based on qualitative assessment. I. Shovkun notes that "assessment of the borrower's creditworthiness is a process of comprehensive determination of quantitative and qualitative parameters of its financial condition, which is carried out by the lender (bank) to analyze and forecast probable risks and determine the possibility, size and conditions of the loan" [25].

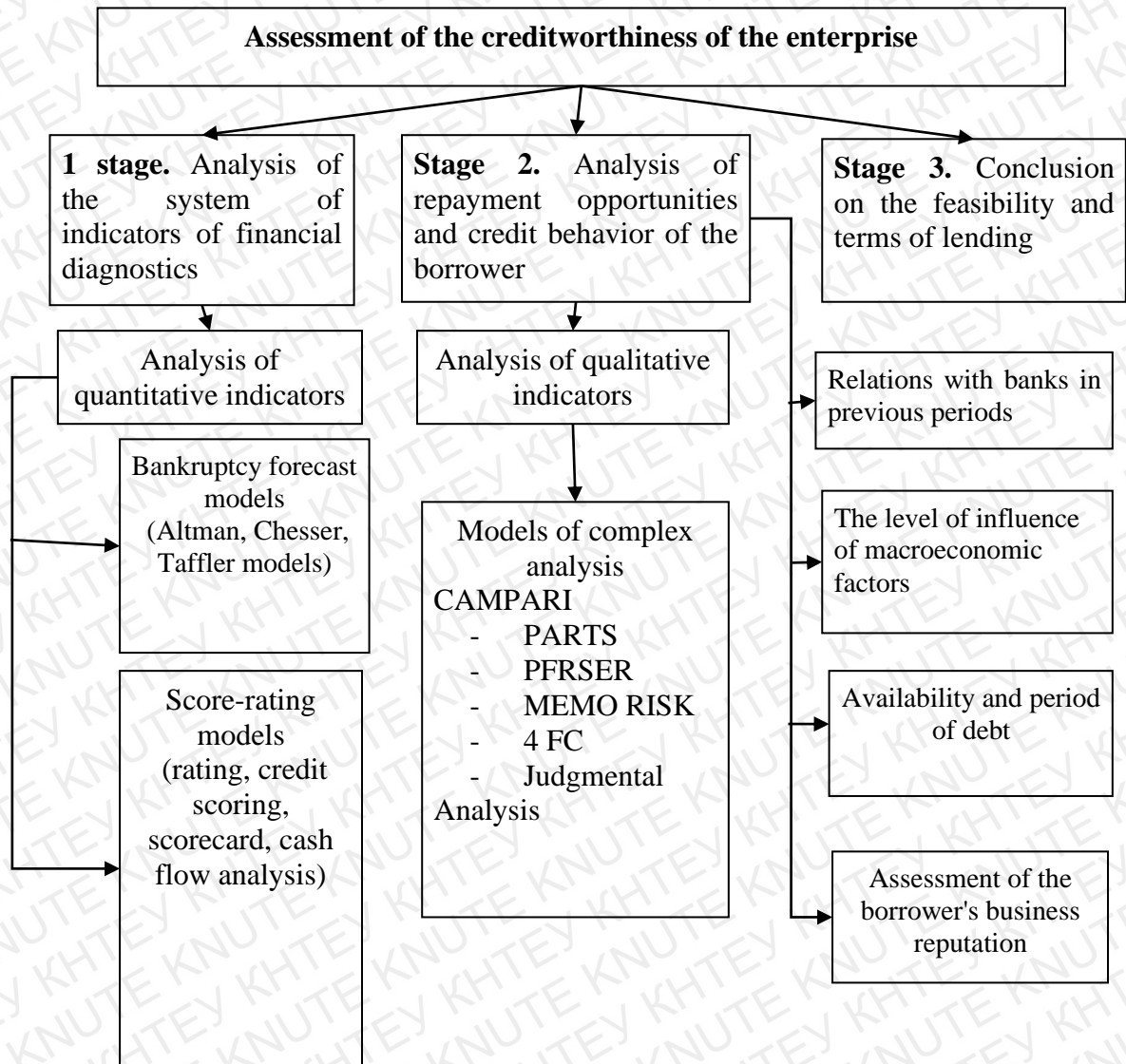
The need to assess creditworthiness arises both for companies that want to attract financial resources on attractive terms, and for banks that seek to minimize credit risks.

The high level of creditworthiness of the enterprise characterizes the potential borrower's prerequisites for obtaining a loan and the ability to repay it within a clearly defined period following the loan agreement.

Before approving a loan to a borrower and concluding a loan agreement, the financial institution must make sure that the loan will be repaid. After all, following the principles of lending, the loan must: be repaid within the period specified in the agreement; the received credit must be used for its intended purpose; obtaining a loan is on a paid basis, in addition to repaying the loan, the borrower must pay interest for its use; the loan must be secured; the entire loan amount must be repaid to the lender. Thus, the assessment of creditworthiness is important, both for the lender, because it protects him from lending to bankrupt or financially unstable companies, and for the borrower, because it allows imagining his ability to pay off their debts on time.

The borrower's creditworthiness is assessed based on a system of indicators that reflect the location and sources of working capital, the results of economic and financial activities of the borrower. The choice of indicators depends on the type of economy, the degree of development of market relations, the peculiarities of the balance sheet and other forms of reporting of borrowers, their industry characteristics, forms of ownership.

Each company differs significantly from the other in the specifics of the activity, level of management, marketing, so the development of methods for assessing the creditworthiness of the company should include an analysis of all these processes in the company. The main existing approaches and methods for assessing the creditworthiness of the borrower (enterprise) are shown in Fig.2.



**Fig. 1.2. Assessment of the creditworthiness of the enterprise [7]**

Thus, the creditworthiness of the enterprise is the availability of opportunities in the business entity to obtain a loan and through its repayment within the period specified in the agreement.

Modern practice of complex analysis means that the common method of its implementation from the individual processes used at the rating level, there are in the used ratings in points that have the appropriate actual values of financial and economic indicators of the enterprise a certain range of possible values.

This technique is widely used and popular among credit experts of any domestic bank, which can be explained by the fact that it is simple, convenient in practical applications, easy to form integral characteristics of the financial position of the entity, changes in dynamics and its features in further.

The general procedure for the implementation of ranking ratings includes the following actions related to:

- setting the limits of the range of possible value for each individual financial and economic indicator, which must correspond to a certain selected qualitative level of assessment of the financial position of the enterprise and with due regard to the national economy where the enterprise operates;
- determining the rank for each of the intervals, ie it is the value of points related to a particular indicator for compliance with their calculated values to the established level of qualitative assessment of financial condition in accordance with the defined limits of the range of possible values. At the same time, if the indicator has a high quality level, then its wounds should be high and vice versa;
- the ability to use zero, positive and negative values of ranks;
- formation of intervals of the total rank of the business entity in accordance with certain qualitative levels of financial position, but the maximum and minimum level of the total rank are the product of the number of targets and maximum and minimum ranks, respectively.

An important methodological aspect of the formation of methods includes the optimization of the structure of indicators, based on the values of which determine the level of quality of the financial position of the entity. Collectively, they must meet each of the requirements of a comprehensive description of both

the current state of the entity and its future development trends with a horizon of anticipation that should fully minimize any financial risk.

The main criteria for assessing the creditworthiness of the borrower include the following [14]:

- provision of the enterprise with its funds by at least 50% of the total amount of expenses it incurs;
- reputation of the enterprise (qualification and abilities of the head, observance of business ethics, contractual and payment discipline);
- evaluation of products, availability of orders for its sale, the nature of services provided (competitiveness in domestic and foreign markets, demand for products and services, export volumes, the degree of dependence of demand for products on seasonality, etc.);
- economic situation (prospects for the development of the borrower, the availability of sources for financing and investment);
- market conditions (prospects for the development of the market of the product or service, positioning of the product or service of the borrower, market growth rate, seasonality, and other factors influencing its development).

It should be noted that the support for the creditworthiness of domestic enterprises by the state or banks is quite low. Ukraine has established a business support fund, programs to support enterprises in strategic industries, there are several lending programs for businesses in banks, and more. But the support from the state is not effective and accordingly does not have positive results due to the high level of market monopolization and other factors. Foreign experience shows the need to create special business support systems, which in turn consist of specialized bodies in the executive branch.

Table 1.2

**Models of complex analysis of the borrower's creditworthiness [7]**

<b>CAMPARI</b>	
The essence of the method	The methodology based on business risk analysis uses qualitative factors in assessing the borrower. The analysis of such risk allows to predict sufficiency of sources of repayment of borrowed funds. C – character; A – ability; M – margin; P – purpose; A – amount; R – return –; I – insurance.
Features	The CAMPARI methodology consists in alternately selecting the most significant factors from the loan application and attached financial documents.
<b>PARTS</b>	
The essence of the method	P – purpose; A – amount; R – repayment; T – term; S – Security.
Features	The method combines the analysis of the borrower's business qualities.
<b>PARSER</b>	
The essence of the method	P – Person – information about the potential borrower; A – Amount – justification of the loan amount; R – Repayment – opportunities to repay the loan; S – Security – security assessment; E – Expediency – expediency of the loan; R – Remuneration – bank fee for loan risk.
Features	They are based on the consistent consideration of the most significant factors characterizing the client recorded in the loan application and financial documents, in order to identify the potential risk of a particular loan. Emphasizes the feasibility of the loan.
<b>MEMO RISK</b>	
The essence of the method	Management. Experience. Market. Operations. Repayment. Interest Security. Kontrol.
Features	Pays attention to the borrower's experience and control over its activities.
<b>4FC</b>	
The essence of the method	Management Quality. Industry Dynamics. Security Realization Financial Condition.
Features	Emphasizes the general business environment of the borrower, the specifics of the industry, the dynamics and financial position of the borrower and the assessment of his business.

In practice, use a variety of methods for assessing creditworthiness:

1. Methodology of the National Bank of Ukraine. This method calculates the integrated indicator, the formula of which depend on the size of the entity and its type of economic activity. In addition, the credit quality category is established by determining the class and position of how the debt is serviced. The basic list of financial indicators that include the model of integrated valuation includes 11 indicators, each of which should characterize each of the main positions of the financial position of borrowers. The main such indicators include those related to capital structure; profitability and profitability; liquidity and solvency; turnover ratios.

2. Beaver's technique. According to this method, the company belongs to a certain category according to the analysis of relevant indicators. Yes, a scientist like Beaver has developed a set of indicators that allow you to assess the financial position of the entity. In order to diagnose bankruptcy, the author proposes to study the trends of indicators. It should be noted that this method does not fully show all aspects of the enterprise and is not a universal method for predicting the likelihood of bankruptcy. Beaver's work should be considered as one of the first attempts in which a number of analytical factors are used to predict bankruptcy. In this paper, the researcher investigated 30 ratios over five years for a number of companies, most of which went bankrupt. The whole set of coefficients was grouped into 6 groups. Thus, the study shows that the most important indicator in forecasting is the indicator that relates to the ratio of incoming cash flows and borrowed capital.

2. Methodology of financial ratios. According to this method of determining the number of points and refer the company to one of the five classes of creditworthiness (A, B, C, D, E). Big points are within each financial ratio and their weight. This method includes processes related to the preliminary assessment of borrowers; solvency, financial stability and reliability. Depending on what is recognized as obtained on such indicators as solvency, financial stability and how

the company will fulfill its obligations to the banking institution, it is from 1 of 5 classes, which characterize the level of its reliability.

2. Methodology related to the financial condition and performance of the entity. This method calculates indicators that are related to liquidity, solvency, financial stability, profitability and business activity. The main stages of the analysis of the financial situation include the stages that are associated with the construction of a clear list of stages and issues to be analyzed; a set of layouts of analytical tables, which will be filled with each of the indicators of the entity; a certain set of indicators of an analytical nature and an algorithm of how they are calculated.

Different countries are gaining experience in assessing the level of balance sheet liquidity and creditworthiness, while there are differences in the application of indicators [4, c. 92].

One such approach, which claims to be comprehensive, based on a system of indicators, is considered to be the method of American experts, called "six C", where each selection criterion is denoted by a word that begins with the letter "C" [15, c. 64].

— English-speaking experts have developed and use 7 principles of lending, which are denoted by the letters SAMRARI, each of which means:

- C – character – means the characteristics and reputation of borrowers;
- A – ability – the borrower's ability to repay the loan in full;
- M – margin – expected return on credit operations;
- P – purpose – purpose of credit funds;
- A – amount – total amount of credit funds;
- R – return – the conditions under which the loan will be repaid are indicated;
- I – insurance – it is about insuring the risk of non-repayment of the loan.



The essence of this technique is that there is an alternate selection of the loan application and the attached financial document, the most important factors that characterize the activities of the borrower in the dynamics, after a personal meeting with the borrower.

Another example of a credit rating is the experience of German financial institutions, which offer analytical research in five groups, which include 17 indicators. Thus, the main groups include those related to promising areas of development of borrowing enterprises; assessment of the economic conditions in which the company operates; assessment of market conditions and scope; relationships with borrowers; the quality of management functions in the enterprise. The formed scores on the indicators of each of the groups allow to form the overall rating of the borrower.

Thus, the assessment of creditworthiness is important, both for the lender, because it protects him from lending to bankrupt or financially unstable companies, and for the borrower, because it allows you to imagine his ability to pay off their debts on time. In world practice, the concept of "creditworthiness" is not used in the case of the borrower's assessment, but more often uses the indicator "credit risk", which characterizes the probability of payment or non-payment of debt obligations of the bank. This indicator is important in assessing the borrower, but narrower than the creditworthiness because it does not take into account a number of factors, such as liquidity and financial condition of assets and liabilities of the enterprise.

Thus, I. Davydovych notes that "credit risk is an identified, hidden or potential risk to income and capital, which arises due to the inability of the party that undertook to fulfill the terms of any financial agreement with the counterparty or in another a way to fulfill a commitment. Credit risk and creditworthiness are not identical concepts, because creditworthiness is an assessment based on the assessment and forecast of the company's potential, and credit risk - on the current assessment and the probability of a number of consequences "[6].

Table 1.3

**Approaches to the definition of "credit risk"**

Source	Definition of the concept
Versailles N. [40]	"Risk of loss of value of part of the creditor's assets due to non-fulfillment of obligations by borrowers"
Prosovich O. [22]	"Existing or potential risk to the proceeds and capital arising from the defaulting party's inability to meet the terms of any financial agreement with the bank or otherwise meet its obligations"
Levchenko V. [14]	"The consequence of decision-making in conditions of uncertainty or complete uncertainty"
Panchenko O. [20]	"Possible decline in the bank's profits and even the loss of part of its share capital as a result of the inability of borrowers to repay and service the debt"
Greuning H. [34]	"The risk that the debtor will not be able to make interest payments or pay the principal amount of the debt in accordance with the terms specified in the loan agreement"
Basel Committee on Banking Supervision [27]	"The possibility that the borrower of the bank or the counterparty will not be able to fulfill its obligations with the previously reached conditions"

According to the Resolution of the NBU "On approval of the Regulation on determining the amount of credit risk by banks of active banking operations" dated 30.06.2016 № 351 resolution: credit risk - the number of expected losses (losses) on the asset due to the default of the debtor [21].

In our opinion, credit risk should be understood as the monetary expression of the consequences of the borrower's breach of obligations to the lender, which is impossible due to external and internal factors of compliance with the schedule of repayment on a temporary and paid basis in due amounts the creditor of the planned level of income from the transaction.

The National Bank of Ukraine gives banking institutions the right to independently establish the main and additional criteria for assessing the financial condition of the borrower, which increases the requirements for indicators in order to adequately assess credit risks and proper control over them [19].

The process of managing the creditworthiness of enterprises in Ukraine is complicated by several factors, both internal (internal environment of the enterprise, its operating activities, potential) and external (the state of the domestic and world economy, the functioning of the banking industry, etc.). It is advisable to highlight the main ones: significant losses from the decline in domestic demand during the financial crisis; lack of operating activity when obtaining a loan; the presence of operating activities, but unacceptable debt burden when obtaining a loan; overstated debt burden for debtors when obtaining a loan. The most widely used mechanism in domestic practice to ensure the creditworthiness of the enterprise is to find internal sources to increase profitability and achieve break-even by increasing production capacity, improving the quality of products and services, as well as strengthening the competitiveness of the enterprise in the market, rational use of material, labor and financial resources. , reducing unproductive costs and reducing the cost of goods and services. Thus, assessing the financial condition of the enterprise and taking into account all possible risks are key factors in effective credit management in general, which prevents unjustified borrowing, ensures timely repayment of loans, reduce the risk of default and increase efficiency. To effectively manage the creditworthiness of the enterprise it is necessary to carry out a systematic analysis of its internal and external environment, to use modern scientific approaches to the selection of methods of its assessment and management mechanisms.

## CHAPTER 2

### INVESTIGATION OF LLC “UKRANION INTERNATIONAL MEDIA CULTURE” CREDITWORTHINESS MANAGEMENT

#### 2.1. Analysis of the results of enterprise financial and economic activities

The formation of market relations requires that every entrepreneurial participant analyses economic information correctly and make informed decisions about investing their resources in business entities in order to generate income. Of particular importance is the problem of creating such mechanisms of financial management of enterprises, which would meet the market conditions of management and ensure a sufficient level of payment capacity, liquidity, profitability. The interests of the company requires full responsibility for the results of their production and business activities. That is why the analysis of key indicators of financial and business activities is considered one of the most important tools in assessing the creditworthiness of the enterprise.

Analysis of financial and business activity of LLC "Ukraine international media culture" is carried out using financial and business accounting data (form №2) and the balance sheet of the company for 2018-2020.

Table 2.1 shows the dynamics of the main indicators of the company's business activity (Table 2.1).

Based on the data in the table, we can conclude that the company for the period under review increased the volume of business activities, as the total net income amounted to UAH 1237850 thousand in 2020, which is 10% more than in 2019. The company is witnessing a stable dynamics to increase the net income amount: in 2019 the net income amount increased by 2% compared to the previous year.

As for gross profit, in 2019 it amounted to UAH 163285 thousand, an increase of UAH 20801 thousand compared to 2018, but in 2020 gross profit increased by only UAH 4663 thousand to UAH 167948 thousand.

Table 2.1

**Main indicators of economic activity**  
**LLC "Ukraine international media culture" in 2018-2020**

Indicator	Years			Absolute deviation		Relative deviation,%	
	2018	2019	2020	2019-2018	2020-2019	2019-2018	2020-2019
Net income from sales of products (goods, works, services), thousand UAH	1101237	1125717	1237850	24480	112133	2	10
Cost of goods sold (goods, works, services), thousand UAH	958753	962432	1069902	3679	107470	0	11
Other operating income, thousand UAH	118257	153458	151880	35201	-1578	30	-1
Administrative costs, thousand UAH	157000	141036	132899	-15964	-8137	-10	-6
Sales costs, thousand UAH	12370	85590	67849	73220	-17741	592	-21
Other operating costs, thousand UAH	19270	17911	51695	-1359	33784	-7	189
Profit before tax, thousand UAH	49101	30852	55912	-18249	25060	-37	81
Net profit, thousand UAH	40263	25299	45848	-14964	20549	-37	81

The amount of profit before taxation in 2018 was UAH 49101 thousand, in 2019 it decreased by 37%, in 2020 the amount of profit before taxation increased by 81% compared to the previous year.

Total net profit for the period under review increased from UAH 40263 thousand to UAH 45848 thousand.

Indicators of liquidity and profitability of Ukraine International Media Culture LLC are presented in Table 2.2.

The coverage ratio (total liquidity ratio) shows that in 2018 UAH 1.70 of the company's current assets per one hryvnia of current liabilities, and in 2019 UAH

2.86 of the company's current liabilities. - 2.86 UAH, and in 2020 - 3.23 UAH. - The overall coverage ratio is strongly trending upwards.

*Table 2.2*

**Liquidity indicators LLC "Ukraine international media culture"  
in 2018-2020**

Indicator	Recommended values	Years			Absolute deviation
		2018	2019	2020	2020 to 2018
Total liquidity ratio	>1	1,70	2,86	3,23	1,53
Current ratio	>0,5	0,85	0,93	0,62	-0,22
Absolute liquidity ratio	>0,2	0,43	0,44	0,15	-0,27
Share of current assets in total assets	-	0,76	0,86	0,96	0,20
The share of inventories in current assets	>0,5	0,44	0,63	0,76	0,31

If current assets exceed current liabilities, the company is considered liquid, as in the case of the company for 2018-2020.

The liquidity ratio describes how much of the liabilities can be settled not only out of cash, but also out of anticipated revenues from work performed or services rendered. Significant high value of insignificant debtors can create conditions for endangering the financial stability of the company. Therefore, when performing an analysis using this coefficient, attention should be paid not only to the numerical value of the indicator, but also to the quality of receivables. In 2018, the value of the quick-liquidity coefficient was 0.85, in 2019 - 0.93, in 2020 - 0.62. This means that the company has the target value of the quick-liquidity indicator,

which corresponds to the recommended values. Part of the company's obligations may be settled out of cash, as evidenced by the ratio of total liquidity.

The value of the quick liquidity ratio for 2018-2019 remains unchanged at 0.4, which is within the recommended limits. However, the value of this indicator will decrease to 0.15 in 2020. The absolute liquidity ratio indicates that in 2020 only 0.15 part of the current liabilities may be covered by assets with absolute liquidity. Normative values of this indicator, given by different methods, must be equal to or greater than 0.2. Therefore, the company cannot meet its obligations in 2020 with absolutely liquid assets.

The availability of reserves in an enterprise characterizes its ability to continue its business activities. The ratio of inventories to current assets is defined as the ratio of inventories to current assets and shows their net position in current assets. The liquidity ratio for 2018 is 0.44, for 2019 - 0.63, for 2020 - 0.76, which is close to the recommended values.

One of the most important characteristics of a company's financial situation is its financial independence from external sources. Indicators of financial stability of LLC "Ukraine international media culture" for 2018-2020 are shown in Table 2.3.

*Table 2.3*

**Financial strength indicators LLC "Ukraine international media culture"  
in 2018-2020**

Indicator	Recommended values	Years			Absolute deviation 2020 - 2018
		2018	2019	2020	
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Financial autonomy ratio	>0,5	0,4	0,3	0,2	-0,1
Coefficient of financial dependence	<2,0	2,7	3,0	4,0	1,3
Financial debt ratio	<0,5	0,4	0,3	0,3	-0,2
The ratio of borrowed and equity	<0,5	1,2	0,9	1,1	-0,1
Own working capital ratio	-	103415,0	163260,5	195617,0	92202,0

*Continuation of Table 2.3*

1	2	3	4	5	6
The ratio of inventories to working capital	>0,2	0,4	0,4	0,3	-0,1
Coefficient of maneuverability	0,4-0,6	0,4	0,6	0,8	0,5

The practice establishes that the total amount of debt should not exceed the amount of own sources of financing, i.e. the critical value of 0.5. The higher the ratio, the better the financial condition of the company. In our case, during the period under study, the autonomy coefficient of LLC "Ukraine international media culture" dropped from 0.4 to 0.2, that is, the enterprise is provided with its own sources of financing by only 20%.

The company has an insufficient level of financial strength and is dependent on external financial sources. In our case, the coefficient of financial dependence of LLC "Ukraine international media culture" in 2018 was 2.7, in 2019 this indicator was 3.0, in 2020 - 4.0.

In our case, the coefficient of financial leverage was 0.8 during the period under study. The coefficient of the ratio of borrowed and owned capital in 2018 is 1.2, in 2019 - 0.9, in 2020 - 1.1. The company is therefore dependent on external financial sources. The coefficient of net working capital for reserves shows how much of the total reserves are financed by the firm's own money. For the period under study the value of this indicator varies from 0.3 to 0.4, which is within the range of recommended values. Thus, for the period analyzed the company LLC "Ukraine international media culture" has a precarious financial situation and significant dependence on external sources of financing. Table 2.4 shows an assessment of the business activity of LLC "Ukraine international media culture".



*Table 2.4*

**Business activity indicators LLC "Ukraine international media culture" in  
2018-2020**

Indicator	Years			Deviation	
	2018	2019	2020	2020 - 2018	
				+, -	%
Net income from sales of products (goods, works, services), thousand UAH	1101237,0	1125717,0	1237850,0	1237850,0	12,4
Cost of goods sold (goods, works, services), thousand UAH	958753,0	962432,0	1069902,0	1069902,0	11,6
Assets Turnover	1,4	1,3	1,3	-0,1	-5,2
Current Assets Turnover	1,8	1,5	1,5	-0,3	-18,7
Inventory Turnover	3,6	2,1	1,7	-1,9	-52,7
Accounts Receivable Turnover	6,1	7,3	7,7	1,6	26,6
Accounts Payables Turnover	3,8	8,5	6,7	2,9	76,0
Period of Current Assets Turnover, days	198,6	237,6	244,2	45,6	22,9
Period of Inventory Turnover, days	100,9	174,7	213,5	112,6	111,6
Period of Receivables Turnover, days	60,0	50,2	47,4	-12,6	-21,0
Period of Payables Turnover, days	96,3	42,8	54,7	-41,6	-43,2
Operating Cycle, days	160,9	224,9	260,9	100,0	62,2
Financing Cycle, days	64,5	182,1	206,2	141,6	219,5

Based on the data in Table 2.4, we can conclude that the turnover coefficient of current assets in 2018 is 1.8 times, and in 2019-20 this indicator will be 1.5 times. Accordingly, the duration of turnover of current assets in 2018 will be 198.9 days, and in 2019. - 237.6 days, in 2020 - 244.2 days.

Accounts payable turnover in 2018 will be 92.4 days, in 2019 will be 42.8 days, in 2020 will increase to 54.7 days.

The duration of the operating cycle in 2018 will be 156.8 days, in 2019 will be 224.9 days, in 2020 will decrease to 260.9 days. The duration of the financial cycle will increase over the study period from 64.4 days in 2018 to 206.2 days in 2020.

The final result of the work of LLC "Ukraine international media culture" is evaluated by the level of efficiency of its business activities: the total amount of income received and in terms of resources per unit. Profit and deductible indicator of profit - profitability are the main indicators of the effectiveness of the company, which characterize the intensity of statehood.

To assess the level of efficiency of business activities of LLC "Ukraine international media culture" we summarize the indicators according to the financial statements in Table 2.5.

*Table 2.5*

**Indicators for assessing the level of efficiency of business activities  
LLC "Ukraine international media culture" in 2018-2020, %**

Indicator	Years			Deviation
	2018	2019	2020	2020 - 2018
Profitability of net income from sales of products (goods, works, services), %	23,5	2,2	3,7	-19,8
Profitability of costs, %	18,3	10,3	18,2	-230,1
Profitability of assets, %	32,7	3,0	5,3	-27,4
Profitability of current assets, %	43,1	3,5	5,5	-37,6
Profitability of inventories, %	97,5	5,5	7,3	-90,1
Profitability of equity, %	87,5	9,1	19,6	-68,0

Cost-effectiveness shows the amount of profit earned by the enterprise per one hryvnia of inputs invested in the creation of profitability. Cost efficiency in 2018 and 2020 was 18.3% and 18.2% respectively.

The gross margin in 2018 was 11.6%, in 2019 decreased year-on-year and amounted to 8.9%, in 2020 the gross margin was 10.4%. This means that Ukraine International Media Culture received 10.4 kopecks of profit from operations before taxation per each hryvnia of ordinary costs invested.

The net profitability of the virus from the sale of products shows how much profit the company earns per hryvnia from the sale of its products. In 2019, this indicator was 1.2%, which is 0.1 points less than in 2018, while in 2020 the indicator will be 1.2%. This indicator usually characterizes the profitability of the core business.

Indicators of profitability LLC "Ukraine international media culture" refers to the profitability of assets, which characterizes the value of earned income per hryvnia assets of the company, which are constantly on its balance sheet. Trading House "UTS" LLP will receive 9.3 kopecks of profit per each hryvnia of assets on the balance sheet of the company in 2018. In 2019, this indicator decreased to 7.5% and in 2020 the figure will be 9%. The profitability of all assets can be viewed as an indicator of the efficiency of the company's management.

The calculations show that for the analyzed period the efficiency of LLC "Ukraine international media culture" business activity did not change.

## **2.2. Analysis of the structure and dynamics of credit support of an enterprise activity**

In order to carry out business activities, every business must have certain assets. All assets belonging to the company are its assets. Therefore, for more detailed analysis of financial condition of the enterprise, it is necessary to track changes in the very assets of the balance sheet.

The results of the calculations of absolute and depreciative changes in the total amount and composition of the company's assets for 2018-2020 are presented in Table 2.6.

Table 2.6

**Dynamics of the volume and composition of the company's assets LLC  
"Ukraine international media culture" in 2018-2020**

Indicator	Years			Absolute deviation, thousand UAH		Relative deviation,%	
	2018	2019	2020	2019- 2018	2020- 2019	2019- 2018	2020- 2019
<b>Fixed assets:</b>							
- initial value	285000,0	209318,0	226857,0	-75682,0	17539,0	-26,6	8,4
- residual value	189000,0	113443,5	108107,5	-75556,5	-5336,0	-40,0	-4,7
other financial investments	1300,0	924,5	549,5	-375,5	-375,0	-28,9	-40,6
Inventories	265000,0	460718,5	625837,5	195718,5	165119,0	73,9	35,8
Accounts receivable for products, goods, works, services	90000,0	88959,0	85732,5	-1041,0	-3226,5	-1,2	-3,6
Accounts receivable on advances issued	32500,0	28227,0	39522,5	-4273,0	11295,5	-13,1	40,0
Accounts receivable to budget	3300,0	3357,5	2891,5	57,5	-466,0	1,7	-13,9
Other current receivables	58500,0	37595,0	35495,0	-20905,0	-2100,0	-35,7	-5,6
Cash and cash equivalents	150000,0	111699,5	38684,5	-38300,5	-73015,0	-25,5	-65,4
<b>Balance</b>	<b>790985,0</b>	<b>848077,5</b>	<b>937606,5</b>	<b>57092,5</b>	<b>89529,0</b>	<b>7,2</b>	<b>10,6</b>

As of 2018, the book value of fixed assets was 189,000 thousand UAH. In 2019, the net book value of fixed assets amounted to UAH 113443.5 thousand. This indicates an increase in production and marketing potential of the company. In 2020, net book value of fixed assets will decrease by 4.7% and make UAH 108107.5 thousand.

In terms of current assets, the following trend is observed. In 2018, the amount of reserves was 265000 thousand UAH. In 2019 the amount of reserves increased by 73.9%. In 2020 the amount of production reserves will amount to UAH 625837.5 thousand, which is 35.8% more than their value for the previous year.

At the beginning of the period under review, in 2018 the amount of receivables for goods, works and services was UAH 90,000 thousand. In 2019, the amount of accounts receivable for goods, works and services will decrease by 1.2%, amounting to UAH 1,041 thousand. In 2020, the amount of accounts receivable for goods, works and services was UAH 85732.5 thousand, which is 3.6% less than in the previous year.

The company does not make any short-term investments in financial instruments.

In 2018, the total value of assets amounted to UAH 790985 thousand. In 2019 there is a 7.2% increase in total assets. This year, the trend will continue and the indicator will increase by 10.6% year-on-year. This fact indicates an increase in efficiency of activity of the enterprise and the ability of owners to generate earnings, because the amount of assets that take part in the production, investment and financial process increases.

An equally important aspect of research on the financial condition of the enterprise is the analysis of the structure of assets in the balance sheet. The aim of structural analysis is to study the structure and dynamics of the company's assets. In the process of functioning of the company's value of assets and their structure are constantly changing. Qualitative changes in the structure of assets of the enterprise and the sources of this property can be characterized by means of vertical and horizontal analysis of accounting using a set of matching indicators. Vertical analysis shows the structure of the company's assets and their sources.

The calculation of net weight of each item in the total amount of assets is presented in Table 2.7.

Table 2.7

**Dynamics of the company's asset structure LLC "Ukraine international media culture" in 2018-2020, %**

Indicator	Years			Absolute deviation,		Relative deviation,%	
	2018	2019	2020	2019-2018	2020-2019	2019-2018	2020-2019
Fixed assets:							
- initial value	36,0	24,7	24,2	-11,3	-0,5	68,5	98,0
residual value	23,9	13,4	11,5	-10,5	-1,8	56,0	86,2
other financial investments	0,2	0,1	0,1	-0,1	-0,1	66,3	53,8
Inventories	33,5	54,3	66,7	20,8	12,4	162,2	122,9
Accounts receivable for products, goods, works, services	11,4	10,5	9,1	-0,9	-1,3	92,2	87,2
Accounts receivable on advances issued	4,1	3,3	4,2	-0,8	0,9	81,0	126,6
Accounts receivable to budget	0,4	0,4	0,3	0,0	-0,1	94,9	77,9
Other current receivables	7,4	4,4	3,8	-3,0	-0,6	59,9	85,4
Cash and cash equivalents	19,0	13,2	4,1	-5,8	-9,0	69,5	31,3
<b>Balance</b>	100,0	100,0	100,0	-	-	-	-

In 2018, the company's assets consisted of 76% of current assets and 24% of non-current assets. The most important elements of current assets were inventories, the net value of which was 33.5%, receivables for products, goods, works and services (11.4% of total assets), cash and cash equivalents, which accounted for 19% of total assets. Non-current assets include only fixed assets and other financial investments.

In 2019, assets consisted of 13.5% of non-current assets and 86.5% of current assets. The most important elements of current assets were inventories, which had a net value of 54.3%, and cash, which amounted to 13.2% of total assets. The largest share of non-current assets was fixed assets (13.4% of total assets).

As of 2020, the company's assets consisted of 88.4% of current assets. Non-current assets accounted for 11.6%. The most significant elements of current assets were inventories (net value 66.7%), receivables for products, goods, works, services (9.1% of the total amount of assets), cash and their equivalents, which amounted to 4.1% in 2020. The main non-current assets during the year were fixed assets (11.5% of total assets), which remained at the level of last year.

However, based on the specifics of the company's operations, we can see that during the period under analysis assets were mainly circulating resources. The most important items are stocks and receivables for products, goods, works and services. The financial condition of the organization depends in many respects on what assets it has in its possession and where they are deposited.

The analysis of the passive part of the balance sheet (Table 2.8) shows the amount of funds (capital) invested in the business and the level of participation of its various parts in the creation of the company's assets.

*Table 2.8*

**Dynamics of the company's capital stock  
LLC "Ukraine international media culture" in 2018-2020**

Indicator	2018	2019	2020	Absolute deviation, thousand UAH		Relative deviation,%	
				2019-2018	2020-2019	2019-2018	2020-2019
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
Registered (share) capital	168087	168087	168087	0	0	100	100
Capital in revaluations	50500	39000	26150	-11500	-12851	77	67
Additional capital	80000	46500	13201	-33500	-33300	58	28
Retained earnings	4400	29000	26000	24600	-3000	659	90

*Continuation of Table 2.8*

1	2	3	4	5	6	7	8
Long-term bank credits	65000	230000	305112	165000	75112	354	133
Other long-term liabilities	40000	12500	21629	-27500	9129	31	173
Targeted financing	21500	35500	50173	14000	14673	165	141
Current accounts payable for:							
goods, works, services	253070	112840	160420	140230	47580	45	142
calculations with the budget	45500	13000	10495	-32500	-2506	29	81
insurance calculations	405	1600	1130	1195	-470	395	71
<b>Balance</b>	790985	848078	937607	57093	89529	107	111

Throughout the whole period, the amount of registered (share) capital did not change and amounted to UAH 168087 thousand.

The amount of additional capital in 2019 increased by 58% as compared with the previous period, in 2020 - by 28% and by the end of the analyses period it was UAH 13201 thousand.

In 2019, long term bank loans amounted to UAH 165,000 thousand, in 2020 long term bank loans amounted to UAH 305112 thousand.

In 2018 the amount of payables for goods, works and services was 253070 thousand UAH. In 2019 the amount increased by 45% compared to the previous year. In 2020 the trend did not change and accounts payable grew by 142% and amounted to UAH 160420 thousand.

In 2018 the total value of liabilities was UAH 790985 thousand. In 2019, the total value of liabilities will increase by 7%. This fact indicates an increase in the total amount of financial resources of the company used to carry out its activities. The trend is unchanged and in 2020 the amount of liabilities will grow by 11%, amounting to UAH 937607 thousand by the end of the period.

Also, to obtain complete information needed for an overall assessment of the capital and financial position of the company, we look at the structure of liabilities



of the company. The structure and structure of capital invested in the enterprise is an important factor in calculating the indicators of business efficiency.

Table 2.9 shows the calculated value of each item of liabilities in the total balance sheet and the dynamics of changes in the values in the periods studied.

*Table 2.9*

**Dynamics of the company's capital structure LLC "Ukraine international media culture" in 2018-2020, %**

Indicator	2018	2019	2020	Absolute deviation	
				2019-2018	2020-2019
Registered (share) capital	23	19	18	-2	-1
Capital in revaluations	6	5	3	-2	-2
Additional capital	10	5	1	-5	-4
Retained earnings (uncovered loss)	1	3	3	3	-1
Long-term bank credits	8	27	33	19	5
Other long-term liabilities	5	1	2	-4	1
Targeted financing	3	4	5	1	1
Current accounts payable for:				0	0
goods, works, services	32	13	17	-19	4
calculations with the budget	0	0	0	0	0
insurance calculations	0	0	0	0	0
<b>Balance</b>	100	100	100	-	-

As for the structure of liabilities, it looked as follows: in 2018 liabilities were 41% owned capital, 17% long-term liabilities, and 32% short-term liabilities, indicating that the company is trying to raise funds to finance its operations.

The basis of equity is registered (share) capital (the share value is 18-23% for the survey period).

The greatest value among the long-term commitments of the company was the long-term loans from banks, the net value of which amounted to 8-33% for the surveyed period.

Among current liabilities, current accounts payable for goods and services had the largest net value, taking 17% to 32% during the survey period.

Therefore, based on the analysis of the company's assets and liabilities, we can see that the company is very successful and every year it increases its capacity to conduct its business activities.

### **2.3. Assessment of enterprise creditworthiness**

The integral indicator of financial position of a legal entity is calculated using the baggage factor discriminant model according to the following formula [32]:

$$Z = a_0 + a_1K_1 + a_2K_2 + a_3K_3 + a_4K_4 + a_5K_5 + a_nK_n \quad (1)$$

Where Z is an integral index;

$K_1, K_2 \dots K_p$  - financial coefficients determined on the basis of financial accounting data of the renegade company - legal entity;

$a_1, a_2 \dots a_p$  - parameters, which are determined taking into account the financial coefficients value and digit capacity.

$a_0$  is a neutral term of the discriminant model whose values are updated by the National Bank of Ukraine on a quarterly basis.

Financial coefficients are determined on the basis of financial statements data for the last reporting period. The regulation provides for eighteen calculation models of the integral indicator among small and medium enterprises as well as for large and medium enterprises and differentiation of the models by nine groups of economic activities. The basic idea of the ranking models is to ensure sufficient accuracy of credit risk assessments. The basic list of financial coefficients that are included into the integral assessment model has one hundred and fifty indicators characterizing all main positions of the financial position of the company. These include: capital structure, profitability and profitability, liquidity and solvency, negotiability. Methodological approach requires taking into account different indicators for calculating the profitability (EBIT, EBITDA, net income), which in combination with different calculation bases (viruses, assets, invested equity) provides an insignificant level of correlation of these coefficients. This also applies

to the turnover and liquidity ratios. The analysis of this methodology enables us to determine the creditworthiness of legal entities, namely:

- determination of the list of economic indicators for each type of economic activity;
- Consideration of sectoral specificity of economic entities;
- Determination of the rating class of the company according to its size (large, medium or small).

Along with advantages, which include simple calculations, availability of analytical information, high accuracy and objectivity of the results obtained, the use of methods of assessing the creditworthiness of the positivity's has several disadvantages:

- limitation exclusively to financial indicators and underestimation of the role of quality determinants of creditworthiness and terms of lending;
- lack of specificity in selecting a system of benchmark indicators;
- Lack of other criteria for assessing the positron's ability to fulfil its obligations including repayment of the loan to the bank other than the actual performance of the positron for the past period;
- Stability of calculated ratios disclosing current position of the insurer at the time of loan approval. - Lack of information on the dynamics of the specified performance indicators of the company, which increases the risk of lending to the borrower.

*Table 2.10*

### **Assessment of financial condition**

#### **LLC "Ukraine international media culture" in 2018-2020**

Indicator	Characteristic	The value of the coefficient		
		2018	2019	2020
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
K <sub>1</sub> - capital indicators	The share of capital in the balance sheet of the enterprise	0,4	0,3	0,2

Continuation of Table 2.10

1	2	3	4	5
K <sub>4</sub> - indicators of quick liquidity	The company's ability to cover short-term liabilities through highly liquid assets	0,4	0,4	0,2
K <sub>6</sub> - indicators of debt coverage by gross profit	Ability to service debt with gross profit	1,4	0,7	0,5
K <sub>8</sub> - indicators of accounts payable turnover	The period of full turnover of accounts payable	96,3	42,8	54,7
K <sub>16</sub> - profitability indicators before tax	The efficiency of the enterprise before tax	4,5	2,7	4,5

To determine the class of the enterprise. The positioner has to calculate an integral indicator for the enterprise which is included in section M "Professional and scientific activities" of section 73 "Advertising and marketing research", code 73. formula  $Z = 1.098 + 0.324 \times X_1 + 0.532 \times X_4 + 0.596 \times X_6 + 0.610 \times X_8 + 0.349 \times X_{16}$

Depending on the Integral Indicator value, a positioner is assigned to a certain range of default probabilities corresponding to a certain class. Table 2.4 shows the class of the positioner according to the value of the integral indicator.

Table 2.11

**Determining the class of the debtor-legal entity  
by the integrated indicator [21]**

Type of economic activity	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Grade 9
Professional, scientific and technical activities, activities in the field of administrative and support services	+2,85	+2,32	+1,79	+1,26	+0,73	+0,20	-0,33	-0,86	-

A model for calculating the integral indicator of a debtor-legal entity is selected depending on the type of its economic activity and on the basis of a range

of financial indicators, the list of which is approved in accordance with a certain type of economic activity.

Inserting the calculated figures from the table derives the value of integrative indicator which in 2018 is - 2, 5 (Grade 2 ), in 2019 - 1.9 (Grade 3), in 2020 - 1.7 (Grade 4). The table shows the methodology of transformation of the credit rating according to the international scale of a burglar into a burglar class.

*Table 2.12*

**Transformation of the credit rating on the international scale of the debtor into the class of the debtor [21]**

№	Credit rating on an international scale by classification		Debtor class, assessed by 10 grades	Debtor class, assessed by 5grades
	Rating agencies "Standard & Poor's" or "Fitch Ratings"	Rating agency "Moody's Investors Service"		
1	2	3	4	5
1	from AAA to AA+	from Aaa to Aa1	1	1
2	from AA to AA-	from Aa2 to Aa3	2	
3	from A+ to A-	from A1 to A3	3	
4	from BBB+ to BBB-	from Baa1 to Baa3	4	2
5	from BB+ to BB-	from Ba1 to Ba3	5	
6	from B+ to B-	from B1 to B3	6	3
7	CCC+	Caa1	7	
8	from CCC to CCC-	from Caa2 to Caa3	8	4
9	from CC to C	Ca	9	
10	D	C	10	5

In countries with a mature market economy, quality analysis techniques based on aggregated quantitative and qualitative characteristics of the borrower are used to assess the creditworthiness of the clients. The main disadvantage of these complex methods is their focus mainly on quality factors, and also need to take into account the fact that these models are based on expert opinions and in some cases may have a sub-optimal character.

Based on the integrated assessment, the final rank and priority of each criterion is determined to represent the sum of the scores. On the basis of the obtained expert assessments and the estimated value of the criteria the cumulative assessment of credit risk for each individual borrower is determined and a decision is made on the creditworthiness of the potential borrower and the feasibility of lending funds to it.

Foreign methodologies are not adapted to the domestic economy and do not take into account a number of important conditions under which Ukrainian companies operate, namely: peculiarities in the accounting system and tax legislation, the impact of inflation on the formation of performance indicators of the company, the sectoral affiliation of the company, the specificity of the national market, etc. Also, the threshold values of the indicators proposed by foreign scientists are often unattainable for Ukrainian enterprises. Domestic methodologies are mainly based on the calculation of financial indicators, which are calculated on the basis of financial statements for the last reporting period, While using the company's qualitative characteristics (financial reputation, financial statements status, business attributes, analysis of the external environment) is second-rate. The most widespread shortcoming in the activities of banks in the assessment of creditworthiness is the lack of sufficient information support about the current financial condition of the positives and lack of skills to critically assess the efficiency of financial statements.

Based on this analysis, we calculate a ranking indicator of LLC "Ukraine international media culture" financial condition in 2020 (Table 2.13.).

*Table 2.13*

**Rating of the integrated financial position rating indicator LLC  
"Ukraine international media culture" in 2020**

Indicator	Theoretical value	Weight	Estimated value	Estimated value taking into account the weight
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

Continuation of Table 2.13

1	2	3	4	5
I Grade – Preliminary assessment of the borrower. Weighting factor – 2				
Period of operation	0,5-5	0,5	5	2,500
Availability of a business plan	0-1	1	1	1,000
Profitable activity	0-3	2	2	4,000
Repayment of loans	0-1	6	1	6,000
Payment of interest	0-1	6	1	6,000
Total Grade I				19,500
II Grade – Solvency indicators. Weighting factor – 5				
Total liquidity ratio	No less 2,0	8	3,23	25,84
Current ratio	No less 0,5	7	0,62	4,34
Absolute liquidity ratio	No less 0,2	6	0,15	0,9
Total Grade II				9,347
III Grade – Indicators of financial stability. Weighting factor – 4				
Coefficient of maneuverability	No less 0,5	6	0,6	3,6
Financial debt ratio	Not more 1	5	0,3	1,5
Financial autonomy ratio	No less 0,5	4	0,2	0,8
Coefficient of financial dependence	No less 0,5	4	4	16
Total Grade III				21,9
IV Grade – Business activity indicators. Weighting factor – 2				
Loan security ratio	No less 1,6	8	10,53	84,24
Inventory Turnover	2	2	1,7	3,4
Assets Turnover	2	2	1,3	2,6
Accounts Receivable Turnover	2	2	7,7	15,4
Accounts Payables Turnover	2	2	6,7	13,4
Profitability of net income from sales of products (goods, works, services), %	increment	2	3,7	7,4
Profitability of equity, %	increment	2	19,6	39,2
Profitability of assets, %	increment	2	5,3	10,6
Total Grade IV				80,612
Total				131,36

Thus, the data in Table 2.13 allowed us to determine the integral indicator in 2020 through calculation of coefficients. The assessment was made in an expert manner, taking into account coefficients of value.

Table 2.14 shows a rating scale for determining the class of the positioner.

Table 2.14

**Rating scale to determine the class of the borrower**

Indicator value	Borrower class
1	2
More than 200	A
160 - 200	B
135 - 160	C
110 - 135	D
Less than 110	I

Thus, LLC "Ukraine international media culture" in 2020 received a value of 3131.36, which allows the company to be classified as a B-class positive entity. This indicates efficient financial activity of the company and timely repayment of the loan. At the same time it is necessary to improve the financial condition of the positioner.



### CHAPTER 3

## THE WAYS OF LLC "UKRAINE INTERNATIONAL MEDIA CULTURE" CREDITWORTHINESS IMPROVEMENT

Managing the level of creditworthiness of the business entity in the current conditions of the market is one of the main areas of management. In the event that there is a rational management of creditworthiness, the business entity can very quickly decide on the conditions dictated by the competition and has the opportunity in the specified time and in full to receive and repay the loan.

Planning of net income from sales of products (goods, works, services) are given in table. 3.1.

*Table 3.1*

### Forecasting the amount of revenue from sales of products (goods, works, services) LLC "Ukraine international media culture" for 2021 using the moving average method

Indicator	Period		
	2018	2019	2020
Actual values of net revenue from sales of goods, works, (services), thousand UAH	1101237,0	1125717,0	1237850,0
Average annual rate of change	1,06		
Planned value of net revenue from sales of goods, works, (services) in 2021, thousand UAH	1312386,0		

Thus, the planned value of revenue from sales of products (goods, works, services) LLC "Ukraine international media culture" for 2021 is 1312386 thousand UAH.

The planned cost of sales of products (goods, works, services) should be determined based on the average annual share of this indicator in the total net income from sales of products (goods, works, services). The average cost of sales of products (goods, works, services) for 2018-2020 was 86.3%. Thus, the planned cost of sales of products (goods, works, services) in 2021 will be 1132978 thousand UAH.

The planned amount of operating costs of LLC "Ukraine international media culture" (administrative costs, marketing costs and other operating costs) can be determined based on data on the planned revenue from sales of products (goods, works, services) and the level of operating costs as a percentage of revenue from the sale of products (goods, works, services), which developed on average during the study period.

The planned volume of other operating income is calculated on the basis of the average annual rate of change of this indicator for 2018-2020, which was 12.2%. Thus, the planned value of other operating income is 160287.2 thousand UAH.

The planned amount of administrative expenditures is calculated on the basis of the average annual rate of change of this indicator for 2018-2020, which was 13%. Thus, the planned value of administrative costs will be 17085038 thousand UAH.

The planned volume of sales costs is calculated on the basis of the average annual rate of change of this indicator for 2018-2020, which was 5%. Thus, the planned value of sales costs is 62153 thousand UAH. The planned amount of other operating expenses will be UAH 6.9 thousand.

The next step is the direct development of the income and expenditure plan of LLC "Ukraine international media culture", which is given in table. 3.2. The amount of net financial result is determined by direct calculation.

*Table 3.2*

**Income and Expenditure Plan LLC  
"Ukraine international media culture" on 2021**

*thousand UAH*

Indicator	2020	2021	Absolute deviation
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

Continuation of Table 3.2

1	2	3	4
Net revenue from sales of goods, works, (services)	1237850	1312386	74536
Cost of sales of products (goods, works, services)	1069902	1132978	63076
Gross profit	167948	179409	11461
Other operating income	151880	160287,2	8407,2
Administrative expenses	132899	17085038	16952139
Selling expenses	67849	62153	-5696
Other operating expenses	51695	32885	-18810
Net financial result (profit)	45848	249353	203505

Each business entity must build its own system, which should deal with credit management and, in addition, should provide the company with a sufficient amount of free funds to enable it to finance and cover any current needs. The main role in the system of assessment and management of creditworthiness of the enterprise should be attributed to the use of internal mechanisms of financial stabilization. Prerequisite for forecasting the creditworthiness of the enterprise is the planning of income and expenses.

Table 3.3

### Assessment of financial condition

#### LLC "Ukraine international media culture" in 2021

Indicator	Characteristic	2021
$X_1$ - capital indicators	The share of capital in the balance sheet of the enterprise	0,2
$X_4$ - indicators of quick liquidity	The company's ability to cover short-term liabilities through highly liquid assets	0,3
$X_6$ - indicators of debt coverage by gross profit	Ability to service debt with gross profit	0,6
$X_8$ - indicators of accounts payable turnover	The period of full turnover of accounts payable	57,3
$X_{16}$ - profitability indicators before tax	The efficiency of the enterprise before tax	4,8

To determine the class of the enterprise. The positioner has to calculate an integral indicator for the enterprise which is included in section M "Professional and scientific activities" of section 73 "Advertising and marketing research", code 73. formula  $Z = 1.098 + 0.324 \times X1 + 0.532 \times X4 + 0.596 \times X6 + 0.610 \times X8 + 0.349 \times X16$

Depending on the Integral Indicator value, a positioner is assigned to a certain range of default probabilities corresponding to a certain class.

A model for calculating the integral indicator of a debtor-legal entity is selected depending on the type of its economic activity and on the basis of a range of financial indicators, the list of which is approved in accordance with a certain type of economic activity.

Inserting the calculated figures from the table derives the value of integrative indicator which in 2021 is - 1.9 (Grade 3).

Based on this analysis, we calculate a ranking indicator of LLC "Ukraine international media culture" financial condition in 2021 (Table 3.4).

*Table 3.4*

**Rating of the integrated financial position rating indicator LLC  
"Ukraine international media culture" in 2021**

Indicator	Theoretical value	Weight	Estimated value	Estimated value taking into account the weight
1	2	3	4	5
I Grade – Preliminary assessment of the borrower. Weighting factor – 2				
Period of operation	0,5-5	0,5	5	2,500
Availability of a business plan	0-1	1	1	1,000
Profitable activity	0-3	2	2	4,000
Repayment of loans	0-1	6	1	6,000
Payment of interest	0-1	6	1	6,000
Total Grade I				19,500
II Grade – Solvency indicators. Weighting factor – 5				
Total liquidity ratio	No less 2,0	8	2,82	22,56
Current ratio	No less 0,5	7	0,72	5,04
Absolute liquidity ratio	No less 0,2	6	0,23	1,08
Total Grade II				28,68
III Grade – Indicators of financial stability. Weighting factor – 4				
Coefficient of maneuverability	No less 0,5	6	0,6	3,6

Continuation of Table 3.4

1	2	3	4	5
Financial debt ratio	Not more 1	5	0,3	1,5
Financial autonomy ratio	No less 0,5	4	0,5	0,8
Coefficient of financial dependence	No less 0,5	4	3,8	15,2
Total Grade III				21,1
IV Grade – Indicators of business activity Weighting factor – 2				
Loan security ratio	No less 1,6	8	11,0	88
Inventory Turnover	2	2	2,1	3,6
Assets Turnover	2	2	2,3	3,0
Accounts Receivable Turnover	2	2	7,9	15,8
Accounts Payables Turnover	2	2	7,1	14,2
Profitability of net income from sales of products (goods, works, services), %	increment	2	4,2	8,4
Profitability of equity, %	increment	2	18,5	37,0
Profitability of assets, %	increment	2	5,7	11,4
Total Grade IV				181,4
Total				250,78

Thus, the data in Table 3.4 allowed us to determine the integral indicator in 2021 through calculation of coefficients. The assessment was made in an expert manner, taking into account coefficients of value.

Table 3.5 shows a rating scale for determining the class of the positioner.

Table 3.5

#### Rating scale to determine the class of the borrower 2021

Indicator value	Borrower class
1	2
More than 200	A
160 - 200	B
135 - 160	C
110 - 135	D
Less than 110	I

Thus, LLC "Ukraine international media culture" in 2021 received a value of 250,78, which allows the company to be classified as a A-class positive entity. This indicates efficient financial activity of the company and timely repayment of

the loan. At the same time it is necessary to improve the financial condition of the positioner.

In order to eliminate the current insolvency, the current costs are reduced in order to prevent the increase of financial liabilities and to sell certain types of assets in order to increase the positive values of cash flows from various activities, as well as the urgent recovery of debts.

In that case, if the debt is repaid with customers, there will be an increase in liquidity. In addition, in this situation it is possible to use factoring, ie it is a transfer of the right to receivables. The banking institution pays the right to receivables from buyers and customers, which allows the company to receive funds in the shortest possible time.

The goal of securing creditworthiness is considered to be achieved if the current insolvency of the enterprise is eliminated, in the amount of cash inflows exceeded the amount of urgent financial liabilities in the short term. This means that the threat of bankruptcy of the enterprise in the current period of time is eliminated or is usually delayed. The next step is to restore financial stability. The insolvency of the company can be eliminated in a short period by a number of emergency financial transactions, but if the very reasons that generate insolvency remain unchanged, then soon the company may be insolvent again [8, c. 11].

In our opinion, the measures to accelerate the attraction of funds in the short term may include: providing partial and full prepayment for products (services) that are in great demand in the market; reduction of terms of granting a commodity loan; increasing the size of price discounts for the sale of products for cash; accelerating the collection of overdue receivables; use of modern forms of reinvestment of receivables (accounting for promissory notes, factoring, forfeiting).

In our opinion, the measures to accelerate the attraction of funds in the long run may include: additional issue of shares; additional issue of a bond loan;

attracting long-term loans; sale of part of long-term financial investments; sale or lease of unused types of fixed assets.

Measures to slow down the disbursement of cash in the long run may include: reducing the amount of fixed costs of the enterprise; reduction of real investments; reduction of financial investments. In addition to these measures, you can increase the creditworthiness of the enterprise by: reducing the amount of fixed costs of the enterprise; reduction of variable costs; conducting an effective tax policy; use of accelerated depreciation methods [4, c. 92].

Thus, in the practice of analyzing the creditworthiness of borrowers, there is a need to improve the assessment of this process. Based on the research, the following areas should be taken into account: improving the mechanism for assessing the creditworthiness of borrowers:

- use of a creditworthiness assessment approach that would take into account the term of the loan. In the case of a short-term loan, indicators of liquidity and financial stability are important, in the case of long-term lending - production efficiency, profitability and profitability;
- improvement of the information field - providing analysts with a sufficient amount of quality information about the borrower, which would meet the criteria of completeness, reliability, relevance, objectivity and would provide an opportunity to determine the creditworthiness of the enterprise;
- introduction of methods for assessing the creditworthiness of borrowers, based not only on the analysis of the financial condition of the direct borrower, but also on the assessment of other, external factors that surround the company and affect the implementation of its activities.

## CONCLUSIONS AND PROPOSALS

Managing the creditworthiness of the enterprise in modern conditions is one of the main areas of its management. Effective implementation of this process allows the company to quickly solve problems in a competitive environment and be able to timely and in the required amount to obtain and repay loans.

Managing the level of creditworthiness of the business entity in the current conditions of the market is one of the main areas of management. In the event that there is a rational management of creditworthiness, the business entity can very quickly decide on the conditions dictated by the competition and has the opportunity in the specified time and in full to receive and repay the loan.

The purpose of credit management is to ensure a certain level of creditworthiness at which the company would be able to meet its obligations to repay the principal amount of debt and interest thereon in the current and future periods.

Factors affecting the creditworthiness of the enterprise are classified into the following two groups: external and internal. External factors include: the state of socio-economic development of the country; monetary and tax policy of the country; financial market conditions; political situation in the country; settlement and payment discipline of contractors; efficiency of communication with contractors, etc.

The internal factors that affect the creditworthiness of the enterprise include: the composition and structure of current and non-current assets; Cash and cash equivalents; the amount of short-term liabilities; receivables; budget planning; corporate discipline; level of production organization; marketing policy of the enterprise, etc. It should also be noted that the management of creditworthiness of the enterprise is closely related to the processes of solvency and liquidity management.



These indicators are interdependent, because in the absence of the necessary financial resources, the company raises loans to improve its liquidity and solvency, and at the same time, with low liquidity and solvency, the company will not be able to meet its credit obligations.

An effective mechanism of creditworthiness of the enterprise should be based on a qualitative, systematic analysis of its financial performance, as well as on the assessment of the market environment.

Analysis of financial and business activity of LLC "Ukraine international media culture" is carried out using financial and business accounting data (form 2) and the balance sheet of the company for 2018-2020.

The planned value of revenue from sales of products (goods, works, services) LLC "Ukraine international media culture" for 2021 is 1312386 thousand UAH.

As for gross profit, in 2019 it amounted to UAH 163285 thousand, an increase of UAH 20801 thousand compared to 2018, but in 2020 gross profit increased by only UAH 4663 thousand to UAH 167948 thousand.

In 2018, the value of the quick-liquidity coefficient was 0.85, in 2019 - 0.93, in 2020 - 0.62. This means that the company has the target value of the quick-liquidity indicator, which corresponds to the recommended values. Part of the company's obligations may be settled out of cash, as evidenced by the ratio of total liquidity.

The value of the quick liquidity ratio for 2018-2019 remains unchanged at 0.4, which is within the recommended limits. However, the value of this indicator will decrease to 0.15 in 2020. The absolute liquidity ratio indicates that in 2020 only 0.15 part of the current liabilities may be covered by assets with absolute liquidity. Normative values of this indicator, given by different methods, must be equal to or greater than 0.2. Therefore, the company cannot meet its obligations in 2020 with absolutely liquid assets.

The availability of reserves in an enterprise characterizes its ability to continue its business activities. The ratio of inventories to current assets is defined as the ratio of inventories to current assets and shows their net position in current assets. The liquidity ratio for 2018 is 0.44, for 2019 - 0.63, for 2020 - 0.76, which is close to the recommended values.

In our case, the coefficient of financial leverage was 0.8 during the period under study. The coefficient of the ratio of borrowed and owned capital in 2018 is 1.2, in 2019 - 0.9, in 2020 - 1.1. The company is therefore dependent on external financial sources. The coefficient of net working capital for reserves shows how much of the total reserves are financed by the firm's own money. For the period under study the value of this indicator varies from 0.3 to 0.4, which is within the range of recommended values. Thus, for the period analyzed the company LLC "Ukraine international media culture" has a precarious financial situation and significant dependence on external sources of financing.

In 2018, the company's assets consisted of 76% of current assets and 24% of non-current assets. The most important elements of current assets were inventories, the net value of which was 33.5%, receivables for products, goods, works and services (11.4% of total assets), cash and cash equivalents, which accounted for 19% of total assets. Non-current assets include only fixed assets and other financial investments.

In 2019, assets consisted of 13.5% of non-current assets and 86.5% of current assets. The most important elements of current assets were inventories, which had a net value of 54.3%, and cash, which amounted to 13.2% of total assets. The largest share of non-current assets was fixed assets (13.4% of total assets).

As of 2020, the company's assets consisted of 88.4% of current assets. Non-current assets accounted for 11.6%. The most significant elements of current assets were inventories (net value 66.7%), receivables for products, goods, works, services (9.1% of the total amount of assets), cash and their equivalents, which

amounted to 4.1% in 2020. The main non-current assets during the year were fixed assets (11.5% of total assets), which remained at the level of last year.

Inserting the calculated figures from the table derives the value of integrative indicator which in 2018 is - 2, 5 (Grade 2 ), in 2019 - 1.9 (Grade 3), in 2020 - 1.7 (Grade 4).

Thus, LLC "Ukraine international media culture" in 2020 received a value of 131.36, which allows the company to be classified as a B-class positive entity. This indicates efficient financial activity of the company and timely repayment of the loan. At the same time it is necessary to improve the financial condition of the positioner.

The planned cost of sales of products (goods, works, services) should be determined based on the average annual share of this indicator in the total net income from sales of products (goods, works, services). The average cost of sales of products (goods, works, services) for 2018-2020 was 86.3%. Thus, the planned cost of sales of products (goods, works, services) in 2021 will be 1132978 thousand UAH.

The planned amount of operating costs of LLC "Ukraine international media culture" (administrative costs, marketing costs and other operating costs) can be determined based on data on the planned revenue from sales of products (goods, works, services) and the level of operating costs as a percentage of revenue from the sale of products (goods, works, services), which developed on average during the study period.

The planned volume of other operating income is calculated on the basis of the average annual rate of change of this indicator for 2018-2020, which was 12.2%. Thus, the planned value of other operating income is 160287.2 thousand UAH.

The planned volume of sales costs is calculated on the basis of the average annual rate of change of this indicator for 2018-2020, which was 5%. Thus, the planned value of sales costs is 62153 thousand UAH.

Inserting the calculated figures from the table derives the value of integrative indicator which in 2021 is - 1.9 (Grade 3).

Thus, LLC "Ukraine international media culture" in 2021 received a value of 250,78, which allows the company to be classified as a A-class positive entity. This indicates efficient financial activity of the company and timely repayment of the loan. At the same time it is necessary to improve the financial condition of the positioner.

Among the measures to increase the creditworthiness of the enterprise include: reducing the amount of fixed costs of the enterprise; reduction of variable costs; conducting an effective tax policy; use of accelerated depreciation methods.

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## APPENDICES

## Appendix A

Баланс Форма № 1 Код за ДКУД  
на \_\_\_\_\_ 20\_\_ р.

**Баланс (Звіт про фінансовий стан)  
ТОВ "УКРАЇНА МІЖНАРОДНА МЕДІА-КУЛЬТУРА"**

Актив	Код рядка	2018	2019	2020
1	2	3	4	4
<b>I. Необоротні активи</b>				
Нематеріальні активи:	1000			
первісна вартість	1001	1250	1311	1322
накопичена амортизація	1002	240	488	735
Незавершені капітальні інвестиції	1005			
Основні засоби:	1010	185000	109444,5	108108,5
первісна вартість	1011	285000	209318	226857
знос	1012	96000	95874,5	118749,5
Довгострокові фінансові інвестиції:				
які обліковуються за методом участі в капіталі інших підприємств	1030			
інші фінансові інвестиції	1035	1300	924,5	549,5
<b>Усього за розділом I</b>	1095	191685	115289,5	109443
<b>II. Оборотні активи</b>				
Запаси	1100	265000	460718,5	625837,5
Виробничі запаси	1101			
Незавершене виробництво	1102			
Готова продукція	1103	0	0	0
Товари	1104			
Дебіторська заборгованість за продукцію, товари, роботи, послуги	1125	90000	88959	85732,5
Дебіторська заборгованість за розрахунками:	1130	32500	28227	39522,5
за виданими авансами				
з бюджетом	1135	3300	3357,5	2891,5
у тому числі з податку на прибуток	1136	500	657,5	657,5
Інша поточна дебіторська заборгованість	1155	58500	37595	35495
Поточні фінансові інвестиції	1160			
Гроші та їх еквіваленти	1165	150000	111699,5	38684,5
<b>Усього за розділом II</b>	1195	599300	732788	828163,5
<b>III. Необоротні активи, утримувані для продажу, та групи вибуття</b>	1200			
<b>Баланс</b>	1300	790985	848077,5	937606,5

## Continuation of Appendix A

Пасив	Код рядка	2018	2019	2020
<b>I. Власний капітал</b>				
Зареєстрований (пайовий) капітал	1400	168087,0	168087,0	168087,0
Внески до незареєстрованого статутного капіталу	1401			
Капітал у дооцінках	1405	50500	39000	26149,5
Додатковий капітал	1410	80000,0	46500	13200,5
Резервний капітал	1415	1700,0	4050	4908,0
Нерозподілений прибуток (непокритий збиток)	1420	4400,0	29000	26000,0
<b>Усього за розділом I</b>	<b>1495</b>	<b>295100,0</b>	<b>278550</b>	<b>234301,5</b>
<b>II. Довгострокові зобов'язання і забезпечення</b>				
Відстрочені податкові зобов'язання	1500			
Пенсійні зобов'язання	1505			
Довгострокові кредити банків	1510	65000	230000	305112
Інші довгострокові зобов'язання	1515	40000	12500	21629
Цільове фінансування	1525	21500	35500	50173
<b>Усього за розділом II</b>	<b>1595</b>	<b>126585</b>	<b>313500</b>	<b>446917,5</b>
<b>III. Поточні зобов'язання і забезпечення</b>				
Короткострокові кредити банків	1600			
за довгостроковими зобов'язаннями				
за товари, роботи, послуги	1615	253070	112840	160420
за розрахунками з бюджетом	1620	45500	13000	10494,5
за у тому числі з податку на прибуток	1621	0	0	631
за розрахунками зі страхування	1625		1600	1130
за розрахунками з оплати праці	1630		0	1755,5
за одержаними авансами	1635			
за розрахунками з учасниками	1640			
із внутрішніх розрахунків	1645			
за страховою діяльністю	1650			
Поточні забезпечення	1660			
Доходи майбутніх періодів	1665			
Інші поточні зобов'язання	1690	52500	128587,5	133382,5
<b>Усього за розділом III</b>	<b>1695</b>	<b>352250</b>	<b>256027,5</b>	<b>256387,5</b>
<b>IV. Зобов'язання, пов'язані з необоротними активами, утримуваними для продажу, та групами вибуття</b>	<b>1700</b>			
<b>V. Чиста вартість активів недержавного пенсійного фонду</b>	<b>1800</b>			
<b>Баланс</b>	<b>1900</b>	<b>790985</b>	<b>848077,5</b>	<b>937606,5</b>

