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

FINAL QUALIFYING PAPER
on the topic:

″Development of financial strategy of the enterprise″
on materials of the Privately held company "Karam"

Student of the 2nd year, group 4 am
specialty 051 ″Economics″
specialization Financial management ____________ Marchenko S. A.

Scientific adviser
PhD, Associate professor ____________ Matusova O. M.

Manager of the educational program
Doctor in Economics,
Professor ____________ Blank I. O.

Kyiv, 2018

CONTENT

АНОТАЦІЯ

Марченко С. А. «Розроблення фінансової стратегії підприємства» (за матеріалами приватного підприємства «Карам», м. Київ). – Рукопис.

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

Випускну кваліфікаційну роботу присвячено теоретичним, методичним і практичним аспектам обґрунтування потреби підприємства у розробленні фінансової стратегії. Представлена робота дозволяє дослідити основні засади, методи та засоби формування стратегії, її основні елементи та вартісно оцінити її вплив на майбутні результати підприємства.

Ключові слова: стратегія, управління, фінансова діяльність, фінансова стійкість, ефективність, розвиток.

ABSTRACT

Marchenko S. A. "Development of financial strategy of the enterprise"(based on the materials of Privately held company "Karam", Kyiv). − Manuscript.

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

The final qualifying paper is devoted to theoretical, methodological and practical aspects of substantiation during the development of company’s financial strategy. It allows investigating the basic principles, methods and means of strategy formation, it`s main elements and quantitatively assess the impact of it on the future outputs of the enterprise.

Key words: strategy, management, financial activity, business solvency, efficiency and evolvement.

INTRODUCTION

Relevance of research topic. Key features of the modern economic space of Ukraine are high dynamics of all economic processes, accompanied with sharp changes of demand on resources and it`s prices, instability of the political situation in the country and absence of stable and clear policy in the economic sphere. Those negative features might create additional threats and risks, causing the uncertainty of future development of the company and its effective performance on the market.

As long as organizing the process of company`s performance cannot be always limited with simple reacting to the changes that are taking place on the market, conscious management based on scientific or knowledge evidence becomes more common practice in today’s situation.

Conscious changes in the context of the enterprise, forecast its future development becomes the main guarantee of success and competitiveness of the company on the long-term basis. An effective tool that allows achieving such long-term competitiveness is a financial strategy.

The financial strategy allows the company to track and correct its positioning on the market, identifying its main issues and taking some actions in order to eliminate the undesirable consequences of these problems or minimize them. On the other hand, the company's financial strategy allows us to identify unused resources of the enterprise and use all of the company's reserves in the most effective way.

The significance of the financial strategy, on one hand, lies in the fact that through the financial indicators managers can see the condition and dynamic of all types of performances on enterprise in order to balance and subordinate their functions and tasks to their main goals.

On the other hand, finances are the basis for developing other strategies, as long as financial resources are limited; they become one of the most important restrictions on the scale of the company`s activities. Achieving the optimal balance of these resources is the key to the company`s successful performance.

Problems of enterprise`s financial strategy development were investigated in the works of many authors, including G.A. Aguzhena, V.P. Aleksandrov, V.L. Andrushchenko, A.I. Amoshi, G.V. Bazarova, V.D. Bazilevicha, I.T. Balabanova, M.D. Bilyk, A.M. Birman, I.A. Blanca, I.P. Buleyeva V.V. Buryakovskii, O.D. Vasilika, E.A. Voznesensky, A.F. Goyko A.I. Danilenko etc.

The purpose of the study is to investigate the peculiarities of developing the financial strategy of the enterprise for the planned period.

Achievement of the set purpose has caused necessity of solving **the following tasks**:

– to define basic theoretical principles of the formation of a financial strategy;

– identify the role of financial strategy in the development of an enterprise;

– define the principles that are taken into account in the process of development of a financial strategy.

– systematize a set of external and internal factors that are important during the development of financial strategy;

– to find out about methodical approaches that are used in development of financial strategy;

– define the state of the economic sector and how it affects the entity;

– explore the core inputs that form a basis of the strategy;

– determine the outputs of implementing the financial strategy on the enterprise

– draw conclusions upon the previous tasks.

The object of research is the process of developing a financial strategy of the enterprise.

The subject of the study is theoretical, methodological and practical aspects of developing a financial strategy of the privately held company "Karam".

Performance of the enterprise is regulated with the Commercial Code of Ukraine (Economic Code of Ukraine), the Labor Code of Ukraine, and other current legislation.

Privately held company "Karam" has been operating on the market since 1995. The founder is Irina Viktorivna Novitskaya. The main purpose of the company – generation of profit by meeting and satisfying customer`s needs in products and services provided by the enterprise. The types of activity of privately held company "Karam" are: rent of non-personal property and retail trade.

Research methods. In the following final qualifying paper were used next methods:

1. theoretical: analysis, synthesis, systematization, comparison, which allowed to generalize and systematize the views of scientists on the studied task;

2. Methods of mathematical processing of research results: data processing and graphical presentation of results were carried out using MS Excel spreadsheets.

The informational base for studying and analyzing this topic is basic textbooks in economics financial analysis and financial activity of enterprise, scientific works and monographs of economists, scientific articles, and financial documentation of privately held company "Karam".

The practical value of the results. The practical value of the results of the study is aimed at increasing the efficiency of inventory management privately held company "Karam".

Aprobation of the research. According to the results of the study a scientific article with the topic "Characteristics of the enterprise`s methods of a financial strategy development" which was published in the Economics and Finance of Enterprise: Comp. of students sciences articles, Part 2-Kyiv: KNTEU, 2017 - p. 395-399.

Structure of the research paper. Volume and structure of the final qualifying paper consists of an introduction, three chapters, conclusions, list of used sources and applications.

CHAPTER 1
THEORETICAL BASES OF DEVELOPMENT OF FINANCIAL STRATEGY OF THE ENTERPRISE

1.1. The essence of financial strategy and its role in company's development

The efficiency of an enterprise in the current conditions of a market economy requires identifying not only its goals, but also assessing the opportunities and threats that may arise in the development of the company. Management should carefully think over the current, operational, and prospective tasks, and then determine the financial strategy. In order to consider the process of forming a financial strategy of the enterprise, it is advisable to clarify its main concepts. Therefore, the elements from which this concept consist should also be determined and explained, particularly the category "strategy" (table 1.1).

Table 1.1

Comparative description of the term "strategy"

Author (source)	Description of the concept
Anosof I. [30]	Strategy is a set of rules that helps to form decisions, which the organization uses during realization of its activities.
Bowman K. [31]	Strategy is a generalized model of actions that are necessary in the process of goals achievement by coordinating and distributing company`s resources. Strategy is a set of rules that helps to form decisions, which the organization uses during realization of its activities.
Doyle P. [32]	Strategy is a complex of decisions taken by the company`s management that are connected with the allocation of enterprise resources.
Demidov V. [33]	Strategy a set of rules and techniques that provide a competitive advantage to achieve needed goals.
Vihansky O. [34]	Strategy is a long-term qualitatively defined development of the enterprise, which refers to the sphere, forms of its activities, and the system of interrelations within and outside of the organization.
Thompson A., Strickland A. [12]	Strategy is a set of management`s actions that are aspiring to achieve the enterprise goals.
Bricham U., Gapenski L. [35]	Strategy is the most common approach to the organization and implementation of its activities, rather than detailed plans.

Ending of the table 1.1

Author (source)	Description of the concept
Kovaleva A. [36]	Strategy is the statement of medium and long-term goals, which are determined to maximize the benefits (income, profit).

An analysis of these scientists suggests that most authors define a strategy as a "set of rules and actions". The variety in the terms refer to the peculiarities, for example, A. Thompson and A. Strickland in "Strategic Management" give six options to the term "strategy" and five of them are defined as actions. In the first case, these actions are connected with the goals achievement, in another concept strategy is a model of actions that helps to achieve entity`s goals, in the third interpretation – actions and approaches used by management staff in order to reach needed performance indicators, in the fourth variation –a set of planned and unplanned actions [12].

According to Chandler, a strategy is a model of company's capabilities, goals, tasks, policies that are reflected in the plan that allows achieving these goals and determining what the company is and what it wants to be in the future [37].

To sum up it can be said that the strategy is a general top-level plan for achieving the company's general goals in the critical areas of its business (finance, marketing, production, personnel, etc.) at any stage of the company's development. The enterprise strategy is a combination of planned actions and those actions that company takes in response to changing conditions. A competently formed strategy helps the company to function effectively in an external environment, shows the course of development in a coordinated manner, eliminates uncertainty, and allows an entity to react more clearly to changes, new opportunities and threats [5].

The next step of this research is to determine the term of financial strategy. Despite a large number of scientific papers devoted to the topic of financial management, there is no standard approach to the definition of the "company's financial strategy", its place in enterprise`s management system, which complicates the further justification of scientific recommendations for improving the efficiency not only of company`s management overall, but its financial resources in particular [7].

It should be mentioned that in the foreign literature on financial management (in particular, American and European), the concept of "financial strategy" is practically absent, scientists usually use terms such as "financial planning", "long-term investment decisions". The financial strategy defines a platform for implementation of functional and corporate strategy, providing additional opportunities. The concept of the term from the point of view of different researchers are represented in table 1.2

Table 1.2

Approaches to the definition of the financial strategy of the enterprise

The defining feature	The Definition	Author
The type of functional strategy of the enterprise	The important type of functional strategy of the enterprise, which provides all the main development directions of its financial activity and relations by forming long-term financial goals, choosing the most effective ways to achieve them, adequately adjusting the directions of the formation and use of financial resources due to the changing of an external environment.	Blank I.O. [38]
Long-term course	Long-term course of targeted financial management than aspires to achieve corporate strategic goals.	Kirova O. V. [39]
Long term financial goals and objectives of the enterprise	Long-term financial goals and objectives of the enterprise, including the formation, management and planning of its financial resources in order to increase the value of the enterprise.	Goncharenko O. M. [40], Yankovskaya V. A.[41]
General plan	General plan for determining financial needs and financial results, as well as an alternative of funding sources in order to minimize the cost of capital and maximize profits.	Zubenko V. O. [42]
The system of relations	The system of relations related to the achievement and solution of the long-term goals and objectives of the financial organization, determined by its ideology, and focused on finding effective ways to achieve and resolve them.	Kuznetsova O. A., Isheev O. I, Dvornikova U. V. [43]
A multi factor oriented model of actions	A multifactor oriented model of actions that are necessary in order to achieve perspective goals within the general concept of development in relation to the potential formation and use of financial resources.	Petrova A. I., Zarudnev O. I.[44]
Realization approach	Realization approach of the financial activity goals, aimed at solving the main contradiction between the need for financial resources and the possibility of their use.	Plikus I. Y. [45]

Ending of the table 1.2

The defining feature	The Definition	Author
Financial program	Financial program of the enterprise`s development, including the formation methods of financial resources that are ensuring long term stability of the enterprise in market competitive conditions.	Shevchenko T. E., Lozovska O. I. [46]

In addition, Datsenko G. V. offers to consider the financial strategy as an organic element of enterprise financial regulation. In the methodological plan, the essence and mechanism of financial strategy formation should be analyzed as one of the problems of financial relations. In the scheme of economic regulation, the financial strategy should be considered as a component of the overall enterprise strategy, along with investment, marketing and other types of strategies [6].

Stanislavchik E. N. considers the financial strategy as a function of managing the financial flows of an enterprise in order to increase its value while maintaining the financial equilibrium, which is the optimum balance between long-term, current liquidity and profitability. Growth of the company`s market value in this case is ensured by continuous capital inflows that determines the direction of the financial strategy to increase entity`s investment attractiveness. The above interpretation does not mention other objects of financial activity, such as the structure of assets and liabilities of an enterprise, investments, financial risks [47].

Another point of view was expressed by Pavlova L. N., who considers the financial strategy as an instrument for achieving a state of the enterprise, when an entity can cover all of its necessary expenses for economic development from its own sources, which can be carried out in two main directions: external and internal growth. External growth, according to Pavlova L. N., implies the acquisition of one company with another through single finance transaction of the pre-selected object; internal growth is characterized with a gradual investment of entity`s own material and technical base, which is the basis of existing manufacturing. Paying special attention to the support of financial solvency, as well as risk reduction, the author sees the possibility of their implementation during the diversification of financial investments and processes connected with financing of investment projects [48]. However, financing only with its own funds is not always possible and appropriate; in addition, it should be noted that if the cost of borrowed financial resources is lower than the profitability of the enterprise, the use of borrowed funds could increase the return on equity [5].

The analysis of different approaches to the interpretation of the essence of the concept "financial strategy" made it possible to formulate our own generalized definition. In our opinion, the financial strategy is a program of actions that involves the effective management of the processes connected to the attracting, distributing and using financial resources, as well as the financial relations of the enterprise with the partners in order to increase the value of the enterprise [6].

Comprehensively considering the financial opportunities of enterprise, objectively assessing the nature of internal and external factors, financial strategy ensures that financial and economic opportunities of the enterprise meet conditions prevailing in the market. During the development of a financial strategy, it is necessary to take into account the dynamics of macroeconomic processes, development tendencies of domestic financial markets, the possibility of diversifying the enterprise, etc. [4].The financial strategy has the following features (figure 1.3) [8].

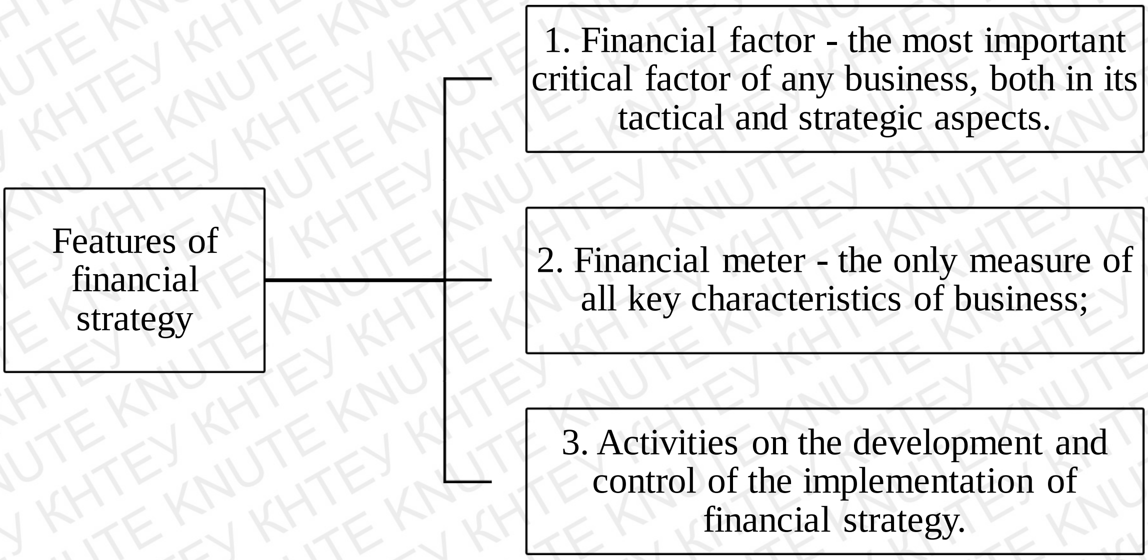


Figure 1.3. The main features of company's financial strategy

The financial strategy as a specific financial instrument has a number of additional peculiarities such as: it focuses on priorities of activity; it is developed under conditions of incomplete information, therefore, it does not allow to accurately predict the future state, and therefore is characterized by significant variability of strategic decisions; has long term perspective; it is presented in flexible form and can be easily adapted to changes in the internal and external environment of the enterprise.

The role of financial strategy, it`s contribution to organizational performance and how such contribution can be enhanced also need close scrutiny. This has always been the case of discussion but is more urgent now because financial strategy is implicated in both the successes and failures [2]. Financial strategy appeared due to the challenges and issues that almost every enterprise is facing during its lifetime, those reasons/challenges are:

1) A ‘do nothing’ approach to organizing leads to nowhere. The degree to which organizing can take place consciously and rationally in a planned and managed way is open to debate. Should we even try? It is conceivable that a passive approach may lead to normal functional and organizational performance, but surviving without a plan leads to nowhere, that is why there is a need in developing financial strategy.

Even if successful results are achieved, this is likely to be temporary. Even having conceived appropriate functional structures, which take into account predicted futures as far as possible, organizations still face the challenge of the further building such structures.

2) Looking at organizations from only one-perspective causes losses. The discussion above covers both the machine-like nature of organizations by examining how specialized parts can be made to work together, and the organization as an organism, which needs to respond to its environment. Other perspectives include looking at organizations strategy as a set of cultures, political arenas and complex systems subject to ongoing processes of change. For example, finance may set out to impose strict budgetary controls and promote cost

consciousness but accept greater flexibility than originally planned because of social issues in the discussed sphere.

Organizations can be seen as complex systems, which are constantly changing and adapting. This underlines the need to be careful of viewing functions as fixed groups carrying out predetermined tasks. This view also shows us that the impact of functions on organizational success cannot be understood through simple, linear cause and effect relationships.

3) Absence of any directions and isolated passive behavior causes chaos even inside company`s departments itself. First of it is not possible to normally perform and to fully understand the role of finance with absolutely no plan or direction of movement, by considering it in isolation from other functions such as human resources, marketing and information technology. Although the underlying reason for the existence of these functions is the gains that can be made from specialization and the division of labor, co-ordination is required if an organization is to achieve its objectives. Time must be spent on the alignment of goals, processes and behaviors across functions with significant risks arising through communication problems and misdirected effort. Company should always have some targets otherwise its existence is useless. This can be done through the development of financial strategy. [2].

4) Finding the optimal ways to allocate retained earnings (or sometimes another resource, such as time) in the expectation of some benefit in the future. Choosing the further directions for allocations of financial resources, it`s timing and main objectives that are going to be accomplished are the main issues that financial strategy gives an answer to. Investment part also requires finding ways to maximize company value by managing long-term tangible and intangible assets to be more reliable, efficient, or cheaper –including evaluating asset financing options, accounting methods, productions operation management, and maintenance schedules.

Such approach enables not to freeze funds, but to profiting on them, expanding the company`s performance, enhancing the final outputs. Another benefit is that such approach enables to minimize or even eliminate the inflation risk. Apart from economical advantages, the company also forms some social environment by investing the funds. It could also contribute to the efficiency of the enterprise. Furthermore, financial strategy allows answering following questions that often emerge during entity`s performance and help combining the resultative indicators with entity processes itself (figure 1.4).

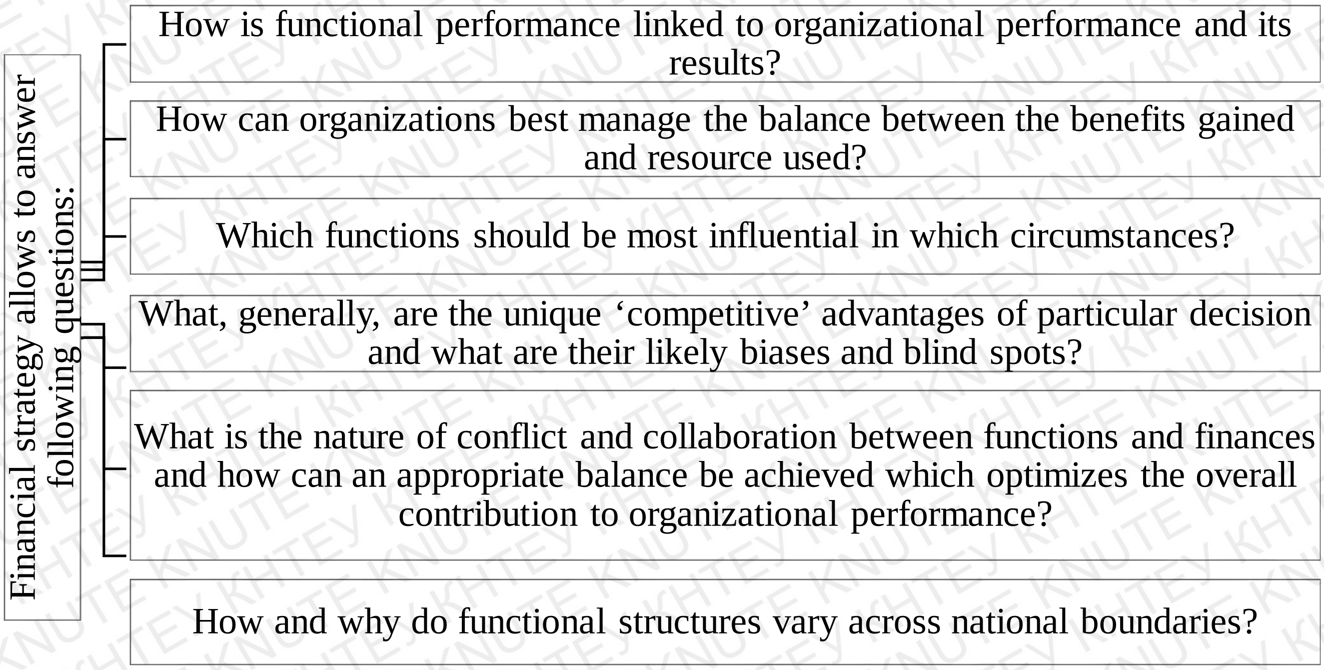


Figure 1.4. The tasks of the financial strategy that are solved during the financial strategy development

The need of financial strategy development comes up for the following purposes:

– the growing perception that measurement and financial information are imperative in running an organization and monitoring its success in highly competitive environments – witness the focus on shareholder value and on monitoring cash and costs;
– the globalization of capital flows with investors, lenders and regulators expecting to deal with a professional CFO and finance team, even in countries where different institutional models had previously prevailed;

– the increasing importance and sophistication of financial engineering in organizations;
– global governance/regulatory changes which have emphasized the role of finance. These include the focus on financial governance and controls after the WorldCom and Enron scandals and the widespread adoption of International Financial Reporting Standards;
– the ability of the accounting profession to attract and develop talented individuals who have the necessary skills and commercial acumen to take on senior organizational roles [2].

On the existent purposes, a financial strategy can help management to make it easier for enterprise`s board and staff to work towards a more diverse and stable income mix. The balanced proportion of all elements is the key to the success of the strategy and the company that implements it. Focus on only one or two indicators carry the risk of hurting other indicators of the strategy, which can damage the overall state of the entity. The strategy should set out the main following elements:

– company`s current financial situation;
– what entity need funding for;
– enterprise`s funding objectives and how these relate to its mission;
– firm`s income aims for the next three to five years, including ideal income mix;
– where company hopes to increase or decrease income;
– entity`s key funding relationships (Does the enterprise has a strong relationship with a particular trust? Is company heavily reliant on one donor?);
– any new relationships that will be essential to achieving entity`s objectives;
– any resources the firm needs to achieve financial objectives (people, skills, knowledge, networks, equipment);

– an analysis of the main risks and barriers to funding;
– enterprise`s reserves policy: how company will balance spending and saving.

The financial strategy should be part of entity`s overall organizational strategy or business plan [4].

To achieve strategic goals, each organization must address a set of tasks that can be grouped into tasks connected with organization investment activity based on an investment analysis using modern methods of evaluating the efficiency of investments.

Another important group worth mentioning is tasks targeted at aspects of organization's sustainability, its liquidity and solvency. This task group may be achieved through the management of all components of current assets, as well as management of short-term financing sources (short-term bank loans, accounts payable, etc.). Optimization of cash flow, based on the analysis of the composition and structure of working capital turnover, and making reasonable decisions on accelerating the circulation of funds. Maximizing profits due to the acceptable level of entrepreneurial risk.

Third group in the list takes in consideration tasks concerning the sources of financing for the development of the organization (profit, depreciation, securities raised through the issue, leasing, long-term loans, etc.).

The final group describes a set of organizational tasks in crisis, threats of bankruptcy, reorganization and liquidation. Within this direction, on the basis of a thorough analysis, measures are taken out of the financial rehabilitation of the firm, taking into account the economic and liquidation value of the firm, they decide on its further existence [9].

To sum up, the financial strategy of the company is an integral part and an important element of the management system of the enterprise, occupying a central place among its functional strategies that identifies the main directions of management improvement of its financial activities and development of financial relations with counterparties. The quality of a company's financial strategy depends directly on the level of its justification, as well as on the completeness of the factors evaluation.

The financial strategy plays an important role in the enterprise, in particular: ensures the coordination of main strategic and operational elements of the financial activity; determines optimal ways of distribution of scarce financial resources; forms the main criteria for future management decisions that improve the efficiency of financial activities; takes into account all possible alternatives binded with uncontrolled environmental factors and minimizes their negative consequences, etc.

Based on the study of the term "strategy" the conclusion can be made that it is often understood as a "set of rules and actions". The variety in the terms refer to the peculiarities, for example, A. Thompson and A. Strickland in "Strategic Management" give six options to the term "strategy" and five of them are defined as actions. In the first case, these actions are connected with the goals achievement, in another concept strategy is a model of actions that helps to achieve entity`s goals, in the third interpretation – actions and approaches used by management staff in order to reach needed performance indicators, in the fourth variation – a set of planned and unplanned actions.

Financial strategy of the enterprise - the system of relations related to the achievement and solution of the long-term goals and objectives of the financial organization, determined by its ideology, and focused on finding effective ways to achieve and resolve them.

1.2. Principles and sequence of development of company’s financial strategy

Financial strategy, as a system, is grounded and realized on the basis of theoretical and practical principles. Under the principles of financial strategy, it is usually meant the objective rules of managerial behavior, arising from the needs of the planned object in the form of scientific knowledge, under the help of which the tasks of the strategy are implemented. They are the scientific basis for enterprise goals achievement; effective management of its resources. The basic groups of principles of developing financial strategy are (figure 1.5).

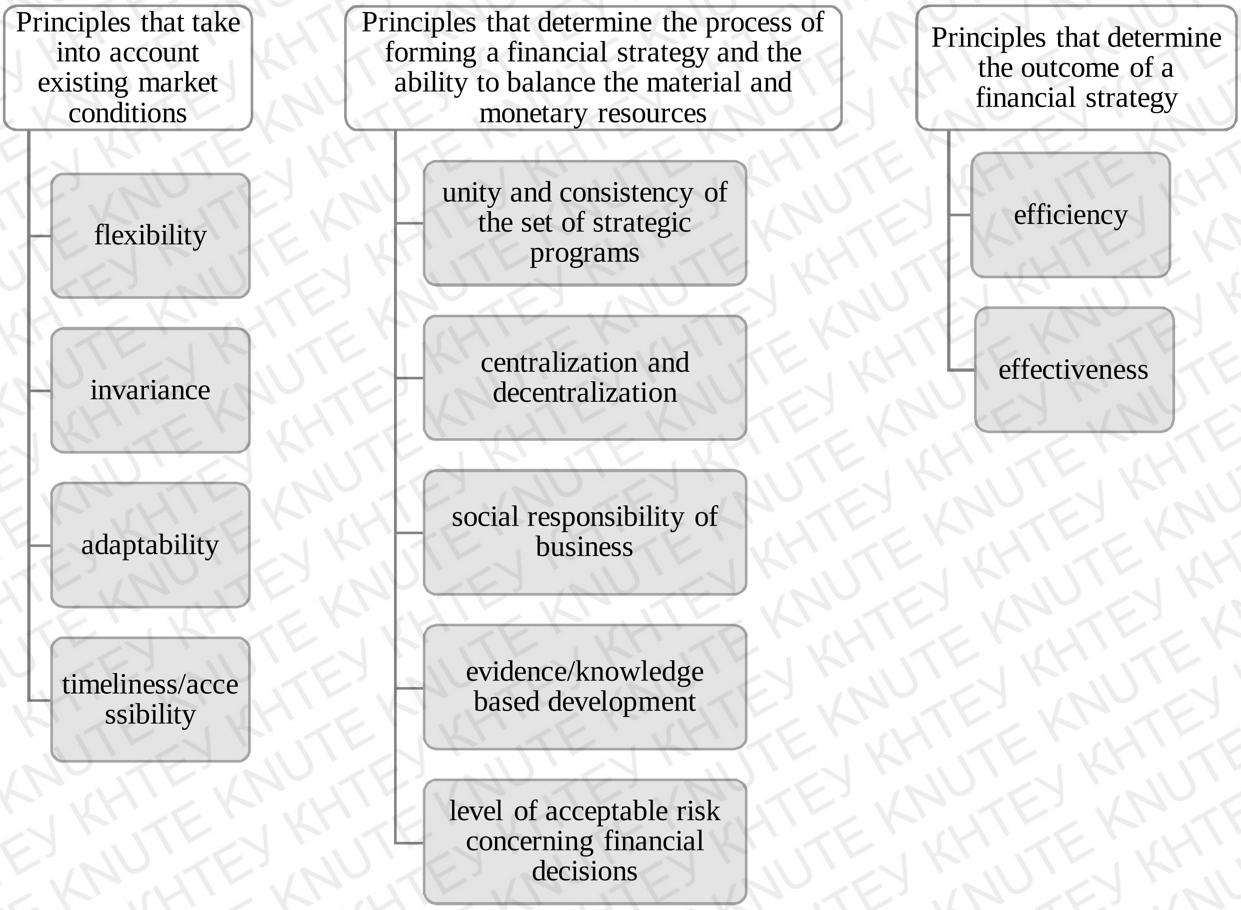


Figure 1.5. The core groups of principles and their elements in the process of financial strategy development

1. Principles that take into account existing market conditions (flexibility, invariance, adaptability, timeliness/accessibility). The uncertainty of environmental climate on the market, rapid change of its main actors and their goals, inconsistency of the business partner's solvency, and other circumstances associated with the business globalization, require a fast and adequate change that can be reflected in the financial strategy. The principle of flexibility lies in the fact that developed strategy should allow the possibility of adjusting it to the mobile external conditions.

However, at the same time, the strategy must have some persistence (invariance), since in the event of radical changes some individual functional units will not be able to quickly rebuild their work at a certain time lap, which will increase the economic instability of the entire enterprise and will negatively affect its business image.

The principle of adaptability also presupposes the availability of financial management opportunities to effectively perform its tasks: the wider this range, the more adaptive is the system of financial management. To implement this principle, it is necessary to develop an appropriate mechanism for adjusting the financial methods of the enterprise without significant structural changes in the system of financial strategy itself [52].

Timeliness/accessibility – financial strategy shall be implemented due time limits. The sequence of activities in strategy realization shall depend on the optimized effectiveness, company`s assessed needs, opportunities and threats etc. It`s also worth mentioning that this principle can not be applied without taking into account the previous experience and its extrapolation for the future, as well as studying the marketing and logistics possibilities of cash flows regulation and their integration in the process of business performance, it is impossible to ensure the proper balance of needed financial resources. Time value for the implementation of strategy becomes an important competitive advantage, so the focus on the urgent situations concerning important decisions should be reflected in the financial strategy of organizations [53].

2. Principles that determine the process of forming a financial strategy and the ability to balance the material and monetary resources (unity and consistency of the set of strategic programs, centralization and decentralization, social responsibility of business, evidence/knowledge based development, acceptable level of risk concerning financial decisions, etc.).

Competition for market outlets deepens the problems with unsteady supply, which increases the gap between real cash inflows and the need for financial resources for production needs. From the economic point of view, optimal balance of financial recourses has a crucial role in financial strategy, so all groups of people who are interested in effective work of an enterprise should support this equilibrium. Cost-effectiveness in this particular case becomes a mean during the aim achievement, growth of it – a condition, and flexibility is a way to maintain this balance. The principle of unity and consistency in strategy involves a task-oriented set of actions that are taken to ensure the integrity and optimal structure of financial programs under the condition of limited resources [54].

The principles of centralization and decentralization in the process of formation, implementation and control of the financial strategy ensure the interaction of strategy developers with employees of different levels, which increases the level of understanding of strategic and tactical decisions and their interest in their realization.

Positive is the experience of company, whose employees are engaged in different business areas: line managers are considering all the ideas. As the cost of research increases, experts from other functional divisions of the company are involved in assessment of their potential. Marketers, financiers and other experts conduct an independent examination and exclude certain percentage of failure projects. Then the cycle is repeated, leaving the most promising projects that do not always reach the market stage, but they create an innovative strategic base of the company and may be relevant after a few years [51].

When it comes to the last principle, cost cutout, especially in the context of developing systemic crisis in the country, must be achieved without violating social standards, so the social responsibility of business forms the basis of long-term competitive advantages, defines the main variables of business models and corporate governance, as well as priorities in the allocation of resources.

Evidence/knowledge based development – financial strategy (investigations, analysis, implementation, etc.) shall rely on scientific evidence and/or experience based knowledge/ best practice. The decisions of the strategy should rely on successfully implemented practices and models. Quality of the strategy is dependent of systematic application of financial and economic knowledge [50].

The other important factor to mention is the level of acceptable risk concerning financial decisions. Typically, a financial strategy can be built in several ways as long as it is a multivariate decision-making process. Each version of a financial strategy is associated with a certain ways of financing, but is characterized with different level of risk.

The multivariate development of events in the case of implementing even one specific financial strategy is also associated with risk, since it is not known in advance what will happen in the future. In this case, it is important to choose such options that would be more effective and less risky or in another words the risk of this option should be within the permissible limits [49].

Usually, as a rule, options with greater efficiency are more risky. While assessing the level of risk of alternative options, an entity should avoid both underestimation of risk and its revaluation. In the first case, this can lead to a reduction of the investment efficiency or significant losses. In the second case - company can cut off beneficial ideas.

3. Principles that determine the outcome of a financial strategy (efficiency, effectiveness) are needed for to evaluate the results of implemented strategy, etc.). The principle of effectiveness is determined to generate profit both through the development of financial activity. Activities performed should enhance the chance of an expected positive outcome (have a positive effect on the state of company or its element) as compared to no or other investigations or actions (alternative strategies). Positive outcomes can be represented in quantitative form [55].

Efficiency - the best possible relationship between the outcomes achieved and the resources used (room, devices, material and working time) shall be preferred. In this case, the economy is interpreted as the need to optimize the costs associated with the development and implementation of financial strategy [56].

Efficiency involves the elements that take into account the financial output of project implementation for its direct participants; attributes that reflect the economic benefits and costs of the project, in the context of environmental and social impact; Consequences that reflect other external institutions [10].

After determination of the principles according to which the financial strategy will be formed and implemented it is significant to define the main stages. There are six main steps that allow creating a strategy. Each of its categories has its own subcategories. Characteristics of stages of development and formation of company’s financial strategy (figure 1.6).

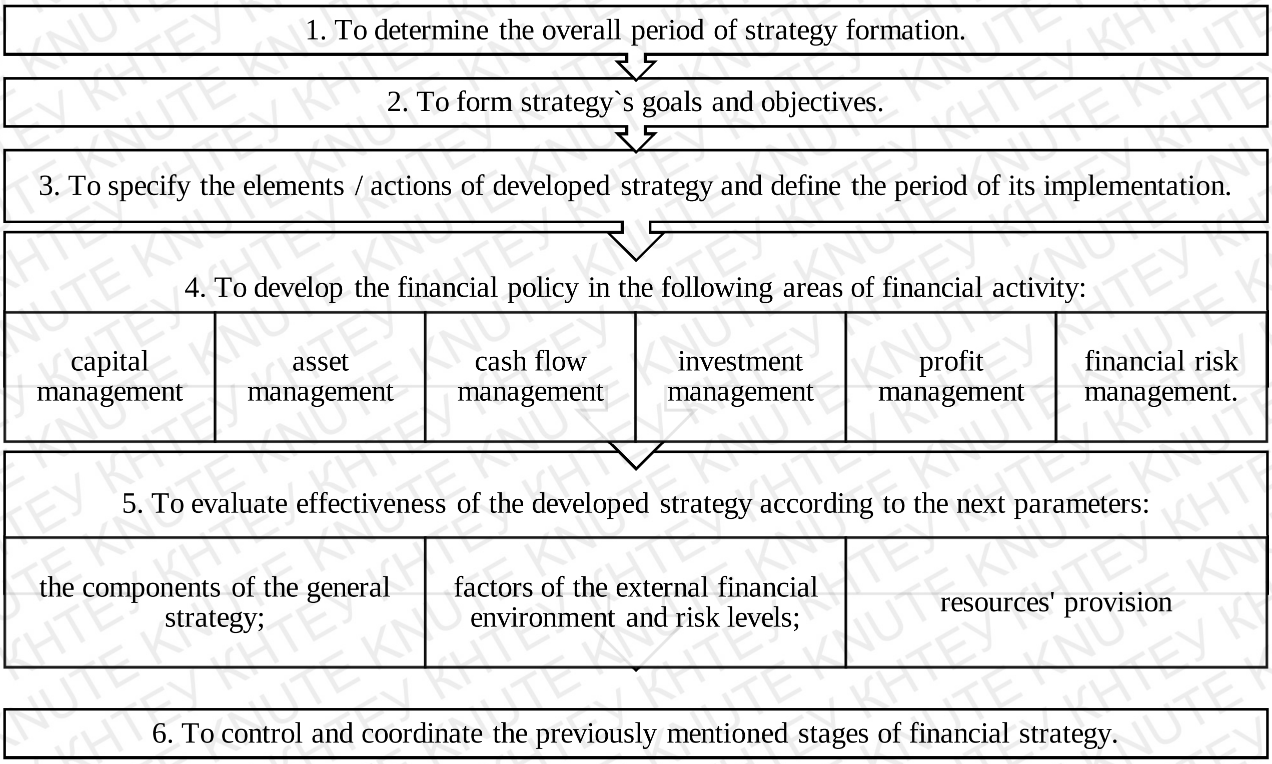


Figure 1.6. Sequence of the financial strategy formation

The development of company`s financial strategy consists of several stages. From the outset, it is necessary to determine the term for which a financial strategy is being formed. Depending on the term of the strategy, the goals and the degree of elaboration of financial plans will be affected. For example, long-term financial strategy describes the principles of income formation and its use, the need for financial resources and sources of their formation. The short-term financial strategy is developed within the framework of the long-term financial strategy and details it, describing the current management of financial resources. Long-term and medium-term financial strategic plans for 3-5 years are formed in the aggregate form, short-term financial plans for a year or less than that are usually created with a great degree of details. The period of financial strategy formation and implementation depends on several factors:

– duration of the general development strategy of enterprise;
– possibility to forecast the financial markets development and economic development in general;
– branch features, form of entity and the scope of its activities;
– enterprise`s life cycle stage;
– determination of strategic goals and objectives [11].

The next step in the financial strategy development is to determine its goals. The financial strategy is functional in relation to the corporate strategy of the company, therefore, it should be included in the structure of the company's overall strategic objectives. As we know, the main financial goal is to maximize company`s market value with minim risk. Such a goal can be determined both in absolute terms and in relative terms.

The main goal might be achieved if the company has enough financial resources, optimal return on equity, a balanced structure of its own and borrowed capital. The main financial goal should be detailed on financial sub-targets, for example: profit; amount of equity; return on equity; asset structure; financial risks, etc.

The third step in the sequence is to specify the elements / actions of developed strategy and define the period of its implementation. The company's financial strategy is specifically reflected throughout the following norms, in particular: annual growth rate of the company's equity; the minimum share of equity in the total amount of capital employed; profitability of the enterprise's own capital; the minimum liquidity level of the entity`s assets; acceptable level of financial risks, etc. When the elements of financial strategy are specified over the periods of their implementation, the principle of consistency is ensured.

The next logical step is connected with the development of financial policy. The financial strategy is evolved taking into account the prospects of company`s financial development and, in accordance with the main aspects of its financial activity, that form financial policy. At the same time, the development and implementation of financial policies, based on the financial strategy, enable them to solve specific tasks in the relevant areas of its financial activities. The system of financial policy formation in terms of its financial activities has the following components:

1) capital management: determination of the cost of capital; optimization of capital structure; credit policy; investment policy;

2) asset management: formation of strategy in terms of financing current and fixed assets; financial management of inventories, monetary assets, accounts receivable; management of non-current assets;

3) investment management: management of real investments; management of financial investments; investment portfolio management;

4) cash flow management: management of cash flows from financial activities; determination of the value of money in time and its use in financial calculations;

5) company`s profit management: management of profits formation and distribution; management of profits use; dividend policy;

6) financial risk management: identification of financial risks; identification of the main factors influencing the level of financial risks; assessment of financial risks; development of a mechanism for the neutralization of financial risks; detection of signs of a crisis state; prevention of bankruptcy at enterprise; localization of crisis phenomena; financial stabilization of the enterprise; preventing the recurrence of the crisis.

An enterprise forms a financial policy under the influence of three groups of factor. Group I - factors of microeconomic nature. The first group includes: consumer demand for products (goods, services) sold by the enterprise and the product offer; price level for goods; competitive environment of the enterprise; market share of the enterprise and its competitiveness. Overall, it is the basic internal indicators of the economical state of the enterprise that highlight the simplest performance processes.

Group II - macroeconomic factors; the second group includes: tax policy; wages; income and price regulation; monetary policy; market conditions for resources and capital.

Group III - specific financial factors. The third group includes: time factors, inflation, risks. The consideration of risk factors is important for the formation of a financial strategy. The financial strategy is developed taking into account the risk of non-payment, inflationary fluctuations, financial crisis and other unforeseen circumstances. These are the external indicators of the general market state, the condition of its specific sector

The fifth step in the list is to evaluate the effectiveness of strategy development by parameters. Despite the variety of the criteria that should be taken into analysis Thompson and Strickland believe that the main criteria for strategy assessment are.

1) the degree of conformity. An effective strategy exactly matches the situation in the company from the point of view of both internal and external factors and its own capabilities and aspirations. Without such match, the company's strategy is questionable.

2) competitive advantage in the competition. An effective strategy leads to a stable competitive advantage. The higher the competitive advantage created by the strategy, the more powerful and efficient it is.

3) intensity of work. An effective strategy increases the intensity of work in the company. Two types of work improvement are the most significant: the growth of profitability and growth of long-term business activity of the company and its competitiveness [12].

The final step that has to be made is to control and coordinate the previously mentioned stages of financial strategy involves monitoring and (where applicable) measuring processes and the resulting products and services against policies, objectives and requirements and planned activities, and reporting the results; and take actions to improve performance, as necessary. The result of the following steps should be reflected three main documents (figure 1.7).

Result documents

- Forecast of profit and loss statement;
- Cash flow projection;
- Forecast of balance sheet of the enterprise.

Figure 1.7. The documents that reflect financial strategy development

The forecast of income and expense statement shows the amount of profit to be received in the next period.

Cash flow projection reflects cash flow from future operating and investment financial activities. It makes it possible to identify sources of capital and evaluate its use in the next period. With the help of cash flow forecast, it is possible to determine how much money it is necessary to invest in the economic activity of the enterprise, the synchronicity of cash inflows and outflows, which makes it possible to determine the need for attracting capital and check the future liquidity of the enterprise.

The forecast of the company's balance sheet is part of the financial planning policy. The balance of assets and liabilities is necessary to plan in order to assess in which types of assets the funds will be invested into and from which sources (liabilities) assets will be created or formed.

To draw the conclusion, the core principles upon which the financial strategy is built is divided into three groups: principles that take into account existing market conditions; principles that determine the process of forming a financial strategy and the ability to balance the material and monetary resources; principles that determine the outcome of a financial strategy.

The development of company`s financial strategy consists of several stages:

- determination the overall period of strategy formation;
- formation of strategy goals and objectives;
- development of the financial policy;
- specification of the elements and actions of developed strategy and the period of its implementation;
- control and coordination of the previously mentioned stages.

– evaluation of the effectiveness of the developed strategy according to the next parameters;

The outputs of previously mentioned steps should be reflected three main documents: forecast of profit and loss statement; cash flow projection; forecast of balance sheet of the enterprise.

1.3. Methods of company's financial strategy development

In order to achieve the efficient company performance on the market and receive high returns, it needs to respond quickly to changes that happens or might happen in the internal and external environment. That is why companies are interested in developing a financial strategy that allows using all reserves of the enterprise avoiding possible risks and threats. Each entity has its own peculiarities; therefore, it is impossible to determine a single approach to the choice of financial strategy and methods of its development. Each company should independently determine what factors and how they will affect company's activities and goals for which the financial strategy of the company will be directed, which in future will influence the choice of methods of developing the financial strategy causing results that would minimize the risks and increase company's profitability, competitiveness and financial sustainability in the market. Therefore, there is a need to study the features of various methods of company's financial strategy development and make their further systematization [1].

In conducting the analysis of publications about methodical approaches of company's financial strategy development, it is to be noted a significant increase in their number in recent years, which confirms the relevance of the topic chosen for research. Among the authors who studied this topic, should be mentioned such researchers:as Barinov V.A., Blank I.A., Vesnik V.R., Galushkina T.P., Ivanishcheva A.V., Lespukh O. V., Lukina J.V., Maslennikov O. U.., Melnyk D. L., Nalyvayko A. P., Panchenko A. I., Khrushch N. A., Tsigilik I. I.

In general, the concept of a method is understood as a systematic set of steps to be performed in order to accomplish some kind of task or achieve a certain goal. Kalabashkin V.L. believes that methods of company’s financial strategy development are a set of actions, methods of research and their reproduction in a system of economic relations [13]. Ilysheva N. N. understands under that term a system of actions aimed at the formation and development of the financial strategy [14]. According to Sarkisova S. E., the term «method» is described as a way to achieve any goal; the solution to a specific task. Based on previous conclusions, the method of company’s financial strategy development can be defined as a way to achieve goals and objectives, aimed at the formation and distribution of financial resources, ensuring financial security and improving the quality of financial activities [15].The following methods and models are used to justify the financial strategy of the company.

In order to evaluate and select the effective use of capital: return on assets and return on equity the most common method used - DuPont model. The key indicator that reflects use of assets, which target value, should be economically justified in the process of developing a financial strategy is the return on assets. This model shows the relationship between the performance of the enterprise – its profitability (ROA) and two factors: profitability of sales and turnover of assets. Thus, the model allows not only to assess company's sales system and assets intensity degree in process of forming the profitability of the company, but also allows us to determine with help of what factors there is a change in the return on investment capital [16].

$$= — * 100, \qquad (1.1)$$

$$= \quad * \quad , \qquad (1.2)$$

where, ROA – return on assets;

NP – net profit;

A – assets;

ROS – Return on sales;

RO – turnover of assets.

For owners (shareholders), the key efficiency indicator of equity use is the return on equity capital, using the modified DuPont formula:

$$= \frac{}{} * 100, \quad (1.3.)$$

$$= \quad * \quad , \quad (1.4)$$

$$= \quad * \quad , \quad (1.5)$$

where ROE – profitability of equity (own capital);

E – equity;

FL – credit shoulder, own and borrowed capital ratio (financial leverage);

RO – turnover of equity capital.

Modeling these indicators within the framework of developing a financial strategy will help the company to manage the rate of return on capital, identify ways to improve it, and also improve areas of capital investment. The main advantages of the model are its simplicity of calculation and analysis. Defined factors that determine company's profitability for shareholders, can easily be related to the operational plans of the enterprise. The disadvantage of the model is that the use of accounting reports is not an absolutely reliable source of information during the process of formation of financial strategy whose results depend not only on internal factors.

Method that allows to determine the opportunities of company`s development, taking into account interrelated marketing, production and financial requirements - the SGR model (Sustainable growth rate). This model can reasonably regulate the size of own and borrowed funds in the development of financial strategy. The sustainable growth rate (SGR) is the maximum rate of growth that a firm can sustain without having to increase financial leverage or look for outside financing. The SGR is a measure of how large and how quickly a firm can grow without borrowing more money. After a firm has passed this rate, its growth will decline in the long term, and it must borrow funds to facilitate additional growth [17].

On the base of this model, company can find a compromise between desirable growth indicators of enterprise and existing factors of external and internal environment. The indicator reflects the maximum sales growth, in the context with other financial ratios. Modeling conducted under stable environmental factors for SGR has the next look:

$$SGR = \frac{r \times \mathrm{ROS} \times RO \times FL}{1 - r \times \mathrm{ROS} \times RO \times FL} \times 100 \quad , \quad (1.6)$$

where, r - profit reinvestment coefficient, which reflects dividend policy. Modeling conducted under changing environmental factors:

$$SGR = \frac{(E_0 + E_{NEW} - Div) \times FL \times RO \times \left(\frac{1}{S_0}\right)}{1 - \mathrm{ROS} \times RO \times FL} - 1 \quad , \quad (1.7)$$

where, E0 – amount of equity in the reported year;

S0 – revenue from sales in the reported year;

ENEW - Scheduled Earnings from Shares;

Div – planned amount of dividends[18].

The main disadvantage of method is that, general applicability of SGR concept in cases where these parameters are not stable is limited. The SGR model that depends on factors that changes through the period is more flexible in its applicability. However, as a broad framework, it only provides an orientation for case/company specific mid- to long-term growth target setting. Additional company and market specific considerations, e.g. market growth, growth culture, appetite for change, are required to come up with the optimal growth rate of a specific company.

Additionally, considering the increasing criticism of excessive growth and shareholder value orientation by philosophers, economists and also managers, e.g. Stephane Hessel, Kenneth Boulding, Jack Welch (nowadays), one might expect that investors' investment criteria might also change in the future. This may lead to changes in the relationship of revenue growth rates and total shareholder value creation. Regular reviews of the optimal growth assessments may be used as an indicator for the development of stock markets` appetite for rapid growth [19].

Approach that helps to determine the current position of the company in relation to financial risk, using the matrix of financial strategies, developed by J. Franchon and I. Romana. The matrix of financial strategies is based on the calculation of three main indicators: the result of economic activity (REA), the result of financial activity (RFA) and the result of financial and economic activity (RFEA). The result of economic activity reflects the level of liquidity of the enterprise as a result of the implementation of all operations that are related to operational activity. REA is defined by the following formula:

$$REA = GRIE - \Delta FON - MI + SP, \qquad (1.8)$$

where GRIE – gross result from investment exploitation;

ΔFON – change of financial and operational needs;

MI – manufacturing investment;

SP - a regular sale of property.

The result of financial activity shows the financial policy of the enterprise, taking into account the attraction of borrowed funds. The RFA is calculated according to the formula:

$$RFA = \Delta D - FE - TP - PD + IS - SF - FI\ l\text{-}t + PEE, \qquad (1.9)$$

where, ΔD – change of debt (borrowed capital) for the reporting period;

FE – financial expenses;

TP – tax on profit from ordinary activities;

PD - paid dividends;

IS – money received from the issue of shares;

SF – funds invested in statutory funds of other enterprises;

FI l-t – long-term financial investments;

PEE – received payments from the profit of established enterprises and income from other long-term financial investments [8].

The result of financial and economic activity (RFEA) enterprises is calculated with the formula:

$$RFEA = REA + RFA, \quad (1.10)$$

RFEA shows the volume and dynamics of cash flow after implementation of the entire complex of investment, production and financial activities of the company. Negative values of the result of financial and economic activity over a long period can lead to bankruptcy of the enterprise.

After the calculation of these basic indicators, company is placed in one of the squares in the matrix, as well as determine at what stage of financial development the enterprise is (Table 1.8) [20].

Table 1.8

Matrix of financial strategies

Indicators	RFA < 0	RFA → 0	RFA > 0
REA > 0	1. Father of the family RFEA → 0	4. Rentier RFEA > 0	6. Parent company RFEA > 0
REA → 0	7. Episodic deficiency RFEA < 0	2. Stable equilibrium RFEA → 0	5. Attack RFEA > 0
REA < 0	9. Crisis condition RFEA << 0	8. Dilemma RFEA < 0	3. Shaky equilibrium RFEA → 0

According to the matrix, there are nine types of financial strategy, among which there are three groups of strategies:

1) squares 1, 2, 3 (diagonally) - an area of equilibrium characterized with mediocre results of the enterprise;
2) squares 4, 5, 6 (right corner above diagonal) - zone of success, characterized by a positive cash flow from at least one type of activity;
3) squares 7, 8, 9 (left corner under diagonal) - zone of deficit, characterized by outflow of funds from at least one type of activity [21].

The advantages of using this matrix are that it allows not only to determine the current position of the company in terms of financial risk, but also consider the situation in the dynamics in order to determine the strategic direction of the financial strategy of the company, depending on the changes in key indicators of it`s activities. On the other hand, this matrix does not cover the stage of "formation", which is characterized by setting goals and directions of financial development.

For resource assessment while forming the financial strategy weighted average cost of capital (WACC); EVA (Economic Value Added) method can be used. The choice of rational funding sources is based on the criteria of minimizing the weighted average cost of capital (WACC), which is an important indicator in process of development of financial strategy.

The limitation of capital price, from a particular source, is the level of forecasted profitability of assets invested in these financial resources. The limitation of the weighted average cost of capital is the forecasted profitability of all company`s assets. Therefore, the necessary condition that must be met during the development of financial strategy is: ROA> WACC. The weighted average cost of capital raising (WACC) is calculated as follows:

$$= \sum \quad * \quad ; \qquad (1.11)$$

where, Pi is the price of the i-th source of capital attraction;

Di - share of i-th source in total financing.

The WACC method gives an accurate assessment of the overall performance of an enterprise, but may have a rather high degree of error when it comes to assessment of the activity of individual business units. This is due to the fact that cash flows substantially depend on the funding scheme of the unit, creating various side effects.

The application of this method to newly created enterprises has a low accuracy of it`s result. The main reason lies in the fact that the interests of owners and managers have not been agreed upon at the company that has not yet been created; there is no dividend policy etc.

During strategic and tactical planning of the enterprise activities different types of dividend policy can be considered, this choice depends on many external and internal factors that are poorly subjected to mathematical analysis.

The logic of EVA's economic value added is that it`s not enough for company only to have a positive financial result or profitability per share, it is also necessary to ensure a level of profitability that allows not only to receive returns on invested capital that exceeds the cost of raising capital, but also create added value [22]. The increase in the economic value added of EVA is calculated with the formula:

$$EVA = NOPAT - WACC * CE; \qquad (1.12)$$

Where, NOPAT – net operating profit after taxes;

WACC – weighted average cost of capital;

CE – capital employed - amount of invested capital, taking into account equivalents of equity capital (own capital). This indicator represents the sum of all assets that are related to the operational management of the valuation entity, without short-term operational liabilities (commercial loans, debts to the budget, etc.) [23].

The EVA method is seen as a key element in developing an effective financial strategy, as it combines the two most important indicators – NOPAT and WACC, the first indicator in formula characterizes the process of using assets, the second – the cost of attracting capital invested in assets. The positive value of EVA characterizes the efficient use of capital and means the creation of added value [24].

Despite the simplicity of the presented calculation model, when it comes to determining EVA there might be some problems that appear in the process of correct estimation and accounting of equity equivalents. The authors of the original EVA methodology offer about 160 amendments that allow more fully to take into account the cost of used intangible assets.

In particular, such amendments may include accounting for deferred taxes, accounting for risks associated with investing in securities, investment risks, company's "social" image, etc. This is important because, in some cases, these assets can significantly affect the market evaluation of company`s elements [22].

Another method to measure existent resources is market value added (MVA). The American Consulting company Stern Stewart Management Services created the indicator in 1993.

$$MVA = V - C; \qquad (1.13)$$

Where, MVA - Market value added;

V – Market value of the enterprise;

C - Total paid-in capital.

When investors want to look under the hood to see how a company performs for its shareholders, they first look at MVA. A company’s MVA is an indication of its capacity to increase shareholder value over time. .

Results of interpretation: MVA > 0 – enterprise creates new value for the owners. MVA = 0 – amount invested returns without evaluation. MVA < 0 – there is a decline in the value of the enterprise.

MVA is used to measure the enterprise performance in the direction of maximizing shareholder’s value. MVA shows to owners how capable the management is. If MVA is positive, the management is able to create new value for owners; therefore the entity performs efficient. Conversely, if MVA is negative, the value of capital invested is reducing and the management has not been performing well [25].

Shareholder value added (SVA) - the indicator was created in 1986 mainly thanks to Jack Welch, former CEO of General Electric, and Alfred Rappaport.

$$SVA = NOPAT - CC (C? WACC); \quad (1.14)$$

Where, NOPAT – net operating profit after taxes;

WACC – weighted average cost of capital;

CC – Cost of Capital;

C – Capital.

SVA represents a company's worth to shareholders in the absence of liabilities and capital costs. SVA is a metric, which reflects a company's performance in a way that is meaningful to shareholders. It implies that the primary goal of any company should be to increase the returns to shareholders, not necessarily to create value for the company as a whole. Those seeking ever-higher shareholder value added believe that management should make decisions for the company that caters to shareholder interests first and foremost. Dividends increase SVA, while bonus shares decrease SVA [26].

EVA and SVA: difference. EVA is an internal measure that highlights the increase in wealth to the shareholder by investing in the organization's shares. It uses adjusted after-tax profits, less adjusted capital invested, times by the weighted average cost of capital.

Shareholder value analysis identifies the "business value", defined as the present value of future cash flows potentially available to become dividends, plus any investments or securities the organization can sell for cash without impairing its performance, less any debts. Therefore, to increase shareholder value, management should improve the present value of future cash flows, or reduce debt. Subsequently, the difference relates to the fact that EVA ignores future cash flows, whereas SVA takes these into account [27].

Cash value added (CVA) - a measurement of the amount of cash generated from operations minus the cash flow demands for the same period.

$$CVA = CVg / CVd; \quad (1.15)$$

Where, CVA - Cash value added

CVg - Cash value generated;

CVd - Cash value demanded.

The indicator was created in 1996 by Erik Ottosson and Frederik Weissenrieder. Cash value added is a measure of company performance that looks at how much money a company generates through its operations. Generally, a high cash value added figure is beneficial for both companies and investors, as it demonstrates a company's ability to generate cash from one financial period to another, creating solid liquid profits. CVA is similar to EVA but takes into consideration only cash generation as an opposed to economic wealth generation. This measure helps give investors an idea of the ability of a company to generate cash from one period to another. Generally speaking, the higher the CVA the better it is for the company and for investors [28].

Cash-flow return on investment (CFROI) - is a valuation metric that acts as a proxy for a company's economic return. This return is compared to the cost of capital, or discount rate, to determine value-added potential. CFROI is defined as the average economic return on all of a company's investment projects in a given year. The indicator was proposed in 1991 by HOLT Value Associates and Boston Consulting Group. Is a registered trademark of HOLT, a unit of Credit Suisse, the Swiss bank.

$$CFROI = CFBIAT / CE; \qquad (1.16)$$

Where, CFROI – Cash-flow return on investment;

CFBIAT - Cash Flow before Interest and Taxes;

CE – capital employed which is calculated by subtracting interest free capital from operating assets.

$$CFROI = (GCF – ED) / GD; \qquad (1.17)$$

Where, CFROI – Cash-flow return on investment;

GCF - gross cash flow;

ED – economic depreciation;

GD – gross investment.

CFROI is calculated using the four inputs:

1) the gross investment (GI) the firm has in its existing assets, obtained by adding back cumulated depreciation and inflation adjustments to the book value.

2) the gross cash flow (GCF) earned in the current year on gross investment, which is usually defined as the sum of the after-tax operating income of a firm and the non-cash charges against earnings, such as depreciation and amortization.

3) the expected life of the assets (n) in place at the time of the original investment, which varies from sector to sector but reflects the earning life of the investments in question.

4) the expected value of the assets (SV) at the end of this life, in current dollars. This is usually assumed to be the portion of the initial investment, such as land and building, that is not depreciable, adjusted to current dollar terms.

Thus, we have revised characteristics of methods of company’s financial strategy development that allows substantiating and managing their own action and made our own systematization. As long as each method, in addition to its advantages, also has drawbacks and limitations in its application, it is expedient to use different methods of calculation, in order to obtain a more reliable forecast, which will provide multivariate predictive calculations [29].

CHAPTER 2
ANALYSIS OF FINANCIAL ACTIVITY OF THE PHC "KARAM"

2.1. Analysis of the total volume and structure dynamic of financial results of Phc "Karam"

An analysis of the company's revenues and expenses plays a marked role in the system of overall business assessment. Those indicators have a direct impact on the overall financial performance of the enterprise, which can be both positive and negative. The importance of the income and expenses analysis is to justify ways to increase revenues and optimize the cost of the enterprise. Through analysis, the strategy and tactic of enterprise development is formed and implemented, core management decisions are taken, unused reserves of production are found, etc.

The following chapter will outline the general state of entity`s earnings and spending, its structure, and results of their activity. Starting an income analysis of the company, its main quantitative indicators were taken in consideration, which are formed by appendix A and presented in the figure 2.1.

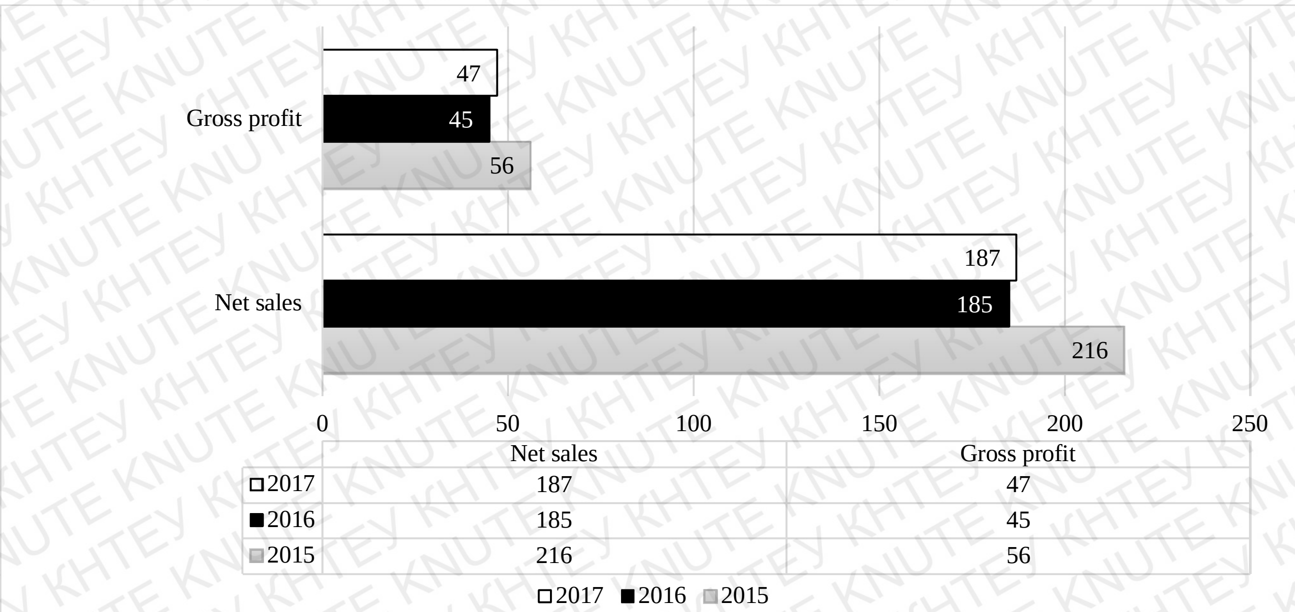


Figure 2.1. Phc "Karam" revenue dynamic, 2015-2017

As is presented in the graph it can be observed that absolutely the entire volume of the enterprise`s income comes from the sale of goods and provision of services. The enterprise does not receive any proceeds from financial and other activities; it focuses on obtaining the revenue from trade of products and services.

As the diagram`s data suggest, in the first year, the enterprise received revenue from the sale in the amount of 216 thousand UAH. In the second year, this indicator plummeted by 31 thousand UAH, or 85, 65 % over the previous period, which was fixed on the level of 185 thousand UAH. The third year staged a partial recovery and recorded an income figure of 187 thousand UAH, having changed the volume of income in comparison with the second year by 2 thousand UAH or 101, 08 %. The average annual absolute deviation is -14, 50 thousand UAH. The average annual decline rate is 93, 36 %.

Generally, the level of gross profit of the enterprise for the period of study has a generally volatile tendency, which is a warning signal for the enterprise that functions in the field of rental its property. Moderately, this position decreases by 4, 50 thousand UAH, or in terms of growth rate 92, 40%.

Now, turning to the details, the highest indicator the entity reached in 2015 at amount of 56 thousand UAH. On the contrary – between 2015 and 2016, the marked collapse occurred from 56 to 45 thousand UAH, which dropped the indicator by roughly one fifth or to 80, 36 % in comparison to the previous year. Unfortunately, the final third year of performance did not depict a contrary tendency, reaching only 47 thousand UAH.

The largest positive absolute deviation occurred between the years 2016 and 2017 and it`s 2 thousand UAH. In general, the indicator of gross profit slide from 56 thousand UAH, in the first year to 47 thousand UAH in the third year, which in terms of percentage is 83, 93 %.

However, the income dynamic cannot be viewed separately only from the one side.. The first indicator that depends on the state of receiving is its structure. It shows the proportion of the element in the overall state of the indicator and helps to form the further actions and tasks that company needs to solve. Considering the overall quantitative characteristics of the enterprise's income, let's explore its structural components (Figure 2.2).

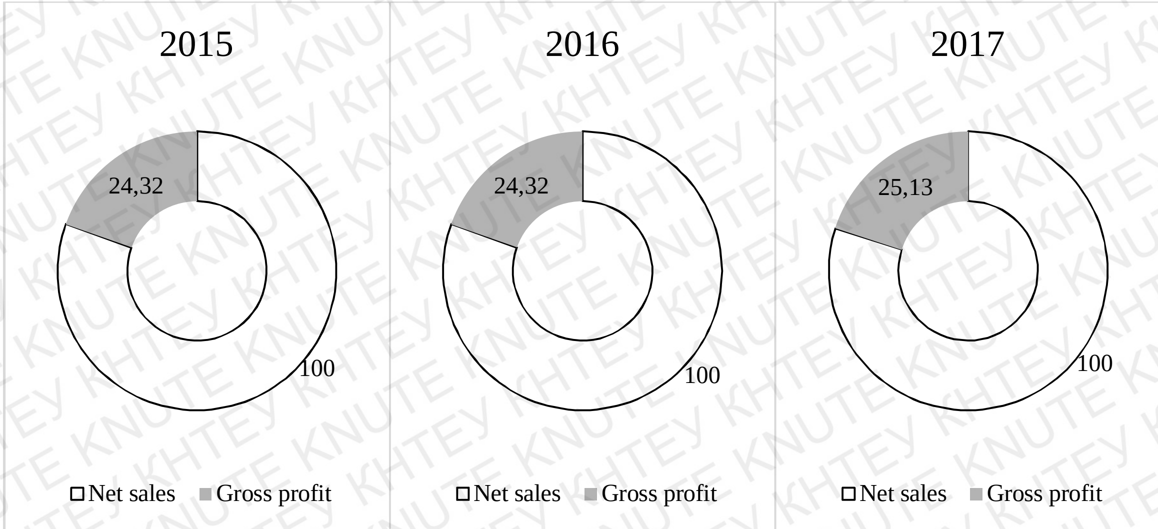


Figure 2.2. Phc "Karam "revenue structure dynamics, 2015-2017

As is presented in pie charts, they give figures, which inform that the entire company`s income structure consists from the revenue from the sale of goods and services. This tendency is constant during the investigated period and has neither positive nor negative marked changes in terms of its proportion.

Categorically speaking, the portion of gross profit is presented by a rather stable rate in terms of income. The first year recorded a proportion of the group a little more than one quarter, fell down rapidly in the next period by 1,61 reaching a level of 24, 32 %. In comparison to the previous period, this figure slightly rose to 25, 13 %. The average proportion of the gross profit in the years 2015 – 2017 fluctuates around 24, 59 %.

According to the general dynamics of incomes volume and structure, it could be plainly viewed that the core earnings is received by from the operational performance. However, let`s consider indicators more detailed. In order to provide a better quality analysis it is significant to determine the income volume of the entity in the context of three main performance areas, based on the appendix B and depicted by the figure. 2.3.

	2015	2016	2017
Commercial space 200 m 2	124,50	124,50	124,50
Exhibition space 50 m 2	43,01	60,50	62,50
Cafe performance	48,49	0,00	0,00

Figure 2.3. Phc "Karam" revenue volume dynamic in terms of three main product / service groups, 2015-2017

The table data clearly shows that, the largest volume of income by groups is the rental of the commercial spot. During the investigated period, the income of this group remained unchanged and stood at exact same quantity of 124, 5 thousand UAH. Chain food supermarket "Lotok" rents this spot on an annual basis therefore the indicators of the group are stable.

When it comes to the rental of exhibition space, the positive upward trend throughout the researched period could be noticed. According to the data, it is lucid that the most modest volume of income is obtained by this group in the year 2015 on the level of 43, 01 thousand UAH. During the investigated period, the indicator of this group built up substantially by 17, 49 thousand UAH or 140, 66 %, growing to 60,5 thousand UAH in 2016. That was the vastest increase occurred within the all areas that entity was involved.

However, such sharp and steep tendency was not achieved in the last researched year, but the overall trend was kept. The year 2017 illustrated a rather minimal gain in the amount of 2, 0 thousand UAH, in the contest of growth rate is 103, 31 % and fixed the income indicator at 62, 5 thousand UAH. The average absolute deviation of the group is 9, 75 thousand UAH, the moderate growth rate 121, 99 %.

A glance at the graphs presenting the cafe performance reveals that the entity obtained only at the first year of observance. Due to the low efficiency of the exhibition space and volatile period of its rental, the company took a decision to optimize the space by turning it into the cafe spot as an experiment for the third and fourth quarter of the year 2015. At the onset, it is clear that the following activity brought the entity 48, 49 thousand UAH.

Unfortunately, due to the negative outputs and productivity of the project, it was withdrawn from the future development at the beginning of the 2016. The more detailed description of the failure of this activity will be written further.

After analyzing the quantitive side of the element, let`s consider its other side that would highlight the overall share of the group and show small peculiarities of it. The structural side of income diversified according to the different fields of performance would have the following look (Figure 2.4).

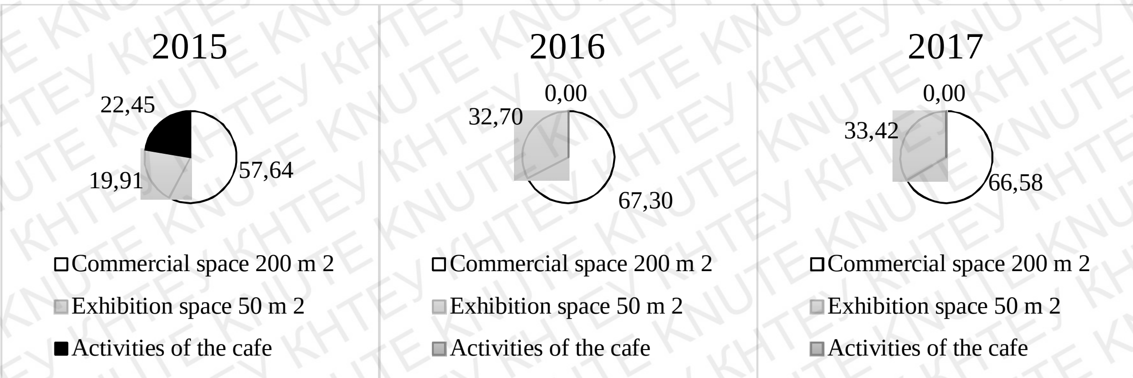


Figure 2.4. Phc "Karam" revenue structure dynamic in the context of its core goods / service groups, 2015-2017

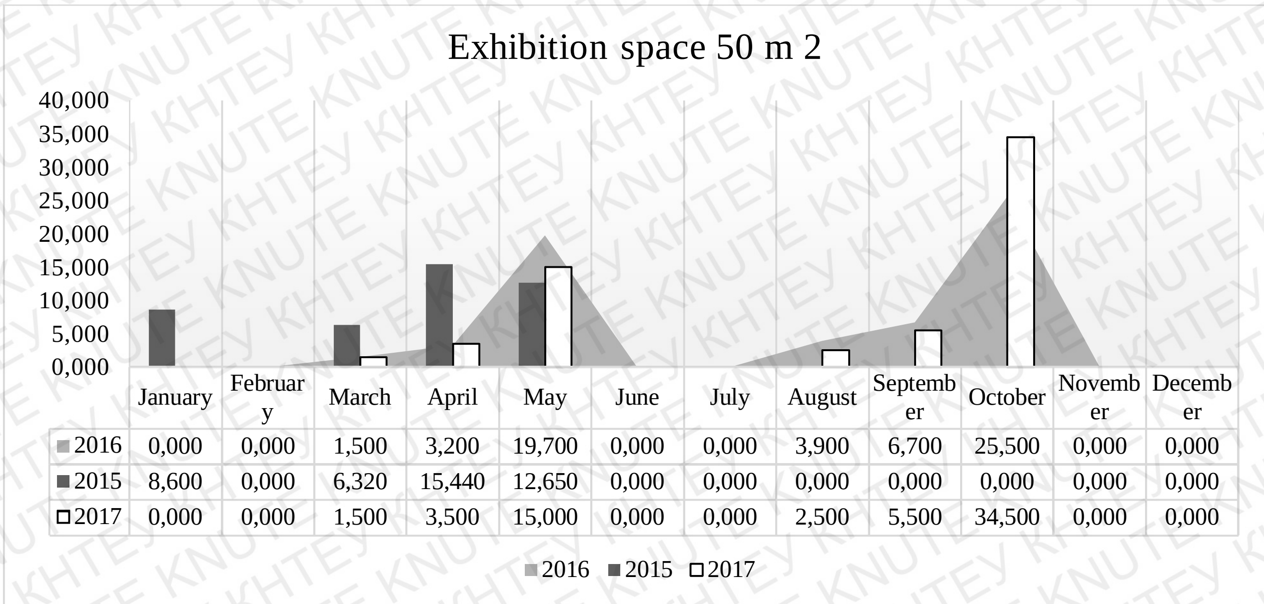
As a general trend, the majority group throughout the whole period is presented by the rental of the commercial space. Between the years 2015 and 2016 a swift expansion of the group from over the half to 67, 3 % is clearly viewed. The absolute deviation of the period is 9, 66 %.The third year didn`t retain a positive trend, however the decline was minimal in contrast to the previous period and dropped slightly by -0, 72 % to 66, 58 %.The average growth of the group is 4, 47 % per annum.

The data also suggest that when it comes to the exhibition spot, an upward trend has its place. The gradual increase of the proportion can be explicitly observed. At the beginning of the 2015, an indicator illustrated the outputs of the group in the rate of less than one third of the chart, which is exactly 19, 91 %. This year put the group in the minority position. Comparing to the year 2016, the proportion got slightly more than half of its weight, reaching the level of 32, 70 %. However, the speed of the upsurge got quite a bit slower in 2017, in comparison with other years, that climbed slightly by 0, 72 %, reaching 33, 42 %. Overall, the average proportion of the group fluctuates roughly to one third of the chart.

It is apparently seen that the minority is depicted by the performance of the cafe. The core factor causing the following situation is the short duration of the existence and small profitability of the project. It is worth noticing that at the start of the project the percentage of group minimally exceeded one fifth of overall amount and was 22, 45 %. After the closure of an idea, the weight of the project collapsed to zero, holding this position until the end of the 2017.

In order to see the unused reserves and possibilities of obtaining more revenue it is important to inspect its details. The diversification of the income on a monthly basis will enable to determine, whether the rental assets of the enterprise are rented constantly and obtain the optimal amount of income that fully covers all costs of the entity. As a next step, a volume of monthly income, based on the three main categories of functioning will be compared with each other with the further conclusion.

If a section of commercial rental is taken into analysis as an overall trend, there is no rapid or steep positive or negative tendency. In the evolvement of this sector absence of any kind of dynamics or changes, appear throughout the three years of performance, constant and steady payments are made in all observed years. For the whole three periods, the entity received 373, 50 thousand UAH, 124, 50 thousand UAH brings this spot annually. The month rental payment for the object is 10 375 UAH and it remained the same for the whole time, apart from exhibition performance. Rather modest place can be explained by the small demand on such a type of property in the city based on the tricky location of the object and low population in the district according to the data of the Main Department of Statistics in Ukraine. The internal peculiarities of the property also contribute to the insignificants rental value of the object. The volatile attitude towards the market is more likely for an exhibition spot, formed by the appendix C illustrated by the figure 2.5.



	January	February	March	April	May	June	July	August	September	October	November	December
2016	0,000	0,000	1,500	3,200	19,700	0,000	0,000	3,900	6,700	25,500	0,000	0,000
2015	8,600	0,000	6,320	15,440	12,650	0,000	0,000	0,000	0,000	0,000	0,000	0,000
2017	0,000	0,000	1,500	3,500	15,000	0,000	0,000	2,500	5,500	34,500	0,000	0,000

Figure 2.5. Phc "Karam" revenue structure dynamic in the context of its exhibition object, 2015-2017

As the diagrams suggest the 2015 got most of its money in the first and second quarter, the second half of the year this spot was provided for cafe performance. In comparison to it, 2016 showed similar tendencies in the first half of the year. August September and especially October 2016 were breakouts of the year bringing 36 100 UAH in total for these month, 25 500 UAH of which were obtained in October. The highest peak of income in this month were al received in the next year surging up steeply to 34 500 UAH. The year 2017 was also memorable for its revenue in May reaching the amount of 15 000 UAH. Despite these two successful periods six months the object didn`t have any customers. Overall, the spot is usually rented in the spring and autumn; May and October are the most profitable months apart from summer and winter, when the place has no clients, in particular February, June, July, November, and December. The result indicators fluctuate so dramatically mainly due to the tiny square of the object compared to the price for such kinds of property on the market.

Having analyzed the income dynamic and its structure, consider its spending. According to the financial statements the expenditures involve, cost of goods sold other expenses (flat tax) and income tax. Their volume and general dynamic is shown with the figure 2.6.

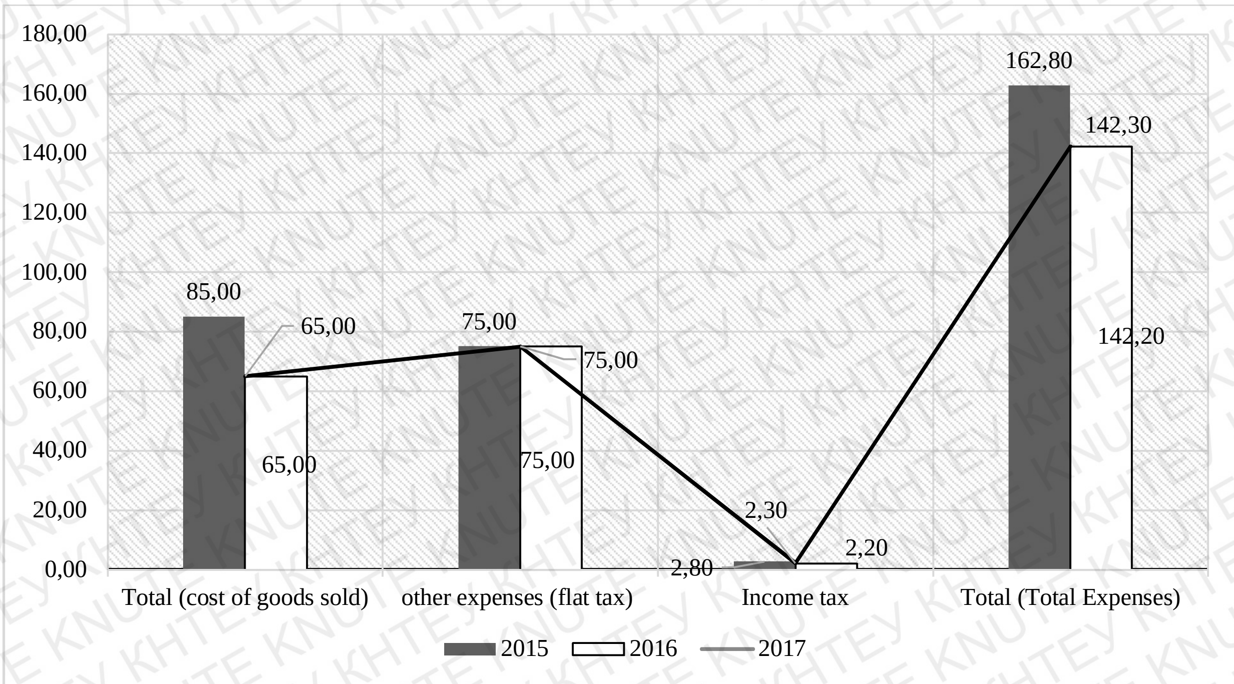


Figure 2.6. Phc "Karam" expenses volume dynamic based on the financial statement classification, 2015-2017

The graph gives information on the volume of these three groups and its overall amount. It could be plainly viewed the direct correlation between the receiving and spending. The biggest costs were made in the 2015, when the income reached its highest point throughout the researched period, the lowest bar of costs were achieved in 2016, in the time, when the income hit its smallest number. In terms of cost of sold products, this sector started out form the position of 85, 0 thousand UAH per, annum, due to the investment in the cafe. This tendency didn`t last long, the entity reduced its cost by 25, 0 thousand UAH, getting it to the number of 65, 0 thousand UAH as a reaction on the revenue decrease. Such a trend kept for the future period.

Due to the fact that PE "Karam" according to the Ukrainian legislation belongs to the third group of flat tax the tax burden for the entity consists from two tax – flat one, described further and income tax.

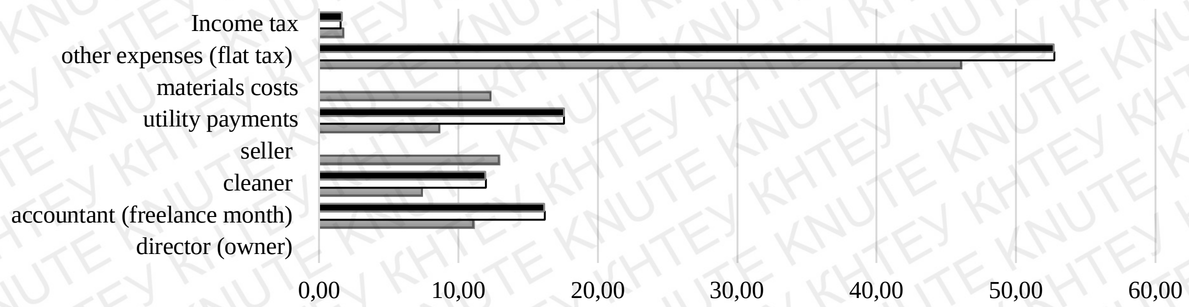
The representation of flat tax in accounting standards of Ukraine in simplified form No. 2-se it is the line 2165, which is actually other expenses. The amount of this tax is constant for the group, that`s why the quantity of the indicator remained unchanged throughout the whole time, staying at the level of 75, 0 thousand UAH.

If an income tax is taken into analysis, the indicators fluctuate modestly. The volume of the group in the first year was negligible was only 2, 3% thousand UAH in comparison to other groups. The second year had a minimal decline in the given group, having dropped it by 0, 1thousand UAH. The third year built up the tax, increasing the quantity of the sector by 0, 6 thousand UAH compared to the second year, reaching 2, 8 thousand UAH.

After considering the general state of the company`s costs, let`s revise its in details. The core elements of company’s costs and their dynamic enables to find overheads and optimize them in order to enhance the overall efficiency. Also it helps to measure whether to increase costs for more profit of hold them on the same level.

The optimal proportion of costs in the company is the basic element, contributing to either success or failure of the performance and affecting the economic and financial state of the company. All of the mentioned directly influences the market value of the enterprise, its share and size on the market and in the rental sector.

The cost of sold products include the salary fund consisting of director, accouter, cleaner and seller, utility payments and material costs. Vast amounts of expenses belong to the tax burden. In common, the costs structure is depicted by figure 2.7.



	director (owner)	accountant (freelance month)	cleaner	seller	utility payments	materials costs	other expenses (flat tax)	Income tax
■2017	0,00	16,16	11,95	0,00	17,57	0,00	52,71	1,62
□2016	0,00	16,17	11,95	0,00	17,58	0,00	52,74	1,55
▩2015	0,00	11,06	7,37	12,90	8,60	12,29	46,07	1,72

■2017 □2016 ▩2015

Figure 2.7. Phc "Karam" expenses structure dynamic, 2015-2017

As an overall trend, the half of the spending is linked to the cost of sold products, the majority of which is the salary fund, another half is taxation. The considerable portion of the costs is a flat-tax that grew by 6, 67 % from 46, 07 % to 52, 74 % in the years 2015 and 2017 respectively. The income tax presents the insignificant minority fluctuating between 1, 55 % and 1, 72 %. Total amount of tax burden jumped steeply throughout the entire researched period. The years 2015 and 2016 illustrated a rash increase by 6, 5 %, apart from the 2017, when the growth was only 0, 3 % in comparison with 2016.

The total cost of sold products started out from the total rate of 52, 21%in 2015 and have the opposite to total tax burden tendency. The majority of the cost of sold products was depicted by salary fund. The total salary fund was 31, 33 % or 51, 0 thousand UAH in 2015 and consisted of director, who is the owner of the company and receives no salary using profit as a source of an income, accountant hired on a freelance basis, cleaner and seller. Almost all of the salaries jumped swiftly between 2015 and 2016 due to the inflation and the growth of minimal pay in the country.

The most considerable proportion of salary payments throughout the three years is received by the accountant. In order to optimize costs such position was outsourced on freelance. The rate of group went up from 11, 06 % in 2015 to 16, 17 % in 2016 and 2017. Another significant share of costs in 2015 is sales payments. In 2015, this type of spending outweigh the accountant proportion, fixing on the level 12, 90 %. The entity inability to raise the payment in the future that would cause losses in cafe performance automatically made the project unsuccessful. As a next logic step this kind of activity was canceled, which dropped group proportions to none. The cleaners rate up surge by 4, 58 % reaching the percentage of 11, 95 %.

In terms of recourse costs the material dominate only in the first year of the researched period with the minority percentage of 12, 29 %. The utility payments started out from the low level of only 8, 60 %, but later on it doubled up of its size, getting to the level of 17, 58 %, because of the obligatory raise of this type of services.

The final segment of the research will be dedicated to the last but not the least output of company`s activity – its profits. The volume and its change are similar to the tendencies that overall income and costs reflected, because of the direct dependence of the indicator to both of these factors. According to the financial statements of the enterprise presented by the appendix A, the profit bar of 2015 finished the year with the quantity of 53, 20 thousand UAH, sliding sharply by -10, 40 thousand UAH comparing to the next annum. The indicator staged a partial recovery in the year 2017 and managed to grow minimally by 1, 90 thousand UAH, closing the last year with the result of 44, 70 thousand UAH.

To summarize, it is clear from the data that the 2015 was the most successful in terms of the receiving and profit 216 thousand UAH. and 53, 20 thousand UAH. respectively, but on the other hand hold the most considerable amount of costs - 160, thousand UAH. The entity explored a new type of activity that brought them extra income - 48, 49 thousand UAH. However, 2016 became a crisis year for an entity: the cancelation of the cafe performance due to the sudden increment of the material prices and minimal salary made it unattractive; additional pressure in the form of the obligatory raise of labor costs directly provoked a surge of salaries for all of the members of the market, in company`s case – by 8 thousand UAH. The 2017 managed to continue the overall stagnation of the entity`s state with a small blitz of improvement in the form of moderate expansion of its income (187 thousand UAH.) and profit (44, 7 thousand UAH.).

2.2. Analysis of the total volume and structure dynamic of company's financial resources

Generally speaking, the core change of the assets` volume and its nature in terms of the overall state of the financial resources, is illustrated by the figure 2.8.

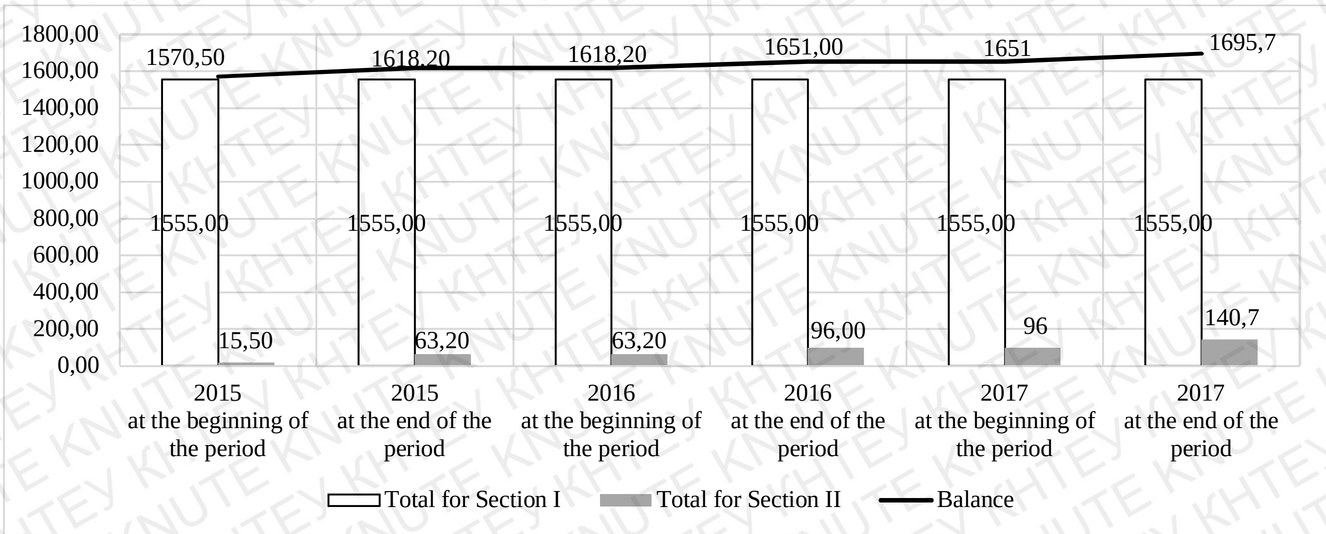


Figure 2.8. Phc "Karam" general assets` volume dynamic, 2015-2017

As the diagrams suggest, the total dynamic of the total amount of the balance shows a constant and gradual growth for the base of increasing number of current assets. The 2015 managed to raise its entire number from 1570, 5 thousand UAH by 3, 03 % to 1618, 2 thousand UAH. The next year added another 2, 03 % to the end of the period, fixing the quantity to the point of 1651, 00 thousand UAH. The year 2017 depicted the highest peak of indicator in the end of the period up to 1695, 7 thousand UAH.

The amount of current assets rashly climbed in all three years and show a clear upward trend. Between the start and end of 2015, these type of assets position expanded by 47, 70 thousand UAH that is three times bigger in terms of its percentage equivalent. The year 2016 soared by 32, 8 thousand UAH, getting to the level of 96, 0 thousand UAH. The last year of research kept the general tendency accumulating 44, 7 thousand UAH for a year.

The average number of the total section one and two – 1594, 35 thousand UAH that jumped by 40, 25 thousand UAH in 2016, freezing on the level of 1634, 60 thousand UAH and gained another 38, 75 thousand UAH in 2017. The moderate amount of the current assets are 39, 35; 79, 60; 118, 5 thousand UAH in 2015, 2016, 2017 respectively. The average deviation of the section is 39, 50 thousand UAH every year.

Such a vast amount of the non-current assets is typical for the entity that performs in the economic sector of rental. The prevalence in the volume of fixed assets shows that this type of the company has limited turnover for the value that the market evaluate the periodical use of those assets.

In this type of activity, fixed assets play a decisive role since they constitute a significant part for managerial decision, thus ensuring its performance and profits, therefore the detailed analysis should be implemented for the further consideration in the processes of forming of the financial strategy. The fixed assets are presented with the two objects with their total initial value 1555, 00 thousand UAH. The amount of the indicator is constant; its quantity is stable throughout the whole time, according to the fact that this type of value remains the same and is equal to the date of the purchase`s transaction.

Residual value of the company`s fixed assets reached its zero way back in the past, therefore there is no reflection of it in the financial statements. When the asset is fully depreciated, the entity didn`t write it off. According to the Ukrainian legislation, fixed assets are written off from the balance in clearly defined cases, for example if it was sold according to all of the accounting requirements, as a donation, liquidation or for other reasons, which meet the criteria of the asset recognition (chapter 33 of the Ukrainian Accounting Standards, chapter 40 of the Instructional guidelines № 561).

On the other hand, if an asset can still function successfully, it is suitable for further exploitation and used by the enterprise for future economic benefits according to the chapter 4 and 6 of the Ukrainian Accounting Standards, then an enterprise might still use it. The management of the company decided to use those assets further in the performance. The entity faced two options of solving the issue, either to conduct additional increases in the value of assets or to prolong its useful life.

Initially, the company wanted to implement the first option, but later on met two "hidden hazards". Firstly, in such cases the entity has to contact a professional appraiser, which cause overheads to the company. The necessity of attracting a specialist is clearly indicated in the second part of the chapter № 7 of the Law of Ukraine "On valuation of property, property rights and professional appraisal activity in Ukraine". According to it, the additional increases in the value of assets for accounting purposes, in the valuation of company`s property is mandatory. Secondly, the company have to re-evaluate the entire fixed assets group (chapter 1 and 16 Ukrainian Accounting Standards №7), and not only the "expired one". Moreover, further re-evaluation will have to be carried out regularly, because of the legislative requirements.

After the research, they ran into the second option, which is simple, does not require the use of extra staff and expenses in the form of an evaluator and allows using the asset. After deciding to extend asset`s useful life, the amount of depreciation should be calculated already on the basis of a new useful life period (chapter Ukrainian Accounting Standards № 7). The amount of depreciation is determined based on the residual value and a new period of use. In this case, since the residual value of the object is zero, then no depreciation charge will be required to present in the statements for a prolonged useful life. Absence of the residual value and depreciation in financial documentation is based on the previously described criteria [57].

The first object of non-current assets is the commercial spot. The asset is located in the suburbs of the city under the address Kiev, Holosiivskyi district, Vasilkovskaya 42A Street. Technical condition of the spot is acceptable. The object is located on the ground floor of a single-decker building, which was put in commission in the year 1982. The house is situated on the second line of urban development; the facade is oriented on the Vasilkovskaya street. The entrance of the building is equipped with a reinforced-plastic door. Access to the entrance is achieved from the front of the house. Distance from the object of evaluation:

- to the city center – 9, 9 km;
- to the railway station – 8, 3 km;
- to the bus station – 0, 6 km;
- to the main highways – 0, 1 km;
- to subway station "Vasilkovskaya" – 0, 6 km;
- to subway station "Vystavochnyy tsentr" – 1, 0 km.

The level of social infrastructure is typical for residential areas. The surrounding of the object is characterized by building housing; the object`s location tends to have the average level of social infrastructure development, proximity to the transport stops, the presence of convenient stores and outlets.

The characteristics of the building`s structural elements involve the materials of its external decoration. Foundation type that was used during the building is prefabricated blocks. The blocks are made of the reinforced concrete. Technical condition –acceptable. Load bearing walls` technical condition is acceptable it is constructed with reinforced concrete floor with the thickness of 0, 50 meter. The facade is covered with plaster.

The shades of the wall – tan and warm wheat. Supporting walls are made of gypsum concrete block. Basement, stairway, elevator and attic are missing. Mansard roof is made of clay tiles. Type of drainage is internal from a mixed material. The car park is also missing.

The internal characteristics of the building consist of its overall state and resources used in its construction. The total square of the building is 200, 0 square meters, floor-to-ceiling height is 2, 75 m, the facade is covered with plaster. The shades of the wall – buff. The ceiling is built with the similar techniques, but painted in white. The floor is covered with a grey tiles. The building has public utilities, sewer, internet, alarm system. No furniture.

The second object of fixed assets is the exhibition spot. The asset is located in close to the center of the city under the address Kiev, Shevchenkivskyi district, Vladimiro - Lybedskaya 22б Street. Technical condition of the spot is acceptable. The object is located on the ground floor of a five – floor building, which was put in commission in the year 1963. The house is situated on the second line of urban development; the facade is oriented on the Vladimiro - Lybedskaya Street. There are two key entrances to the building and additional ones to commercial and non-residential premises. The entrance of the exhibition spot is equipped with a reinforced-plastic door. Distance from the object of evaluation:

- to the city center – 3, 1 km;
- to the railway station – 1, 7 km;
- to the main highways – 0, 1 km;
- to subway station "Palats Ukrayina" – 0, 42 km;
- to subway station "Olimpiiska" – 1, 1 km;
- to subway station "Lybidska" – 1, 1 km.

The infrastructure is common for the center of the city. The infrastructure around the object is characterized by building housing; the object`s location tends to have the high level of social infrastructure evolvement, immediate access to the transport stops, the presence of large stores and malls, cafes and socially significant objects like concert halls.

The outline of the building`s external elements involve the materials of its construction. Foundation type that was used during the building is prefabricated blocks. The blocks are made of the reinforced concrete. Technical condition – acceptable. Load bearing walls` technical condition is acceptable it is constructed with dark red bricks with the thickness of 0, 4 meter. The facade is also made of the same bricks with no coverage. The shades of the wall – brown. Supporting walls are made of gypsum-brick. Flat roof is made of mixed materials. Type of drainage is internal from a mixed material. The car park is also missing.

The internal characteristics of the building consist of its overall state and resources used in its construction. The total square of the building is 50, 0 square meters, floor-to-ceiling height is 2, 8 m, the facade is covered with plaster. The shades of the wall – white. The ceiling is built with the similar techniques, but painted in white. The floor is covered with a grey tiles. The building has public utilities, sewer, internet, alarm system. No furniture. In terms of structure of non-current assets, the situation is the same. 100 % of it belong to the previously described objects.

Non-current assets play a significant role in the total value of assets of Phc "Karam". However, the absence of the depreciation indicates a deterioration of the material and technical base of the enterprise, creating a risk of lack of fund in cases of emergency that might happen to the property or the end of its proper functioning. In addition, the depreciation of fixed assets was significant, indicating the need to improve the management of non-negotiable assets.

The following risks should be mentioned in the process of the company`s strategy development and reflected in the future plans or prognoses of the enterprise. Moreover, applicable actions should be taken in order to eliminate or minimize this risk.

Functional role of current assets in the process of the enterprise`s operational activities is fundamentally different from the role of fixed ones and ensures its continuity. Also it contributes to the financial ability of the entity to as quickly as possible to cover the overheads in case of emergency or invest in some new tasks.

These indicators reflect the solvency of the enterprise and its ability to resist negative external risks that can happen in the market. In the context of the current assets, let`s consider a structure of it. The data is calculated on the basis of the average indicators and formed in the figure 2.9. The data at the beginning and the end of period can be viewed in the appendix A.

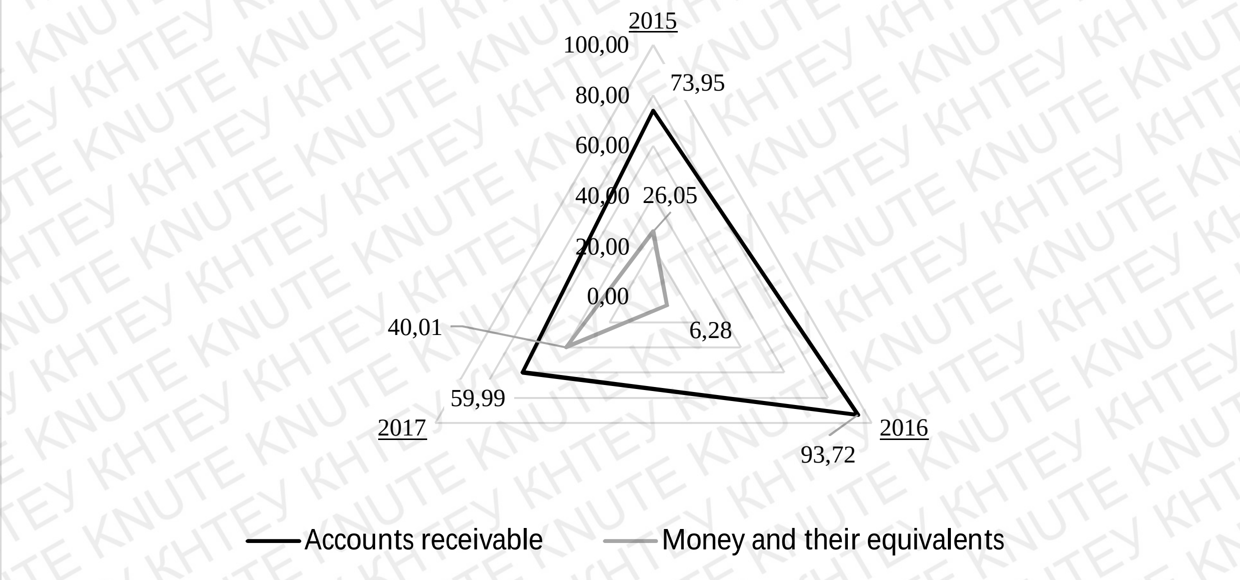


Figure 2.9. Phc "Karam" current assets` structure dynamic, 2015-2017

At the first glance, there are only two types of current assets. The proportion of the receivables prevail in the sector. The whole volume of it belongs to the subgroup of receivables for the goods and services. The year 2015 fixed the moderate share of nearly three thirds, 73, 95 % in the amount of 29, 10 thousand UAH. Almost a quarter reached another group of assets – money. A year later, the percentage surged hugely by 19, 77 % freezing on 74, 60 thousand UAH. In the contrast to it, money and their equivalence sank to the minimal 6, 28 %. The 2017 became another rash turning point for the proportions. The receivables – money rate almost reached its equal proportion 50/50 with the slight outweigh of the receivables. The average deviation of receivables is – 6, 98 %, of money and their equivalents is the same percentage with the sign plus.

Within 2015, accounts receivable started from the bottom of the flat zero, gaining 58, 2 thousand UAH at the end of the period. In 2016 the group increased more than the half of the indicator itself, growing by 56, 36 %, but such high position of the indicator didn`t last long. Despite the high start of the group at the start, the number swiftly slumped from 91, 0 thousand UAH at the beginning of the period to 51, 00 thousand UAH at the end of it. Money and their equivalents between the start an end of 2015 shortened more than three times by 67, 74 % or

10, 5 thousand UAH. Up to the beginning of 2017, this trend remained unchanged. Then it skyrocketed by 84, 7 thousand UAH. The growth rate 1794, 00 %.

Receivables have a dual nature. From one hand, from the side of the jurisprudence, it reflects the right for a client to receive the property in our case, from another hand, the economic one – the funds of the enterprise, which it currently can not be used, they are in the "frozen" state. These "frozen" enterprise`s resources are justified, because such tactics allows to attract buyers, but require special control. Furthermore, it can be the extra recourses, reserves that enable to get additional economic benefits in the future, but it also can relate to a particular risk group, due to the fact that these resources are not in control of the entity. Such a sharp increase in receivables and its share in current assets may indicate non efficient enterprise`s credit policy in terms of clients or insolvency or worsening of the client`s financial state.

To summarize, it can be clearly viewed that the quantity of the funds is slight comparing to the other groups of both current and non-current assets. The minimal amount of the money and their equivalents is explained by the peculiarities of the sphere, that the company faces which is presented by the table 2.10.

Table 2.10

Impact of the rental activity on the current assets

Peculiarities of the industry sector	Peculiarities of the money and their equivalents
Long-term character of relationship with the client (commercial rental) Unknown and uncontrollable clients behavior (exhibition rental)	Gradual and constant payments (in terms of the demand on the object) and volatile profits (when the demand on the market is inefficient)
Absence of manufacturing	Delay of the payments may be caused by the client`s unstable financial state
Direct contact with individual client	High commercial risks in terms of the changing price on the market, due to the developed property market
	Payments are usually made in electronic form due to the security reasons, therefore it is easier to transfer

The passive side of the balance, it`s nature and trends will be highlighted by figure 2. 11.

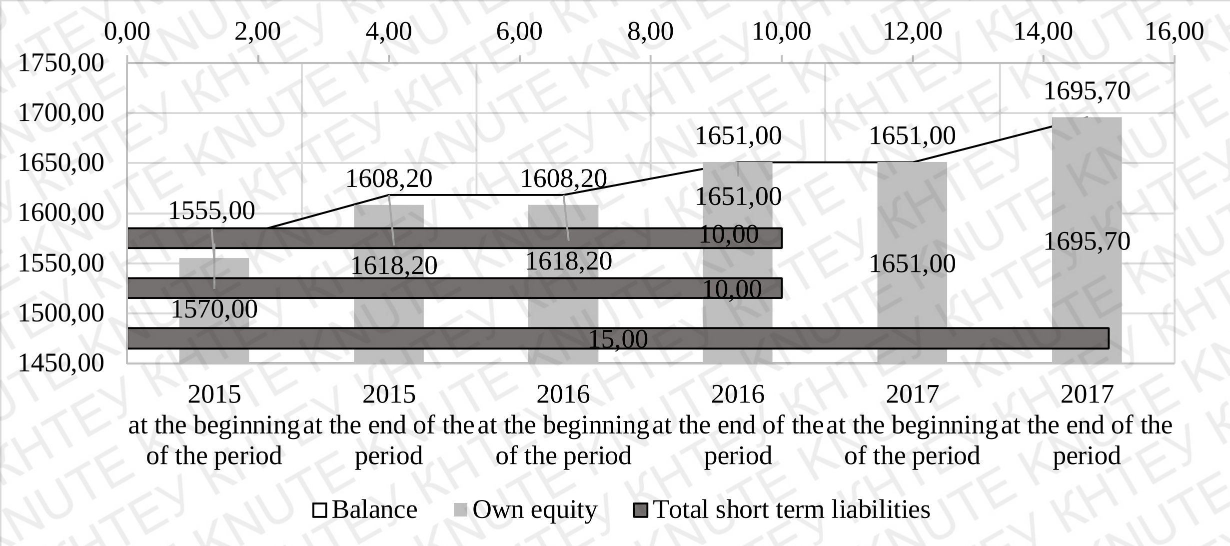


Figure 2.11. Phc "Karam" passive volume dynamic, 2015-2017

Total balance of the passive side shows a tendency of expansion mostly because of the growth of the section one. Section two presents the insignificant minority. In the context of the yearly dynamic and changes that happened within 12 months, the following picture can be viewed. The quantity of the total own equity shows surging development based on the increasing level of the retained earnings.

The total amount in 2015 registered was 1555, 0 thousand UAH, gaining 53, 20 thousand UAH or 103, 42 %. The 2016 illustrated a gradual surge by 42, 80 thousand UAH. 102, 71 % growth rate was noticed in the year 2017 getting the indicator to the amount of 1695, 7 thousand UAH at the end of the period.

When it comes to the liabilities, the indicators depicted a clear downward trend. The group existed only between the years 2015 and 2016. At the beginning of the 2015 the volume was fixed only at the number of 15, 0 thousand UAH, which decreased exactly by one third of it, to the level of 10, 0 thousand UAH at the end of the period. The year 2016 brought the indicator of the group to zero, keeping that tendency until the end of the overall researched period.

The average number of the total balance section is 1594, 10 thousand UAH in 2015, that improved by 40, 50 thousand UAH in 2016. Between the year 2016 and 2017 the growth rate was fixed by 102, 37 %, surging the indicator to 1673, 35 thousand UAH. The average annual deviation of the total section of the passive is 39, 63thousand UAH, growth rate – 102, 46 %.

The moderate amount of the total section one 1581, 60 thousand UAH. For the three years the indicator increased moderately by 45, 88 thousand UAH annually, achieving the final point of 1673, 35 thousand UAH in 2017. The quantity of average second section at the beginning of the research is 12, 5 thousand UAH, which plummeted by 40, 0 %, freezing on the number of 5, 0 averagely in 2016. The year 2017 showed no results over the indicator.

The structural side of the same categories inform us with the following data. In the year 2015 the own equity – liability percentage to the total amount is 99, 22 % and 0, 78 % respectively. The period of 2016 was characterized with the decrease of the obligatory part of the passive and increase of their own capital by 0,48 percentage points, creating a rate of 99, 69 % to company`s own resources and 0, 31 %. The 2017 was completely overshadowed with equity. The whole proportion was taken by the group.

Considering the parts of the section one, the following components involve this sector. The statutory capital is a fixed indicator in the amount of 1450, 00 thousand UAH. The whole volume belongs to only one owner Karamalak Taras Petrovich. The retained earnings behavior is displayed in the figure.

The volume of enterprise`s capital, the value of own equity prevails. It is connected with the changing market situation, the financial and economic crisis, the cruel lending policy to economic entities, etc. The management was aware and well known that equity capital is harder to attract, but easier to control, ensuring financial sustainability of the enterprise, its solvency in the long run. However, it is impossible to refuse entirely from borrowed capital, since its attraction leads to an increase in profit received by the enterprise. Due to the high credit rates and inefficient conditions of the use, the entity tries not to get involved in the long-term credit relations. However, a short term credit has its place and the enterprise`s management tries to make sure that it is able to cover that costs. The retained earning inform the following situation (figure 2.12).

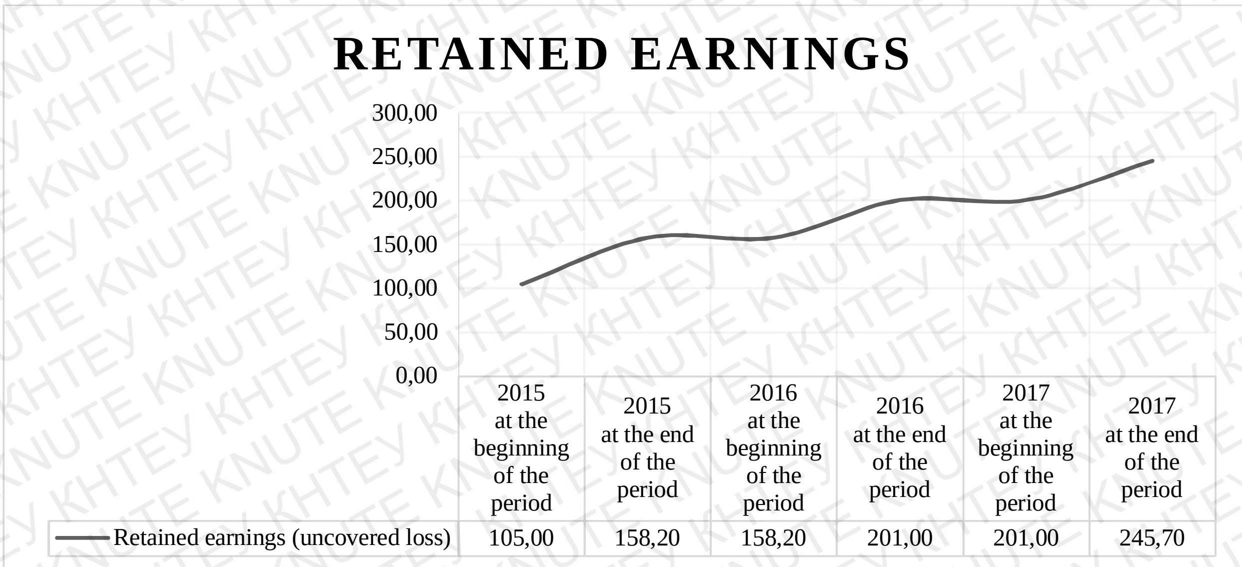


Figure 2.12. Phc "Karam" retained earnings volume dynamic, 2015-2017

In terms of the retained earnings, an increasing tendency has its place. The 2015 started on the high note, bringing 53, 2 thousand UAH to the group, surging it from the level of 105 thousand UAH to 158, 2 thousand UAH. The 2016 continued such trend gaining 42, 0 thousand UAH or 27, 05 %. Within the 2017, an upward trend can be explicitly observed. The quantity jumped from 201 thousand UAH at the beginning of the period by 44, 7 thousand UAH or 22, 24 %.

The average mode of the group in the 2015 is 131, 6 thousand UAH, that went up by 48, 00 thousand UAH in 2016. The year 2017, help the trend adding another 43, 75 thousand UAH to the group, getting to the point of 223, 35 thousand UAH. An increase in the volume of entity`s own funds increases the financial stability of the enterprise. The retained earnings can be considered as a source of investment in new projects and as the repayment of debts in case if they appear.

To summarize, the general dynamic of the total amount of the balance shows a constant and gradual growth for the base of increasing number of current assets. Non-current assets prevail in the structure – 97, 55 % in 2015; 95, 14 % in 2016 and 92, 94% in 2017. Such a vast amount of the non-current assets is typical for the entity that performs in the economic sector of rental. The prevalence in the volume of fixed assets shows that this type of the company has limited turnover for the value that the market evaluate the periodical use of those assets. The amount of current assets rashly climbed in all three years and show a clear upward trend. The average of 2015 showed the section at level of 39, 35 thousand UAH, rising to 79, 60 thousand UAH. The next year and reaching the number 118, 35 thousand UAH in 2017.

Total balance of the passive side shows a tendency of expansion mostly because of the growth of the section one. Section two presents the insignificant minority. The quantity of the total own equity shows surging development based on the increasing level of the retained earnings. Moderately, section started out from 131, 60 thousand UAH, surging to 179, 60 thousand UAH in 2016, getting to 223, 35 thousand UAH the last year. When it comes to the liabilities, the indicators depicted a clear downward trend. The group existed only between the years 2015 and 2016 at numbers 12, 50 thousand UAH and 5 thousand UAH respectively.

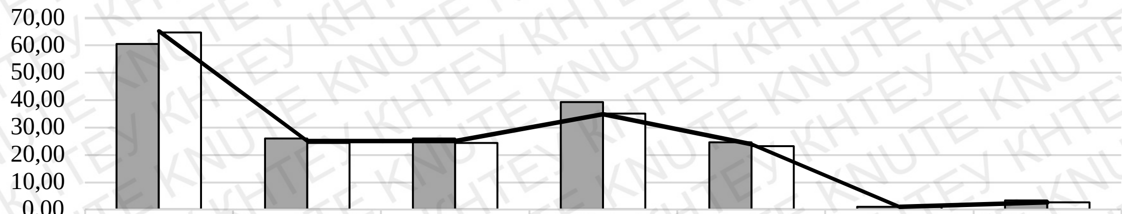
2.3. Assessment of the financial state of the enterprise

The analysis and assessment of the financial state of the company is a necessary stage for the development of financial strategy and forecasts, including financial rehabilitation of enterprises and discovery of its unused reserves. The clause of research will highlight the main categories displaying the performance indicators of the entity from the side of its quality rather than quantity. The core sectors that reflect the state of the enterprise is grouped in the two sections:

1. The Efficiency of Economic Activity of an Enterprise;
2. The Indicators of Financial State of an Enterprise.

Economic efficiency enables to estimate the outcomes of an economic activity comparing the efforts and investments involved in the respective activity.

Economic efficiency is the core qualitative fundamental of economic growth, as it ensures the absolute growth of the outcome. The figures that inform about the enterprise`s overall efficiency is noted in the figure 2.13



	Gross (profit) margin=gross profit/net sales*100	EBIT margin(ROS)=EBIT/net sales*100	EBITDA margin=EBITDA/net sales*100	Level of COGS=COGS/net sales*100	ROR or Profit margin=net income/net revenue*100	Plow back profit (capitalized earnings)= Δ retained earnings/net income Δ…	ROE (net income/equity)
2015	60,65	25,93	25,93	39,35	24,63	1,00	3,34
2016	64,86	24,32	24,32	35,14	23,14	1,00	2,62
2017	65,24	25,13	25,13	34,76	23,90	1,00	2,67

2015 2016 2017

Figure 2.13. Margins reflecting the efficiency of enterprise`s economic activity, 2015-2017

The efficiency of economic performance cannot be imagined without it first basic component – gross profit margin. Gross profit margin is the first level of profitability evaluation; it enables analysts to discover to what extent a company can satisfy customers in the competitory environment. Furthermore, it illustrates whether the enterprise is creating proper goods or offering good services compared to its competitors. Gross profit margin, calculated as gross profit divided by revenues, allows comparing business models with an accessible metric, understanding how the company uses its resources.

The company shows an adequate gross margin, which depicts that an entity is able to cover its operating expenses. In general, a company's gross profit margin is stable within the frame of the 6 % in three years. The jump of indicator up is explained by changes to the company's business model. The company reviewed their activities and functions, due to the growth of labor costs. Gross margin also indicates industry changes in terms of inflation and legislative change of minimal wage costs per person. The years 2015 and 2016 presented the growth of the indicator from 60, 65 % by 4, 22 % to 64, 84 %. On the contrary, to the steep dynamic between those two years, the 2017 was not that dramatic in the context of growth, informing a moderate increase of the margin by 0, 38 %, apart from 2016. The average growth rate of the group within every year is 2, 3 %.

The EBIT and EBITDA margins have the same outputs due to the absence of the depreciation, because of the reasons that are mentioned in the clause 2.2 of the diploma paper. Those indicators will be analyzed as a one measure. EBIT margin serves as a useful metric for evaluating a company's operating performance without the interference of interest and taxes since these costs have less to do with operations than expenses such as staff wages and the direct cost of producing widgets. The EBITDA margin figure is helpful in comparing the profitability of different companies while factoring out the effects of decisions related to financing and accounting.

When the dynamic of both indicators is taken into consideration, between 2015 and 2016 the slight decline by 1, 6 % has its place. However, the next year managed increase the indicator partially by the 0, 81 % depicting a movement from 24, 32 % to 25, 13 %.

The level of COGS will enable us to understand how optimized the costs of the entity are. The diagram lucidly displays the downward trend, which from the first sign is a good trend. The margin began from the rate of 39, 35 %, dropping by 4, 22 %, due to the managerial decision to close one of the company`s activity reaching the percentage of 35, 14 %. The year 2017 plunged the indicator by another -0, 38 %, fixing the measure at 34, 76 %.

It is obvious that the level of COGS determines a cost of doing business; it helps managers evaluate the entity’s bottom line. The further it is the better. However, the strict economy prevents the company from its growth and getting more benefits. In the case of the entity, the cost reduction was caused by extreme changing external economic and political reasons but provoked a cut of revenues and profits. Such a decrease pulled a trigger on the other indicators that negatively affect the end results of the company. The reason of why such cost reduction is unproductive for the entity is highlighted with another supporting efficiency indicator – profit margin.

The company’s ROR allows an analyst or investor to compare profitability from year to year and evaluate management's business decisions. The indicator fell by – 1, 49 % between 2015 and 2016, falling from the 24, 63 % to 23, 14%. The year 2017 managed to soothe the sharp drop and rose by 0, 77 %. However, the tendency of the ratio is rather bad. It went down annually by – 0, 36%.

The profit margin value as a general trend has been declining over the past three years. This is a red flag indicating an inefficiency in this firm’s operation. The declining return on total revenue is a sign that the management has failed to control their business operating expenses, which eventually affected the company’s bottom line or its net income. The core reason for such a rash decrease is the growth of labor costs based on the surge of minimal wage level and inflation. The considerable jump of utility payments made another unpleasant effect on the final indicators of the entity and the margin. The volatile rental tendency of the exhibition space, because of its small size, comparing to the bigger existing spots that can easily run regional trade fairs or exhibitions, make the place attractive only to the local entities that want to present their goods of little events. The spot constantly loses its possible benefits and stays empty during seasons, getting a company into a "rabbit hole", provoking extra expenses with the utilities with no income that would cover such "blank spaces". The absence of change in rental prices for both of the spots after the expenses rally and the fact that the review of the price policy wasn`t arranged, therefore the receiving volume remained stable, while expenditure blocks expanded, creating the cut of the final result of the enterprise in the form of its profits.

The entity tried to respond by reducing the most risky project that the company performed in order to reduce the main threats and remain profitable in crisis. The closure of one of the enterprise`s activity also left a negative mark on the ratio. Cafe performance was liquidated due to demand of the increase of the worker`s salary, which made the project economically unattractive and the company would bear even more demerits rather than advantages with it. Furthermore, the pressure from the suppliers' side and the rise of the costs on the raw materials turn the activity into the lost one. The ROR ratio has been declining over time; it also shows that the profits are reducing.

The next analyzed indicator that will be described in the work is the plowback ratio. The plowback ratio is an indicator of how much profit remains in a business rather than given to an investor. The plowback ratio also depicts the share of retained earnings that might possibly be dividends. During the investigated period, the margin remained unchanged and stood at exact same quantity of 1 %.

For instance, a firm having a plowback around 1, 5 % indicates that very less or no dividend has been paid and most of the profits have been retained for business expansion. The low size of the plowback ratio will attract income-oriented investors. An income-oriented investor will want to see a low plowback ratio, since this implies that most earnings are being given out to investors.

Due to the fact that the management determines the amount of retained earnings left, management directly impacts the plowback ratio. Probably the management might be planning to invest these funds in new project or renovate the existing assets or projects.

The last but not the least viewed category is the return on equity. From the one hand, the return on equity ratio or ROE is an efficiency ratio that estimates the ability of a company to generate profits from its invested funds in the enterprise. From the other hand, the return on equity ratio illustrates the volume of profit every UAH unit of own capital forms.

In 2015 a return of 0, 334 means that every thousand UAH of equity generates 334 UAH of net income. Unfortunately, the indicator fell by 72 UAH, getting the margin to the amount of 2, 62. The year 2017 didn`t fix the drop drastically, but somehow brought the rate to the mark of 2, 67. Having considered the general economic efficiency, the next block of research will be dedicated to the examination of its financial components.

The indicators of financial state of an enterprise will be analyzed in the context of its groups in order to provide a complex review in three core categories:

1. Liquidity and solvency ratios involving cash ratio, solvency ratio and current ratio;
2. Financial stability ratios such as equity ratio and debt-to-equity ratio;
3. Cash Conversion Cycle in the form of days of the sales outstanding and days of the payable outstanding and other additional indictors.

The first category of the analysis is presented by the figure 2.14

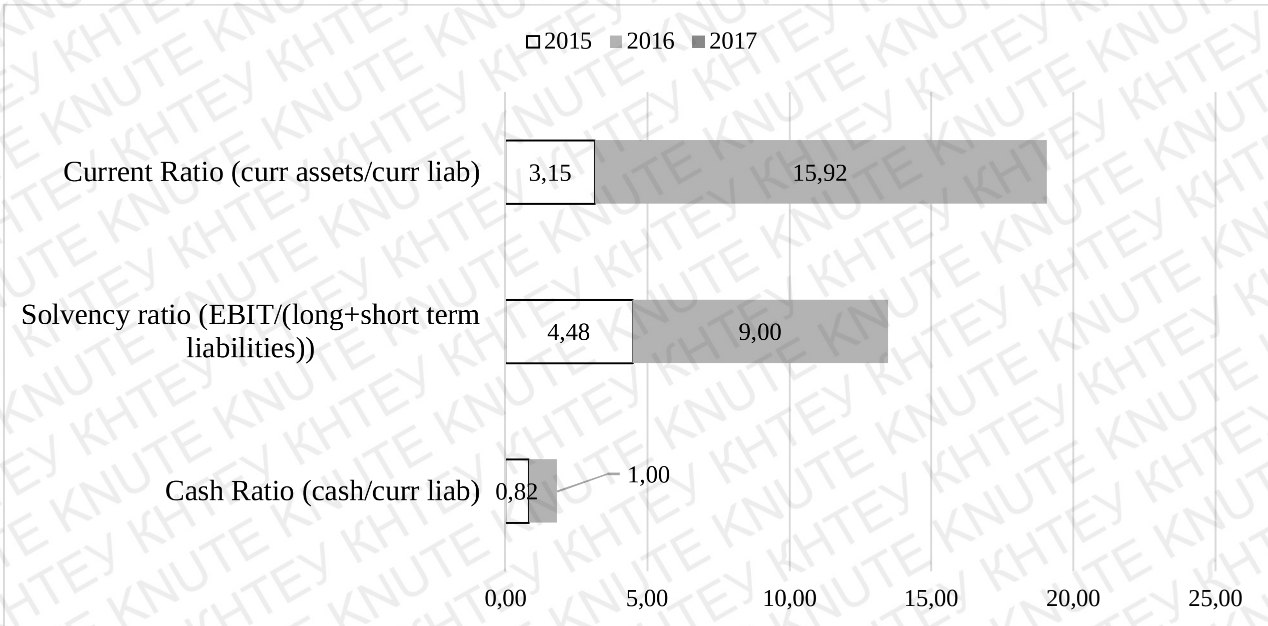


Figure 2.14. Phc "Karam" liquidity and solvency ratios, 2015-2017

The current ratio can give a sense of the efficiency of a company's operating cycle or its ability to turn its product into cash. The higher the current ratio, the more capable the company is of paying its debts, as it has a larger portion of asset value relative to the value of its liabilities.

Current ratio over the level of 3, 15 indicates that a company’s liabilities are lower than its assets and tells that the company is able to repay its obligations if they came due at that point. The company has pragmatic expectations of future receiving against which it might take a loan. The enterprise has an optimal amount of short-term debt it regulates the returns from their activities or projects that will enable to stave off its debt in time. Companies in industries, such as the rental, typically have current ratios over one.

On the contrary, a high percentage (over 3) does not necessarily indicate that a company has a beneficial position or is well adapted to the market. Relying on how the company's assets are formed, located and used, a high current ratio can signal that that enterprise is not using its current assets productively, is not securing financing well, or is not managing its working capital well.

The solvency ratio quantifies the size of a company's after tax income, not counting non-cash depreciation expenses, as contrasted to the total debt obligations of the firm. Also, it provides an assessment of the likelihood of a company to continue congregating its debt obligations. In other words, solvency ratios identify going concern issues and a firm's ability to pay its bills in the long term. Acceptable solvency ratios vary from industry to industry, but as a general rule of thumb, a solvency ratio of greater than 20 % is considered financially healthy. The company has solvency ratio above 4, 48 % in 2015 and 9 % in the year 2016. This suggest that the company is partially able to cover out their long-term and short-term obligations when they appear due using operating income. From the position of the lenders, the company is unstable and unreliable in the context of its creditworthiness. Such low solvency ratio, brings the big rate of the probability that the company will default on its debt obligations

The cash ratio is indicator of a firm's value in cases when the entity stop functioning and goes out of business. This ratio offers percentage of current assets that could quickly be transformed into cash, and what rate of the company's current debts these liquid assets could swiftly cover. When it comes to the cash ratio, the following situation can be seen. The year 2015 got the cash ratio on the level of 0, 82 %. It indicates that the current liabilities outweigh cash and cash equivalents. In this case, there is insufficient cash on hand to cover short-term obligations. However, cash ratio lower than one does not indicate that an enterprise is at difficult financial state or have higher risk of default. Such cash ratio reflect the low cash reserves strategy that the company's runs as the part of its specific strategy. The year 2016 showed that the cash ratio is equal to one. The company has exactly the same amount of current liabilities as it does cash and cash equivalents to pay off those debts. The next step of the analysis is the evaluation of the financial stability ratios depicted by table 2.15

Table 2.15

Phc "Karam" financial stability ratios, 2015-2017

Indicator	2015	2016	2017
Equity Ratio (tot equity/ tot assets)	0,99	1,00	1,00
Debt-to-Equity Ratio (debt/equity)	0,0079	0,0031	0,00

The equity ratio presents several significant financial factors of a solvent and sustainable company. The first element informs how much of the total entity assets are owned directly by the investor. Another interpretation, after all of the obligations are repaid, the investors will end up with the remaining assets.

The second element inversely reflects how leveraged the enterprise is with liabilities. The equity ratio estimates how much of a company’s assets were invested by owners. In other words, this is the owners` stake in the company. The company has very high equity ratio throughout all three years. Such a high equity ratios are favorable for its financial state. This is usually the case for several reasons. Firstly, higher investment levels by owners display that the enterprise is worth investing in since the proprietor itself is willing to fund the projects. The owners believe in the company and are willing to finance it with their investments. A higher ratio also illustrates potential creditors that the entity is more sustainable and less risky to lend future loans.

Secondly, equity financing overall is more inexpensive than debt financing because of the interest expenses connected with debt financing. Phc "Karam" has less financing and debt service expenses than the other competitors on the market with lower ratios.

Concerning the debt-to-equity ratio, it measures a company's obligations comparing to the total value of its capital; it is most often used to estimate the extent to which an entity can take on debt as a means of leveraging.

A low debt-to-equity ratio of Phc "Karam" indicates a minimal number of financing by debt via lenders versus funding through equity via shareholders. A lower degree to which operations are financed by debt sources means a lower probability of bankruptcy if the performance of the company declines. The payments on loans and other debts can be met according to the previously described margins. The third category of indicators displayed in the table 2.16.

Table 2.16

Phc "Karam" cash conversion cycle and additional financial stability ratios

Ratios	2015	2016	2017	Absolute deviation (ths. UAH)		
				2016/ 2015	2017/ 2016	average number
Days Sales Outstanding (receiv/net rev*365)	49	147	139	98	-9	45
Days Payable Outstanding (payab/COGS*365)	54	28	0	-26	-28	-27
Current Assets-to-Equity Ratio	0,025	0,049	0,071	0,02	0,02	0,02
ROA, % (net income/tot assets*100)	3,34	2,62	2,67	-0,72	0,05	-0,33

A high DSO increasing number illustrates that an entity is providing its services to customers on credit and taking more time to collect money. This may cause the risk of cash flow problems due to the long time lap between the time of a service supply and the time the enterprise obtains payment. The high significance of cash flow in a business, it is in a company's best interest to collect on its account receivables as quickly as possible. While companies can most often expect with relative certainty that they will in fact receive outstanding receivables because of the time, value of money principle, money that a company spends time waiting to receive is money lost. By quickly turning sales into cash, a company has a chance to put the cash to use again more quickly.

Company's days payable outstanding is getting lower within the years. From the one hand it signalizes that an entity doesn`t depend on debt and will remain financially stable in case of crisis, because it will be able to function for the cost of its own resources. From the other hand, the company is not using its cash as long as its competitors are in the industry. By paying bills earlier than necessary, the company remains at a disadvantage. These funds can be used for the company performance more efficient in order to expand its scale or size.

The asset-to-equity ratio shows the relationship of the total assets of the firm to the portion owned by proprietors. The low indicators of the ratio is normal for the real estate sector that heavily relies on the non-current assets rather than on current ones. A low ratio indicates that a business has been financed in a conservative manner, with a large proportion of owner funding and a small amount of debt. A low ratio should be targeted when cash flows are highly variable, since it is quite difficult to pay off debt in this situation, which is common for the rental of the commercial spots, demand on which is volatile.

ROA is used internally by companies to track asset-use over time, to monitor the company's performance in light of industry performance, and to look at different operations or divisions by comparing them one to the other. The ROA data gives an idea of how efficiently the entity is in converting the funds it invests into profits. The decline of the indicator can be explicitly viewed by the flow of time. The lower the ROA amount, the worse it is for the company, because the enterprise is gaining less money on invested amount. The lower ratio is less favorable to owners and investors because it illustrates that the company is less effectively managing its assets to convert fewer amounts of net income. A negative ROA ratio usually indicates a downward profit trend as well.

To summarize, the financial state of the entity have the heterogeneous tendencies. From the one hand, the financial stability of the enterprise is stable due to the prevalence of the own resources to the harsh external environment. Company`s equity Ratio is 1 and miserable debt-to-equity ratio from 0, 0079 in 2015 to zero in 2017 are the best possible results that ensures the independent entity performance. However, the return on equity and return on assets have shown a downward trend from 3, 34 to 2, 67 in the years 2015 and 2017, which makes management doubt whether to get borrowed resources in order to evolve the state of the company.

From the other hand, firm cuts its costs and reduce its activity performance by shutting down some of their additional activities, which can be viewed at the lowering level of COGS from 39, 35 % in 2015 to 25, 13 % in 2017 that enhanced the revenue and profit margins from 60, 65 % to 65, 24 % between the years 2015 and 2017, improving the ending outputs of the company.

In terms of the receivables and payables state, two drastically different trends can be viewed. Days sales outstanding grew from 49 days to 139 between 2015 and 2017, which rings a warning sign upon the financial state of clients. Days payable outstanding sharply decreased to none as an insurance step from 54 days to zero. Altogether the state of the enterprise is good and illustrates rather proper performance and solvent state.

CHAPTER 3. DEVELOPMENT OF THE FINANCIAL STRATEGY OF THE PHC "KARAM" IN THE PLANNED PERIOD

3.1 Estimation of economic climate indicators in the country

To provide a better analysis and form an accurate set of actions that would lie in the financial strategy of the Phc "Karam", the core economic indicators of the real estate sector will be taken into consideration in this chapter of research. The general indicators can often be misleading, when it comes to the state of the specific economic sector, therefore the sector indicators will be displayed, in order to ensure the accuracy and reliability of the formed strategy. All of the statistical data and margins for the analysis were taken or calculated based on the information from the State Statistics Service of Ukraine. The following financial indicators of the country that highlight the state of the real estate sector throughout the tree years were examined:

1. Dynamic of the volume and structure of the net profit in the real estate service provision;
2. EBIT margin of the real estate economic sector in the years 2015 – 2017;
3. The EBITDA margin dynamic in the sector of the real estate sector;
4. ROR margin of the real estate economic sector between the years 2015 – 2017;
5. Trends of the plow back profit and ROE margins of the real estate economic sector between the years 2015 – 2017;
6. Real estate sector`s liquidity and solvency ratios from 2015 to 2017;
7. Real estate sector`s financial stability ratios in the years 2015 and 2017;
8. Real estate sector`s cash conversion cycle and additional financial stability ratios;
9. Investors Real Estate Trust Annual ROA between 2015 and 2017.

The general and most common and simple way to determine the overall efficiency of the sector was always to look at the end result of companies’ performance, which is profit or loss. In this way, a quick overview on the state of the sector can be made. The volume and structure trends of the net profit to the total amounts of entities is presented by the table 3.1.

Table 3.1

The volume and structure tendencies of the net profit in the real estate sector between 2015 and 2017

Real estate sector	Output (ths. UAH)	Entities that have profit		Entities that have losses	
		% to the total amounts of entities	Output (ths. UAH)	% to the total amounts of entities	Output (ths. UAH)
Total of entities 2015	-64369	60,1	38520,10	39,9	102889,10
Total of entities 2016	-43900,2	59,6	11029,60	40,4	54929,80
Total of entities 2017	-14922,9	61,2	17757,50	38,8	32680,40

The prevalence of the entities that show losses negatively affects the sector. Despite the fact that the proportion of the companies depicting profits is bigger, it cannot outweigh the amount of the losses that the companies bearing loses are. The general trend is downward, the tendency of the companies having profit is volatile. Generally, the sector is in the state of crisis.

Between the 2015 and 2016, an amount fell sharply, decreasing the number of the profit by almost twice. The year 2017 managed to partially recover from the reduction the 2016 getting the profit to the quantity 17757, 50 thousand UAH. The entities that have losses showed a downward trend in terms of the amount of financial resources, which is a good sign for the sector.

In terms of structure the majority is presented by the profitable companies. its rate fluctuates around 60 %. The minority is shown by the inefficient entities that also illustrate the results in the range from 38, 8 % to 40, 4 %.

The EBIT margin of the economic sector is calculated on the base of the information summarized in the appendix D and its result is presented in the table 3.2 for the comparison with the entity`s outputs.

Table 3.2

EBIT margin of the real estate economic sector in the years 2015 – 2017

Real estate sector	Code of COEA-2010	2015 EBIT margin			2016 EBIT margin			2017 EBIT margin		
		Total (entities that have both)	Entities that have profit	Entities that have losses	EBIT margin	Entities that have profit	Entities that have losses	Total (entities that have both)	Entities that have profit	Entities that have losses
Total of entities	L	-84,31	86,21	-346,57	-50,24	23,60	-161,45	-12,49	30,41	-81,59
Small companies		-123,14	22,97	-349,77	-61,30	23,84	-189,53	-21,39	26,61	-98,70

Company indicators have rather a high measure than the average sector level if the section of the EBITA margin in small companies that obtain profits is taken into analysis. Moreover, it can be lucidly seen that the whole sector of rental itself is in the state of the deep stagnation and the amount of the profitable units are minimal. Such dreadful tendency can be observed in EBIT margins in the total (entities that have both profits and losses) and entities that have losses.

The fact that the entity obtains profits is already a vast breakthrough for the Phc "Karam" in their own sector, which ensures their efficiency in terms of its core indicators. If the Phc "Karam" margin and EBIT margin (total amount of entities that have profits) are viewed, of course the profitability of our small entity losses to the big one. In summary, the company margin within sector shows a good sign.

EBITDA margin is presented in comparison with the total amount of the entities without its diversification on the small companies due to the fact that there is no data on depreciation concerning the enterprises that have obtained profit of bore losses. The final indicators based on the data illustrated by the figure 3.3.

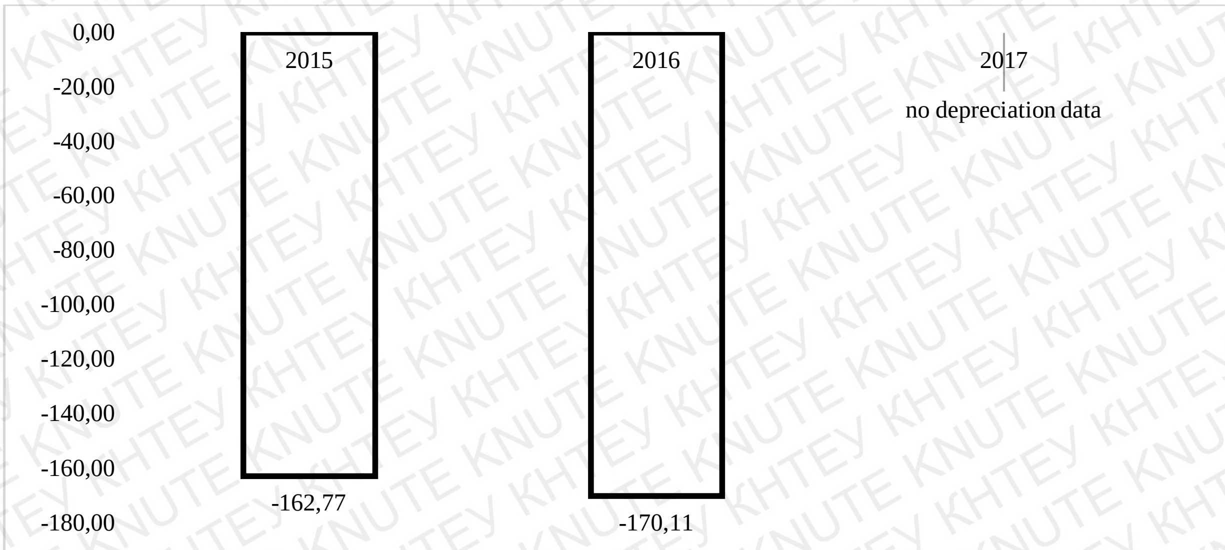


Figure 3.3. The EBITDA margin dynamic in the sector of the real estate sector service provision, 2015-2017

EBIDTA of the sector enables to focus on the outcome of operating decisions while excluding the impacts of non-operating decisions like interest expenses (a financing decision), tax rates (a governmental decision), or large non-cash items like depreciation and amortization (an accounting decision). By minimizing the non-operating effects that are unique to each company, it is clearly seen that the operating profitability of the real estate service provision tends to have rather bad performance.

When it comes to the detailed description of the sector`s tendency, a steep downward trend can be seen. The negative EBITDA indicates that the real estate sector is unprofitable at the operational level, before paying interest on loans, taxes and calculating depreciation. If the EBIT margin is negative for a long time (in the case of an established company), then the business model itself can be questioned. Due to the high offer of the range of objects on the market and low population`s income level and economic development the demand on the sector is low, causing the damage to the sector. Meanwhile, the depreciation is the growing figure the growing negative number of the EBIT causes such dreadful results. If the company is the payer of the fixed tax (as the Phc ″Karam″) that is depicted in, other expenses in the financial statement can also provoke the negative EBIT that will lead to tedious outputs in the sector. The next indicator taken into consideration will be the profit margin (table 3.4).

Table 3.4

ROR margin of the real estate economic sector between the years 2015 – 2017

Real estate sector	Code of COEA-2010	2015			2016			2017		
		ROR margin (total)	Entities that have profit	Entities that have losses	ROR margin (total)	Entities that have profit	Entities that have losses	ROR margin (total)	Entities that have profit	Entities that have losses
Total of entities	L	-85,50	84,43	-346,87	-51,35	21,47	-161,02	-14,56	28,09	-83,27

The profit margin in general also wishes to be better. The total average sector number indicates a harsh and unfriendly environment on the market. The year 2015 fixes the indicator on the level of – 85, 5 %. The 2016 showed a significant improvement of this economic sphere, elevating the final amount by more than one-third 33, 97 %, getting to the percentage of – 51, 53 %. The last researched year cheered with another partial recovery of the real estate provision, minimizing the losses to the modest – 14, 56 %. The companies that obtained profit show a drastically different state. Between the years 2015 and 2016 the tremendous sank of the sector`s profitability from 84, 43 % to 21, 47 % can be lucidly viewed. The political situation in the country played one of the key roles in the following situation. The war conflict scared away the companies with international capital and other investors, forcing them to move to other business spots. Most of the successful businesses initially became afraid of the risks and hedged them in advance against any future additional downside. This plunge especially affected the luxury segment of the market, hurting the expensive offers. The year 2017 managed to rise slightly due to the partial recovery of the sector after the political and economic shock. The additional pressure caused the growth of the minimal wage level, inflation tendencies, etc. the dynamic of the return on equity and efficiency if the retained earnings presented by the figure 3.5.

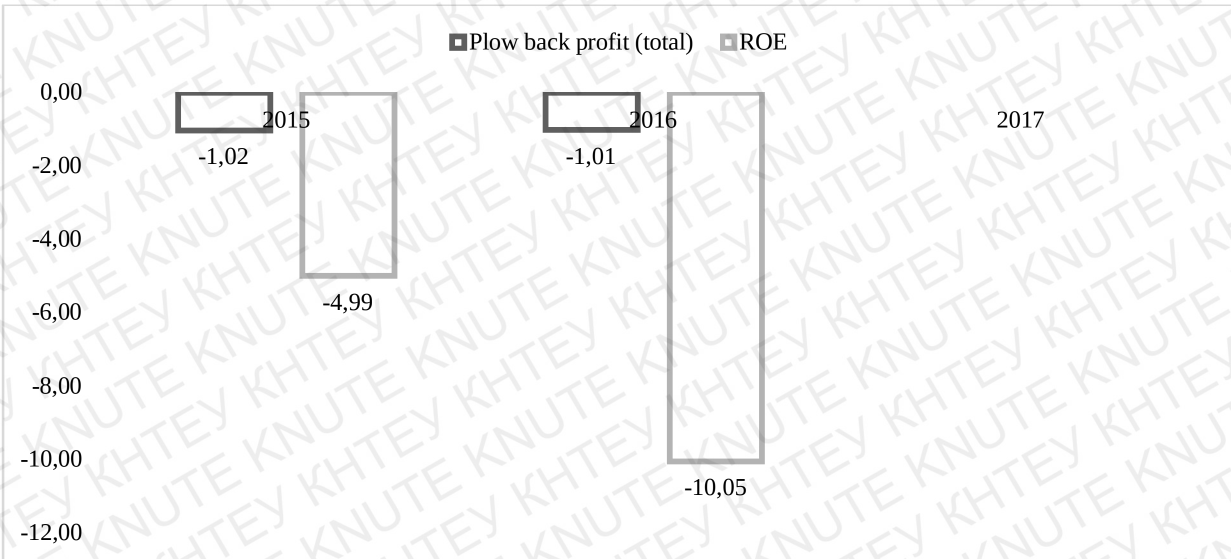


Figure 3.5. Trends of the plow back profit and ROE margins of the real estate economic sector between the years 2015 – 2017

Due to the lack of data on the equity and retained earnings in 2017 and concerning the diversification of the entities that are profitable or not both of the following margins will be analyzed in terms of only its total average number in 2 years. Many companies strive to reward shareholders with quarterly dividend payments, but those dividends must be supported by underlying profits.

While plenty of companies in the sector incurred losses, its plow back profit ratio went negative that can be seen in the dynamic, which is a major red flag that the dividend is in danger of being cut or the sector is under harsh risks.

An average ratio comfortable range of the group should be around the rates, from 35 % to 55 %, which allows companies to continue raising dividends each year. In real estate sector the indicators hold on the level of the – 1, 02 % and – 1, 01 % in 2015 and 2016 respectively.

When it comes to ROE, it is ten times more negative than the plowback profit ratio. Usually, there are two situations when ROE can be negative. For example, when the entities in the sector have had a history of losing money and have incurred debt in order to fund continuing business performance, then liabilities will often outweigh assets, leading to the negative stockholder equity. If negative stockholder equity is negative, then dividing a positive net profit by the negative figure will get to negative ROE. This can be misleading because one would typically think that a negative financial ratio indicated a loss. In fact, ROE will also be negative if the company loses money and has positive stockholder equity. Yet between these, two negative ROE situations, having positive profits and negative stockholder equity is more indicative of a potential future rebound than having negative profits and positive stockholder equity. The state of the sector in the context of its solvency is depicted in the table 3.6.

Table 3.6

Real estate sector`s liquidity and solvency ratios from 2015 to 2017

Ratios	2015	2016	2017
Cash Ratio	0,05	0,04	no data on cash
Solvency ratio	-0,13	-0,08	-0,08
Current Ratio	0,74	0,70	0,60

In terms of average normal state of the cash margin in the sector is 0, 11 due to the amounts of the cash transferred and its procedure. The outputs of real estate service provision in 2015 and 2016 the percentage is lower than the industry average may suggest that the company is taking too much risk by not maintaining an appropriate buffer of liquid resources.

Alternatively, a company may have a lower quick ratio due to better credit terms with suppliers than the competitors. The Phc "Karam" ratio is close to the mark one, which is way more than average level. It can suggest that the company is investing too many resources in the working capital of the business, which may more profitably be used elsewhere.

If a company has too much spare cash, it may consider investing the surplus funds in new ventures and in case company is out of investment options, it may be prudent to return the excess funds to shareholders in the form of increased dividend payments.

When it comes to the solvency ratio, it is negative. It was negative, when the business has more cumulative losses that equity. This is rare, as its tough for businesses to survive on negative equity. However, it does happen. The current ratio is rather high and fluctuate between 0, 6 and 0, 74. It is a rather good amount for the sector considering its dependence on the assets. The Phc "Karam" ratio is higher comparing to the sector numbers, which is a good sign. Due to the crisis state of the previous indicators, such reserves cover and ensure at least a partial stability of the sector and companies in it. The next sector will highlight the capital qualitive side of the sector by the table 3.7.

Table 3.7

Real estate sector`s financial stability ratios in the years 2015 and 2017

Ratios	2015	2016	2017
Equity Ratio	0,03	-0,05	-0,03
Debt-to-Equity Ratio	36,53	-22,56	-39,18

When it comes to the equity state, a rather difficult situation can be viewed. The equity ratio is dangerously small and even reach a negative number in 2016 and 2017. Therefore, if either the numerator or denominator were negative, the calculation would be negative. The real estate sector showed exactly this case. Equity turned out to be negative, because the sector accumulated more losses than that an equity itself. In such condition, it is tough for businesses to survive on negative equity.

When there is a net loss, it is carried over into retained earnings as a negative amount and is deducted from any balance in retained earnings from prior periods. As an output, a negative capital could mean entities of the sector have had losses for multiple times, so much so, that the existing retained earnings, and any funds received from issuing stock were exceeded.

Large dividend payments that either exhausted retained earnings or exceeded shareholders' equity would also show a negative numbers. Combined financial losses in subsequent periods following large dividend payments could also lead to a negative balance.

Borrowing resources to cover accumulated losses instead of issuing more shares can be another great reason that cause negative shareholders' equity. Commonly, the finances obtained from issuing stock would create a positive balance in equity. As was mentioned earlier, losses that were enabled to accumulate in shareholders' equity would depict a negative balance, and any debt that appeared would show as a liability. In other words, an enterprise could cover those losses with borrowed funds, but shareholders' equity would still show a negative balance. Such situation raises a red flag, indicating that companies in the sector are in distress or it could show that enterprises have invested their retained earnings and any funds from its stock issuance on reinvestment, by buying equipment or in other branches of the economy.

The debt to equity ratio of the sector wishes to be better. The percentage fell dramatically achieving the minus points in the real estate provision. It occurred due to the specific characteristics of the sphere. When entities get an investment using borrowed sources, and the borrowed funds have more expensive expenses, or higher interest rate, than the return made on the investment.

This sometimes occurs when companies use adjustable rates to purchase or construct property, and interest rates rise rapidly. This also commonly appears when enterprises have had problems raising money to cover previous net losses. Those net losses accrue and eventually surpass the equity from issued stock.

When it comes to Ukraine such situation may be provoked by the accounting methods used to deal with accumulated losses in previous years. Such losses are generally displayed as liabilities that carry forward until future cancellation. Often, they exist only on paper, which enables a company to stay open even with large, ongoing losses. In the financial statements such debt can also be used to decrease tax burden or avoid its payment at all. Sometimes, when the unfair trade has its place, the value of the enterprise that needs to be sold is lowered specially for such transactions. The additional information on the sector`s state is summarized by the table 3.8.

Table 3.8

Real estate sector`s cash conversion cycle and additional financial stability ratios, 2015-2017

Ratios	2015	2016	2017
Days Sales Outstanding	620	663	no data on the receivables
Payables / Receivables Ratio	0,70	0,60	no data on the receivables & payables
Current Assets-to-Equity Ratio	14,48	-9,01	-11,57
ROA, %	-0,13	-0,08	-0,09

In America, during the past 13 years, investors real estate trust's highest days sales outstanding was 22, 63. The lowest sometimes reached zero, the median was 7, 21. If Ukraine is taken into analysis, there is no clear data on that. From the first glance, it is clear that Ukrainian average days of sales outstanding are immensely long and during the flow of time they progress.

A business having days of sales outstanding higher than the industry average is simply ineffective in recovering outstanding balances from customers (which would hurt the liquidity of the business unless more favorable credit terms are agreed with the suppliers).

A high ratio indicates a sector with poor collection procedures and customers who are unable or unwilling to pay for their purchases. Companies in the sector with high days sales ratios are unable to convert sales into cash as quickly as firms with lower ratios. Companies should therefore aim to maintain days sales outstanding at a moderate level to ensure a balance between profitability and liquidity.

The payables to receivables ratio on the other hand is extremely low and get even smaller through the researched period. This may be caused by the following reasons:

1. Individual credit terms. Management of the companies in the sector can offer unusually long credit terms to their clients, or perhaps only for particular invoices. Such long credit terms directly affect the state of the ratio.
2. Unapplied credits. There may be unapplied credits in the documents. If this has happened, management should clean up the report by researching which invoices they should have been applied against. Doing so may decrease the number of overdue receivables listed on the report.

A low ratio can show a few things about sector, such as that the companies have poor collecting processes, a inefficient credit policy or none at all, or financially weak client base that is unable to pay.

Such a modest ratio can also often depict that the enterprises have a high amount of cash receivables for collection from its various debtors, should it improve its collection processes. Commonly, however, a low ratio implies that the companies should reassess its credit policies in order to ensure the timely collection of imparted credit that is not earning interest for the firm.

The recommended value of the current assets-to-equity ratio the ratio is 0, 5 and higher. A steep downslide from a high ratio to negative illustrates a state of harsh crisis. Reducing ratio tendency and negative value point at the inability of the enterprises to independently ensure the formation of costs and inventories and the decrease of capital for the formation of non-current and current assets.

After the analysis of the indicators, reflecting the solvency and liquidity of the sector, let`s consider the core indicator that reflects the long-term economic and financial state of the sector, showing the efficiency and effectiveness of the invested resources – return on assets and its dynamic in terms of several countries and the entity itself. Taking into account the return on investments, highlight a few details from the table 3.9.

Table 3.9

Investors Real Estate Trust Annual ROA between 2015 and 2017

Ratios	2015	2016	2017
ROA industry average America	0,87	0,52	-3,14
ROA industry average Ukraine	-0,13	-0,09	-0,08
ROA Phc "Karam"	3,34	2,62	2,67

Negative ROA (in the case of the partially American and Ukrainian ROA margins) means that the business sector in unprofitable (loss making) for as long as the negative return on assets persists or the return on assets will be long term due to the specifics of the sector. The return is slow, because the transactions of the rights transfer on the property is the case of not one day. The assets can be financed by either equity, debt or some combination of both.

Some fundamentally profitable businesses might be earning a negative return on equity but still paying out the contracted interest rate on the debt. These businesses might still be fundamentally profitable because they might have contracted too high an interest rate on the debt and the proportion of debt financing relative to equity financing might be too high.

To sum up, the sector state wishes to be better. It can be lucidly seen that the whole sector of rental itself is in the state of the deep stagnation and the amount of the profitable companies are minimal. In 2015 the losses were -64 369 thousand UAH and it increased to -14 922, 9 thousand UAH in 2017.

Structurally, entities that have profit versus losses have the average proportion around 60 % versus 30% respectively. EBIT margin is also negative, however it has positive trend growing from -84, 31 % in 2015 to -12, 49 % in 2017.

However, despite the fact that the sector loss making, some might be profitable in terms of long-term perspective due to the specifics of the sector. Return on equity is extremely slow between 2015 and 2016 showed downward trend from -4, 99 to -10, 05, the year 2017 depicted no data on the equity. The return is slow, because the transactions of the rights transfer on the property is the case of not one day.

The assets can be financed by either equity, debt or some combination of both. In sector prevails the preference of debt resources (debt-to-equity ratio of sector dropped at the following numbers 36, 53 in 2016, -22, 56 in 2016 and -39, 18 in 2017).

Some fundamentally profitable businesses might be earning a negative return on equity but still paying out the contracted interest rate on the debt. These businesses might still be fundamentally profitable because they might have contracted too high an interest rate on the debt and the proportion of debt financing relative to equity financing might be too high. When it comes to Ukraine such situation may be provoked by the accounting methods used to manipulate with the tax burden and decrease it as much as possible.

3.2 Substantiation of directions and system of strategic goals of financial activity of the enterprise for the future period

Formation of strategic objectives in the sphere of operational and financial activity of the enterprise is the next stage of strategic planning, the main task of which is to maximize the market value of the enterprise. The system of strategic objectives of the enterprise should be formed clearly and briefly.

Typically, these strategic indicators are used in order to determine whether the tasks and strategy was chosen right: the average annual growth rate of own financial resources, formed from internal sources; the minimum share of own capital; return on equity; return on assets, etc.

In order to substantiate the directions and system of strategic goals one of the first steps will be the determination of the core mission of the entity, the vision of the company. The mission of the enterprise will enable to express the philosophy and meaning of its existence therefore highlight its core direction of development. It usually details the status of the enterprise, declares the principles of company`s work, statements and actual intentions of management, defines the most important characteristics of the organization.

The mission of Phc "Karam" is to provide third parties (utility service providers, governmental bodies) clients and potential customers with available asset base, amenities. In addition, provide advisory professional support on company`s properties timely and relevantly to the demands and requirements of customers, which allows ensure a constant profit of the firm and a fair attitude to its employees.

The development of tasks begins with an analysis of the environment in which the enterprise operates. In this way, the company then can mark their place on the market. Due to the wideness of factors affecting the entity, there is a need for every company to determine those that are essential to the sector and market the entity perform in. Therefore, in order to limit the entity’s tasks of the financial strategy, another necessary step is to find out the significant factors that would strongly influence the performance of the enterprise, its strong and weak links. It is going to be made with the help of the SWOT analysis presented in table 3.10.

Table 3.10

SWOT analysis of Phc "Karam"

Strong sides	Weak sides
1. Attractive location; 2. Less competitive real estate sector; comparing to the rental of residential properties; 3. The stable capital state and structure; 4. Good relationships with regular customers.	1. Fully depreciated assets base (more detailed clause 2.1 of the final qualifying paper); 2. Limited domestic demand for services, which is hard to find (on regular basis); 3. Lack of current assets in operational activity.

Ending of the table 3.10

Opportunities	Threats
1. Improving sales technology and improving the quality of products; 2. Strengthening the reputation of the company; 3. Partial renovation of the asset base and services that company offers.	1. The emergence of new competitors in the market; 2. Political instability in the state; 4. Dumping of prices in industry and the lack of legislative control over sector`s processes; 5. Decrease or termination of economic growth in the industry.

Other significant elements, worth considering while forming the strategy are the risks that might occur inside the enterprise itself. The description, impact and consequences will be the next step of the research.

Assets risks (hazard) which is expressed in the form of fire and flood probability. As long as two of the company`s objects have fully depreciated, the state of the pipes and electrical supplies wish to be better that might result in appearance of overheads that will negatively affect profit. Another often risk to expect is the price one. Due to the change of foreign currency and the direct correlation of prices to it the change of price range is rather common thing for the industry. If the company decides to put the absurd price range on objects or swiftly change them with the conditions of repayment then our regular clients will not cooperate with us, new clients will be frightened by conditions. Such steps will lead to the simple facts that company will partially or fully bear losses.

In the same vein, the cost risk also can affect the performance by tariffs growth and utilities price change. The entity has already downsized one kind of the activity due to inefficiency of the costs (cafe). The core reason for it – the increase of minimal level of labor costs and utilities.

Receivables risks presented in the form of lending services to customers on inefficient to the company conditions. As a result, receivables turn into freezing money that cannot be converted into entity`s proper functioning. Risk of incorrect information movement or its loss is another threat to take into analysis. The core trigger for the risk is that informational supplies of the entity break, the staff do not inform the other members about the new data that come on the enterprise, etc.

Due to the freelance nature of the staff, the information gaps can take place in performance, therefore some managerial decisions can be taken wrong which will negatively affect company`s value. The last but not the least is the profit risks, which is referred in cases that the entity might waste the earned funds on unnecessary things, leading to the absence of the company`s development.

In order to determine the core goals, determine the tasks with the help of Balanced Scorecard (BSC). The BSC approach declares that the enterprise is viewed from the four main sides and the necessary objectives, measures (KPIs), targets, and initiatives (actions) are evolved, in the connection with each other. In addition, these groups are related with each other and have the direct or indirect impact on the other elements of the entire complex. The Phc "Karam" will be shown from the following perspectives:

1. Financial (also often called Stewardship or another more appropriate name when it comes to the public sector). This perspective highlights organizational financial performance and the use of financial resources. Financial goals determine the targets involving the management of the available funds on the enterprise, their formation, distribution and use.

2. Customer (Clients and marketing sphere). This part of the card views enterprise`s performance from the customer`s point of view or other key party that the entity is created to serve.

3. Internal business processes shows the company`s performance an goals through such key points as the quality and productivity related to products or services. Business processes rely on the aims, including the operational processes of the company.

4. Organizational Capacity (initially called Learning and Growth): sees entity’s performance through the lenses of human impact, infrastructure,

technology, culture and other capacities that are the base to breakthrough performance.in other words, operational capacity highlights technological, social, cultural elements, enabling the enterprise to grow its non-material value, etc. The card is presented with the appendix E.

As it can be lucidly seen, the core strategical goals – company value growth. The financial tasks are achieved with help of other three branches. Due to the complexity of the scheme only financial tasks will be described in detail. Turnover increase is planned to achieve by reaching the best proportion between quality of the service and its price and improvement of the service. More detailed on how it will be done is going to be described further.

Obviously, the core step – is the formation of the balanced price policy. Due to the rise of the costs, the price list should be reviewed. However, the average market prices also will affect the policy. To form the real market price let`s asses the rental payment based on the calculations of the market (comparative)approach, as a matter of fact using method of cumulative adjustments. The objects-analogue rental prices adjust to the assessment object by correcting it with the set of criteria. The adjustment is made with the following formula:

$$A = OA*A\%; \qquad (3.11)$$

where, A – adjustment, UAH;

OA – average rental price per sq. m.;

A% - adjustment in percent (5%, 10, 20%,40%, 60%, 80%, 100% depending on the difference scale).

In order to form an optimal price let’s compare it with other market offers. The four objects was taken into analysis. They are similar to the object of the assessment and situated in the same area. The difference in the location does not exceed 700 meters. However, it is impossible to find two identical objects on the market, especially when it comes to the enterprises or their elements. The quality of the external construction elements and internal interior vary differently. All of the mentioned is depicted and described according to the five main criteria in the table 3.12.

Table 3.12

Output data for the assessment of the commercial spot of Phc "Karam" using the method of cumulative adjustments

	Object of evaluation	Object - analogue 1	Object - analogue 2	Object - analogue 3	Object - analogue 4
Average rental price per sq. m.(UAH.m2)		322,4	343	400	179
Location of the object	more than 500 m	less than 500 m	less than 500 m	more than 500 m	more than 500 m
Adjustments %	-	+5%	5%	-	-
A separate entrance	+	+	+	+	+
Adjustments %	-	-	-	-	-
Utilities	Electricity, water supply, sewerage, heating	Electricity, water supply, sewerage, heating	Electricity, water supply, sewerage, heating	Electricity, water supply, sewerage, heating	Electricity, water supply, sewerage, heating
Adjustments %	-	-	-	-	-
Parking	-	+5%	-	-	-
Adjustments %	-	-	-	-	-
Internal state	repaired, without furniture	not repaired, no furniture	class B	Class C	not repaired, no furniture
Adjustments %	-	-5%	+10%	+5%	-10%

Adjustment of analogue objects. Analogue № 1. Detected differences in location of the object, parking and internal state.

Adjusted price (location of the object) = 322, 4 + 322, 4* 0, 05 = 338, 52 UAH. (3.13)

Adjusted price (parking) = 338, 52 + 338, 52* 0, 05 = 355, 45 UAH. (3.14)

Adjusted price (internal state) = 355, 45 - 355, 45 * 0, 05 = 337, 67 UAH. (3.15)

Adjustment of analogue objects. Analogue №2. Detected differences in location of the object and internal state.

Adjusted price (location of the object) = 343 + 343* 0, 05 = 360, 15 UAH. (3.16)

Adjusted price (internal state) = 360, 15 + 360, 15 * 0, 1 = 396, 17 UAH. (3.17)

Adjustment of analogue objects. Analogue №3. Detected differences in the internal state.

Adjusted price (internal state) = 400 + 400 * 0, 05 = 420 UAH. (3.18)

Adjustment of analogue objects. Analogue №4. Detected differences in the internal state.

Adjusted price (internal state) = 179 – 179* 0, 1 = 161,1UAH. (3.19)

The final averaged estimate of 1m^2 of the object of evaluation = (360, 15 + 396, 17 + 420 + 161, 1)/4 = 328, 73 UAH. (3.20)

According to the existing price policy the price per square meter is 51, 88 UAH. The company communicated with the management of the existing client – retain shop "Lotok". After the meeting there was conducted a preliminary agreement to change the price to the level 151, 88 UAH. to which the both sides agreed.

Due to the fact that it is hard to find a new permanent customer both sides agreed on previously calculated price. When it comes to the exhibition spot it is not fully booked, because of the small size, therefore the low price becomes the key trigger that attracts clients. Based on such considerations, the prices for this asset will remain unchanged.

However, the revenue is planned to achieve with the constant booking of the spot by attracting clients. The main task that will help to ensure and fulfill this task – is to shorten the time in terms of the search for new clients –in case of exhibition spot, where the demand is volatile is also contributing to this financial section. It is going to be achieved by the task of the implementation of new processes that would involve new technologies.

In our case, that would be the creation of the social pages in Facebook and LinkedIn and use of software that would enhance selling capabilities like "Bitrix24", "Google alerts", "LinkedIn Sales Navigator for Salesforce". As long as the site evolvement demands investments and content, which additionally involves extra time spending, one of the more accessible options is the use of social platforms.

The reason why these two platforms were chosen is that depends on the age of the target audience the enterprise. If the company worked with youth (from 16 to 25 years old) then the entity would focus on the development of social groups in networks like and Instagram or Tumbler. These apps are the place, where Millennials "hang out" while riding in the subway or play truant.

For companies working with more adult or conservative people (IT specialists, managers of large companies and projects), Facebook is recommended as the social network, which is aimed at creating high quality business content. Despite the fact that there is also Twitter, in Ukraine it is not as popular as in the United States. The content of the page will involve the key features of the company, the asset base of the exhibition spot, the photos of the events that had happened before and announcements of the future occasions.

In order to put the efficient information and keywords that would attract potential clients the entity is going to use "Google alerts". In real time, with this app the entity will receive alerts about new publications and actions. As long as the company are performing in the real estate sector connected with exhibitions, the entity is naturally wondering what the potential clients write and which reviews leave. What do they like?

In "Google Alerts", the entity can create an alert. Each time a content related to the entity`s requests is published; the company will receive a notification. This will happen with the frequency that the user will specify in the settings. This tool works for monitoring the presence of the company in the Internet and controlling its main competitors and finding ideas for content creation.

In order to enhance the conversion on the pages it is offered to use the free trial of the "LinkedIn Sales Navigator for Salesforce". The LinkedIn Sales Navigator for Salesforce application will enable Phc "Karam" to view LinkedIn data on leads, contacts, accounts, and opportunities right in Salesforce.

Sales Navigator for Salesforce creates a seamless experience between Sales Navigator and Salesforce, providing sales professionals with timely insights, saving valuable time, and ensuring relevant activities are captured in CRM. It will provide the entity with the vast amount of the potential customers and became the first extra push that will help to plan the rental of the exhibition space.

As the constant platform "Bitrix24" project version is going to be used on a free basis. Among different versions of the software, the company will use one called ″Project″ for small companies and start-up business. This app combines almost all of the functions and processes in the small enterprise like Phc "Karam". It supports the entity based on the these key actions: plan, do, act, check, take actions (if applicable). The tasks that it is going to help managing and functions and benefits of the software is highlighted by the figure 3.21.

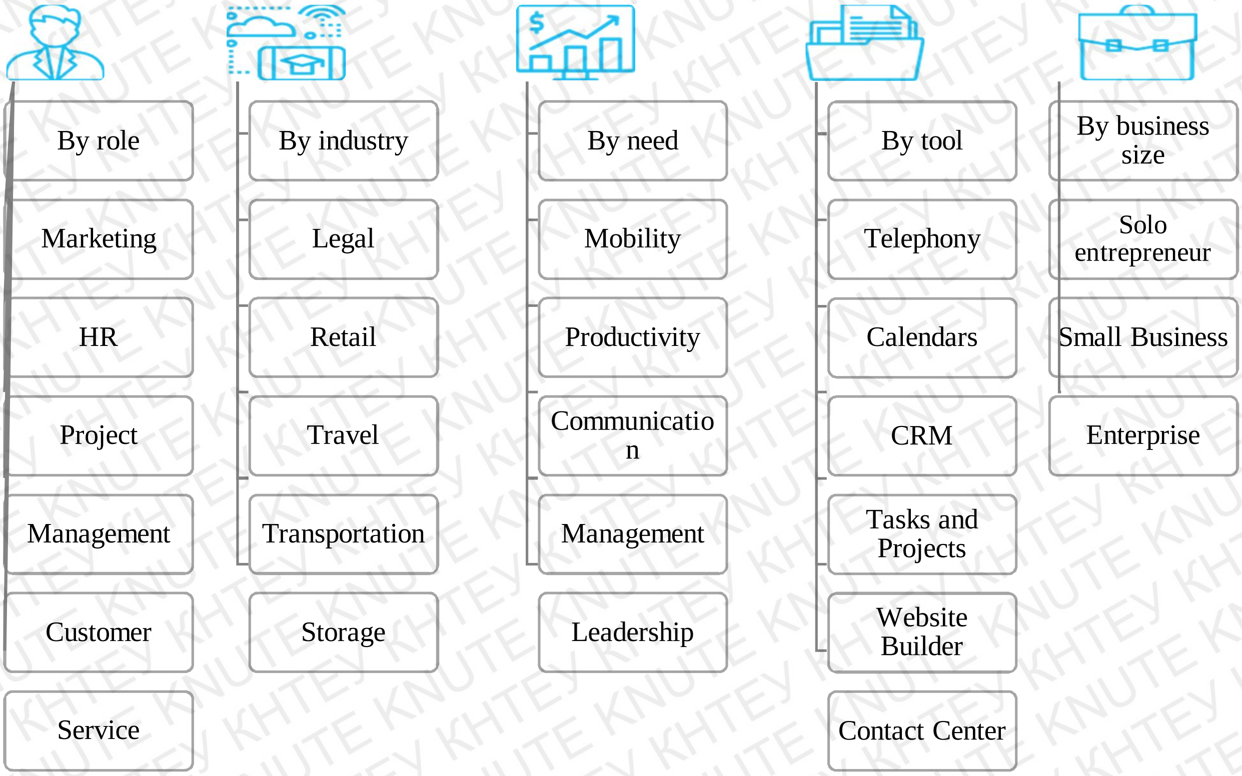


Figure 3.21. The function and tool set of "Bitrix24" application

The costs optimization is planned to be made with the help of enhancing the quality of the performance by partially repairing the asset base of the entity (its pipe supply). Due to the fully depreciated state of both objects and the year of its construction, the metal pipes started to rot changing its color. The destructive changes that also are showing up is the appearance of the new tiny holes through which the system is leaking. This provokes the unnecessary water waste that reflects in the bills. In addition, such horrible state drastically increases the risk of floods that cause even bigger damage to the enterprise. In order to avoid such sad perspective, it is offered to invest into the partial renovation. On the long-term basis such step will prevent overheads connected with the amenities.

This step also contributes to the financial clause concerning the increase of the "efficient managerial decisions", minimizes the risk of the debt occurrence due to the rapid demand of funds in case of the emergency, etc. The cost for the new pipes and their elements for both objects are presented in the table 3.22.

Table 3.22

The budget of pipe elements needed for the exchange of the water supply systems in Phc "Karam" for the planned period

№	Vendor code	Product	Unit	Quantity	Price (UAH)	Sum (UAH)
1	ASG	PPR pipe PN20 32x4.5 composite (4/40 m / ur)	m.	16	96,96	3102,62
2	ASG	Tee reduction PPR 32x20x32 (10/90)	p.	2	12,17	85,21
3	ASG	Elbow bend PPR 20x90 (50/300)	p.	2	2,36	16,51
4	FV	Pipe union PPR20x1 / 2 'HP (10/100)	p.	2	45,53	318,68
5	KN11	Ball valve (Fado Classic PN 40 1/2 ZV)	p.	2	99,04	594,23
6		Clamp 1 32-36 + 8x100mm + dowel	p.	24	14,82	711,36
7	FV	General Fittings FV PSP 32x1 BP (1 \ 50)	p.	1	222,92	445,84
8	ASG	Pipe union PPR 32 (10/100)	p.	4	7,54	60,33
9	NN02	Thread nylon sealing FADO 80m	p.	1	226,4	226,4
10	ASG	PPR pipe PN20 20x3,2 composite (4/100 m / ur)	m.	1	40,85	163,4
11	FV	Pipe union PPR 32x1 'BP (10/60)	p.	1	108,7	217,4
Total						2854,27

The amount of the elements needed for the renovation involves both exhibition and commercial spot. However, due to the specific construction of the commercial spot, the water supply of this place demands extra details, like general fitting, composite pipe and pipe union to it. The thread size in one pack is big enough for both objects; therefore only one unit was purchased. The work concerning the implementation of the pipes should also be included into further analysis, therefore the price for the services like welding and other procedures are reflected in the table 3.23.

Table 3.23

The budget of related services needed for the exchange of the water supply systems in Phc "Karam" for the future period

Service	Unit	Price (UAH)
Replacement of the water riser without going through the panel	unit	1200
Cutting thread on the pipe	1 point	100
Service	Unit	Price (UAH)
Dismantling of water supply (metal-plastic pipes)	1 point	90
Cementing the hole in the floor after exchanging of the water supply riser	canal	150
Total		1540

Other important feature to mention is the growth of the minimal amount of the wages and salaries should also be included into consideration. The rise of the salary fund according to the survey is not going to happen due to the previous significant increase of the salaries.

Achieving the optimal proportion of receivables and accounts according to the other elements of financial statement. Due to the fact that the commercial spot is constantly rented by the retail store "Lotok" the receivables policy for this customer as a regular one should be softer and more flexible in order to keep the client and ensure in this way a stable cash flow and turnover. Receivables limit for the customer will be on the level of 58, 23 thousand UAH (average receivables for 3 years). When it comes to the exhibition spot, the conditions should be stricter and detail described in the rental offers or documents that confirm the business agreement, conducted by two parties. The balanced value of the indicator will improve the cash flow and revenue turnover of the enterprise.

The prevention of the bad debt occurrence will be described simultaneously with such task as the achieving the solvent financial state and liquidity. This task is going to be achieved by the financing all of the investments with the help of the company`s own funds. The entity has some funds on the retained earnings; therefore it becomes the additional reserve that can contribute to the enterprise in the future. In our case some of the resources will be appointed to the renovation of the asset base, some will be targeted for other purposes. Another step – is ensuring the profitability of the performance, which partially was made with the help of another task – growth of the turnover.

To sum up, based on the principles of SWOT analysis and Balanced Scorecard were formed the main tasks that formed financial strategy of the enterprise. The price policy was changed the price for commercial spot rose from 51, 88 UAH to 151, 88 UAH. per sq. m. the price for exhibition spot remain the same in order to attract clients. Receivables policy was reviewed, limit for the regular customer will be on the level of 58, 23 thousand UAH (average receivables for 3 years that ensures the low level of days sales outstanding). Software like "Bitrix24", "Google alerts", "LinkedIn Sales Navigator for Salesforce" formed new processes that would decrease the informational gaps and shorten the time of the search of new clients. Moreover, the hazard risk like floods was reduced by partial renovation of the asset base that cost 4 394, 27 UAH. In order to remain solvent no debt resources will be taken.

3.3 Justification of the target efficiency of the implementation of the financial strategy of the enterprise

The development and implementation of strategic decisions require the possession of huge information. The substantiation of set of strategic goals also demands some data; therefore the formation of the strategy will be based on the calculations of the three core methods: the financial matrix, the DuPont model and EVA model. At the beginning, the financial matrix will be taken into consideration. The first step of the calculating the financial matrix is measuring its added value at the following formula:

AV = COP+FP+UP – MC (3.24)

where, AV – added value;

COP – cost of production;

FP – final product;

UP – unfinished production;

MC – material costs.

The following step according to the data of Phc Karam will contain only the cost of production that consists of total expenses and gross profit, which are equal to the revenue from the products and services. In the pessimistic scenario, where there is the same amount of income in terms of the exhibition spot as in 2017 – 62, 50 thousand UAH, the added value will involve also the revenue from the commercial space, according to the new policy, the performance costs and renovation costs. In addition, performance costs will increase due to the growth of the utilities by 19 % based on the information of the National Commission for State Regulation of Energy and Public Utilities of Ukraine. In optimistic scenario, only the income in the context of the exhibition spot will grow by 10%. The outputs will be the following.

COGS or performance costs (2018) = 65*65*0, 19 = 77, 35 thousand UAH (3.25)

Renovation costs = 2854, 27+1540 = 4 394, 27 UAH (3.26)

Revenue (pessimistic scenario) = 151, 88*200*12+62 500 = 427 012 UAH (3.27)

Revenue (optimistic scenario) = 151, 88*200*12+62 500 + 62 500*0, 1 = 433 262 UAH (3.28)

Gross profit (pessimistic scenario) = 427 012 – 77 350 – 4 394, 27 = 345 267, 73 UAH (3.29)

Gross profit (optimistic scenario) = 433 262 – 77 350 – 4 394, 27 = 351 517, 73 UAH (3.30)

AV (pessimistic scenario) = 77 350+4 394, 27+345 267, 73 = 427 012 UAH (3.31)

AV (optimistic scenario) = 77 350+4 394, 27+351 517, 73 = 433 262 UAH (3.32)

The second logical step of the algorithm is to determine gross-result of investment`s use (exploitation) using the next formula:

$$CROIU = AV – VAT – LE – MLC – AT \quad (3.33)$$

where, CROIU – gross-result of investment`s use (exploitation)

VAT – value added tax;

LE – labor expenses;

MLC – mandatory labor charges;

AT – all taxes.

Due to the fact that the entity is paying flat tax the value added tax and mandatory labor charges do not take part in calculation directly, these elements are included in the indicator called "all taxes". The labor costs will be transferred from the year 2017. The outputs of this step can be viewed below.

CROIU (pessimistic scenario 2018) =427, 012 – 40 –75 = 312, 012 th. UAH (3.34)

CROIU (optimistic scenario 2018) =433, 262 – 40 – 75 = 318, 262 th. UAH (3.35)

The third step of the researched results is finding the change in the size of financial operational needs, which is summarized in the table 3, 36. In terms of receivables, the pessimistic scenario assumes that the clients will owe the enterprise the maximal limit the entity can afford according to the new policy – 58, 23 thousand UAH. The optimistic scenario supports the idea that the accounts receivable for services will be transferred from the year 2017.

Table 3.36

The elements of the change in the size of financial operational needs calculation

Indicator	Symbol	Formula (or source of appearance)	2018 pessimistic	2018 optimistic
Change in the size of financial operational needs:	ΔFON	(MC beg+AR beg+AP beg)-(MC end+AR end+AP end)	–7,23	0
Material costs at the beginning of the year	MC beg	not given (fin statement, form 1)	0	0
Material costs at the end of the year	MC end	not given (fin statement, form 1)	0	0
Accounts receivable at the beginning of the year	AR beg	balance sheet (form 1)	51	51

Ending of the table 3.36

Indicator	Symbol	Formula (or source of appearance)	2018 pessimistic	2018 optimistic
Accounts receivable by the end of the year	AR end	balance sheet (form 1)	58,23	51
Accounts payable at the beginning of the year	AP beg	balance sheet (form 1)	0	0
Accounts payable by the end of the year	AP end	balance sheet (form 1)	0	0
Manufacturing investments	MI	balance sheet (form 1)	0	0
Regular sale of property	SP	balance sheet (form 1)	0	0

The fourth step is finding out the result of the economic activity, which would be the following in the researched period.

REA (pessimistic scenario 2018) = 427, 012 – (–7, 23) = 319, 242 thousand UAH (3.37)

REA (optimistic scenario 2018) = 433, 262 – 0 = 318, 262 thousand UAH (3.38)

Another significant part of the matrix is its financial part, which state is depicted in the table 3.39.

Table 3.39

The elements of the change in the size of financial operational needs calculation

Indicator	Symbol	Formula (or source of appearance)	2018 pessimistic	2018 optimistic
Change of debt (borrowed capital)	ΔD	financial statement	0	0
Financial expenses	FE	financial statement	0	0
Tax on profit from ordinary activities	TP	financial statement	17 263, 39	17 575, 89
Paid dividends	PD	financial statement	0	0
Money received from the issue of shares	IS	financial statement	0	0
Funds invested in statutory funds of other enterprises	SF	financial statement	0	0
Long-term financial investments	FI l-t	financial statement	0	0
Received payments from the profit of established enterprises and income from other long-term financial investments	PEE	financial statement	0	0
Result of financial activity	RFA	RFA= ΔD – FE – TP – PD + IS – SF – FI l-t + PEE	-17 263, 39	-17 575, 89

The final step of the calculation is obtaining the results of financial and economic activity, which have the following look:

RFEA (pessimistic scenario 2018) = 319, 242+ (–17, 26) = 301, 979 thousand UAH (3.40)

RFEA (optimistic scenario 20182016) = 318, 262+ (–17, 58) = 300, 686 thousand UAH (3.41)

According to the calculations, the enterprise tends to have the next position in the financial matrix (table 3.42).

Table 3.42

The position and dynamic of the Phc ″Karam″ in the financial matrix

Indicators	RFA < 0	RFA → 0	RFA > 0
REA > 0	1. Father of the family Phc ″Karam″ 2015 – 2016	4. Rentier	6. Parent company
REA → 0	7. Episodic deficiency Phc ″Karam″ 2017	2. Stable equilibrium	5. Attack
REA < 0	9. Crisis condition	8. Dilemma	3. Shaky equilibrium
	RFEA << 0	RFEA < 0	RFEA → 0

The result of financial and economic activity of Phc ″Karam″ for the optimistic and pessimistic scenarios of 2018 are rather good, presenting the outputs of the economic and financial activity in the first area of the matrix called "Father of the family". Actual growth rates of the capital are less than possible, not all resources of the enterprise are involved.

With the help of a matrix, for the enterprise Phc ″Karam″ it is recommended to pay attention to the growth rates of profitability and growth rates of turnover. Adjusting the indicators of turnover and profitability will improve the financial situation. The ability to manage accounts receivable and payables should also be taken in consideration.

The model that involves the profitability of the enterprise is the DuPont model. It enables to see the entity from the perspective of its key indicators. The process of the calculation based on the sales and costs information is highlighted in the following steps. Firstly, the sales volume will be taken into account. Its numbers have already been mentioned in the report.

Another essential feature of the calculation is the information in variable and fixed costs. In terms of variable costs they appear slightly only in the year 2015 in the quantity of 41 thousand UAH. The fixed costs figure in all of the years. In the year 2015, it was 44 thousand UAH; in 2016, it reached 65 thousand UAH, remaining unchanged in 2017. This data is necessary in order to get the amount of total costs by adding mentioned elements. As a result, the year 2015 showed the expenses on the level of 85 thousand UAH that jumped down to 65 thousand UAH in 2016 and 2017. According to the previous calculations, the total costs in the 2018 will be the next.

Total costs (2018) = 77 350+4 394, 27 = 81 744, 24 UAH (3.43)

When it comes to the profit calculation, the subtraction from revenue of total cost can be viewed. According to the formula, the result would be the next. In the pessimistic scenario, the profit would be 345, 268 thousand UAH that in the optimistic case would be 351, 518 thousand UAH in 2016. The profitability of sales is the first resultative indicator that is measured by dividing the profit by costs. The outputs are the following:

Profitability of sales (pessimistic scenario 2018) = 345, 268/81, 74424 = 422 % (3.44)

Profitability of sales (optimistic scenario 2018) = 351, 518/81, 74424 = 430 % (3.45)

Profitability of sales is expressed as a percentage and, in effect, measure how much out of every dollar of sales a company actually keeps in earnings. A 422 % profit margin in pessimistic scenario, then, means the company has a net income of

4, 22 UAH for each 1 UAH of total revenue earned. In optimistic scenario, the indicator rose getting to the level of the 4, 3 UAH. Such positive results can be tracked either to the maintenance costs such as dividends or construction costs or as a base for the new investment projects. The table 3.46 presents the other resultative indicators, measured on the data connected with balance.

Table 3.46

The algorithm and process of the efficiency calculations in DuPont model

№	Balance	Formula	2018 pessimistic	2018 optimistic
1	Assets, thousand UAH	1=2+3+4+5	1 673	1 673
2	Fixed assets, thousand UAH	2	1 555	1 555
3	Accounts receivable, thousand UAH (average of the receivables calculated in the financial matrix)	3	55	51
4	Inventories, thousand UAH	4		
5	Cash, settlement account, thousand UAH (average 2017 from fin statement Phc "Karam")	5	47, 35	47, 35
6	Liabilities	6=1	1 673	1 673
7	Own capital	7	1 673	1 673
8	Borrowed funds (calculation of the required amount)	8=6-7	0	0
9	Financial leverage	9=6/7	1,0	1,0
10	Financial lever (recommended value)		2,5	2,5
11	Return on assets,%	11=profit/1	21%	21%
12	Asset turnover, times	12=total variable costs/1	0,3	0,3
13	Return on equity,%	13=profit/7	21%	21%

In the context of the financial leverage the company fully performs on its own resources. From the one side the crisis state of the economy is beneficial when the entity functions without debt, but on the other the growth of the entity`s value is restricted up to this same sources. The entity might consider additional source of funding in terms of developing itself or its new projects.

The return on assets and on equity is rater good and stable. Both of indicators showed 21 % in both scenarios. Despite the crisis in the real estate sector, the company still manages to obtain profit. The success of the enterprise`s profitability lays in the segment in which it offers its services. The type of property (for business and other purposes) in the combination with moderate prices, the location of both objects allows remaining efficient on the market despite the old condition of the assets, the small size of them. It is recommended to preserve such state of both buildings; therefore the company will continue to obtain the profit or start considering to develop some new projects on the existing or new base.

Analyzing assets turnover ratio it is stable throughout the period. Phc ″Karam″ has asset turnover ratios less than 1, which is typical for firms in the real estate sector. Since these companies have large asset bases or rely on it, it is expected that they would slowly turnover their assets through sales. However, the assets have fully transferred their value according to the previous chapters; therefore, it is a warning sign for the enterprise. It should start saving finances in order to either partially renovate it (fix old electricity or pipes) maintaining the entity`s further performance on the same level and remain competitive on the market. Another option is to seek or save funds to purchase new investment objects. One way or the other, as long as the economic sector the entity is functioning on strongly relies on the asset base, it should be interested in keeping the positive results. Partially, such steps can be financed by own resources, partially – by borrowed ones. The position of the entity in summary according to DuPont model is illustrated in the table 3.47.

Table 3.47

The position and dynamic of the Phc ″Karam″ in the DuPont model for the planned period

Factors	ROS≤0	ROS≈0	ROS≥0
↑ROA	10. (ROE≈0)	13. (ROE≥0)	15. (ROE≥≥0) Phc ″Karam″
ROA≈0	16. (ROE≤0)	11. (ROE≈0)	14. (ROE≥0)
↓ROA	18. (ROE≤≤0)	17. (ROE≤0)	12. (ROE≈0)

The approach that enables to look at an enterprise from the point of view of its value is EVA. In this research paper, the value for the five years will be calculated. Logically, both the value of actual performance and future forecast indicators will be taken into consideration. Firstly, the calculation of the existing data and working capital will have its place (table 3.48).

Table 3.48

The substantiation of the indicators needed for the calculation of the working capital in the EVA model for Phc "Karam"

Indicator	at the beginning of the period	at the end of the period
Accounts receivable for products, goods, works, services		
optimistic scenario	51,00	51,00
pessimistic scenario	58,23	51,00
Money and their equivalents	5,00	89,70
Total for Section II		
optimistic scenario	56,00	140,70
pessimistic scenario	63,23	140,70
Total for Section III	0,00	0,00

In terms of receivables, the pessimistic scenario presume that the customers will borrow from the entity the maximal limit the company can afford according to the new policy – 58, 23 thousand UAH, decreasing the amount only by 8, 23 thousand UAH to the end of the period.

The optimistic scenario offers that the accounts receivable for services will be transferred from the year 2017 at the beginning and will remain the same until the end. When it comes to the money and their equivalents and the third section for both options there was chosen to also transfer the data from 2017 in both scenarios.

Such approach to the calculation was considered to its relevance in terms of continuity of the performance. This amount of the current assets will not slow down the functioning of the enterprise and will serve it in the future periods. In addition it is the easiest way of the assessment that does not require specific data. The general calculation of the previously calculated data is shown in the table 3.49.

Table 3.49

Phc "Karam" cash flow calculation based on previous models

Valuation	Formula	2018 pessimistic	2018 optimistic
Sales revenue	Taken from calculation of fin matrix	427,012	433,262
EBIT mgn forecast	EBIT/sales revenue	63,3%	63,8%
EBIT forecast	Sales revenue-COGS-Renovation costs-flat tax	270,268	276,518
pessimistic scenario	427012 – 77350 – 4394,27 – 75000 (from fin statement)		
optimistic scenario	433262 – 77350 – 4394,27 – 75000(from fin statement)		
Tax expenses (without flat tax)	5 % * EBIT	13,513	13,826
Profit	EBIT-Tax expenses	256,754	262,692
Net investment		0, 00	0, 00
Net investment % of sales		0,0%	0,0%
Working capital	total sect II (at beg)-total sect III (at beg) from fin statement	63,230	56,000
Change in Working capital	working capital - (total sect II (at end)-total sect III (at beg)) from fin statement	-77,470	-84,700
Free Cash Flow	EBIT forecast (fact)-tax expenses-net investment-change in Working capital	334,224	347,392

As it can be lucidly seen, the largest amount of cash flow is presented in optimistic scenario. After gathering the primary data for the analysis, a growth rate for the discounting should be measured. The next criteria will summarize the discount rate:

1. Quality of the management – 2;
2. Stability of the income – 2;
3. Financial structure – 1;
4. Diversification – 1;
5. Competitiveness level – 2;
6. Solvency – 3.

Therefore the risk rate involving only the criteria – 11 %. Risk free rate (15 year Ukrainian Eurobonds) – 7, 8 %. As a conclusion, the discount rate - 18, 8 %.

After the implementation of the discount rate in the model, the final step of the algorithm the calculation of the cash flow, generalized in the table 3.50.

Table 3.50

EVA (pessimistic scenario) model calculation for the Phc "Karam" in the planned period

Valuation of entity by DCF model, thousand UAH					
Free Cash Flow	334,224	334,224	334,224	334,224	334,224
Discount rate	18,80%	41,13%	67,67%	99,19%	136,64%
Discounted Free Cash Flow	281,334	236,813	199,337	167,792	141,239
Enterprise value for 5 years	1 026,5				
Enterprise terminal value	155,296				
Enterprise value	1 181,812				

Overall, if the entity performs up to the pessimistic option it will gain 1 181,812 thousand UAH. In optimistic case - 1 226, 220 thousand UAH (table 3.51). However, the inflation and other external threats might swiftly overpower this slight growth. Due to the old state of the assets, there is a high probability of internal risks emergence. Phc "Karam" should consider elevating the level of their performance to fit the market requirements. The key task for the entity is to increase the cash flow, by starting to save funds and later on investing in the new activities connected with the unused asset base.

Table 3.51

EVA (optimistic scenario) model calculation for the Phc "Karam" in the future period

Valuation of entity by DCF model, thousand UAH					
Free Cash Flow	347,392	347,392	347,392	347,392	347,392
Discount rate	18,80%	41,13%	67,67%	99,19%	136,64%

Ending of the table 3.51

Valuation of entity by DCF model, thousand UAH					
Discounted Free Cash Flow	292,417	246,143	207,191	174,403	146,804
Enterprise value for 5 years	1 067,0				
Enterprise terminal value	159,263				
Enterprise value	1 226,220				

To draw the conclusion, the impact on the Phc "Karam" future results were measured by three methods: matrix of financial strategies developed by J. Franchon and I. Romana; DuPont model; economic value added. Each method involves optimistic and pessimistic scenarios.

The result of financial and economic activity of Phc ″Karam″ for the optimistic and pessimistic scenarios of 2018 calculated with the matrix are rather good. Result of the economic and financial activity in terms of the pessimistic scenario is 301, 979 thousand UAH; optimistic scenario – 300, 686 thousand UAH. The optimistic result is lower than pessimistic due to zero change in the size of financial operational needs apart from pessimistic option that has the negative change, which was caused by the strong increase in the amount of receivables at the end of the period. The outputs of the economic and financial activity are in the first area of the matrix called "Father of the family". Actual growth rates of the capital are less than possible, not all resources of the enterprise are involved.

With the help of a matrix, for the enterprise Phc ″Karam″ it is recommended to pay attention to the growth rates of profitability and growth rates of turnover. Adjusting the indicators of turnover and profitability will improve the financial situation. The ability to manage accounts receivable and payables should also be taken in consideration.

The model that involves the profitability of the enterprise is the DuPont model. It enables to see the entity from the perspective of its key indicators.

According to the both scenarios, the core indicators will show the following outputs: return on sales is exceeds zero; the return on assets and return on equity is a positive figure. Profitability of sales in the worst scenario - 422 %; in the best possible case – 430 %. Return on assets and return on equity in both cases are around 21 %. In the context of the financial leverage the company fully performs on its own resources. From the one side the crisis state of the economy is beneficial when the entity functions without debt, but o the other the growth of the entity`s value is restricted up to this same sources. The entity might consider additional source of funding in terms of developing itself or its new projects. The return on assets and on equity is rater good and stable. The success of the enterprise`s profitability lays in the segment in which it offers its services. The type of property (for business and other purposes) in the combination with moderate prices, the location of both objects allows remaining efficient on the market despite the old condition of the assets, the small size of them. It is recommended to preserve such state of both buildings; therefore the company will continue to obtain the profit or start considering to develop some new projects on the existing or new base.

Based on EVA model, if the entity performs up to the pessimistic option it will gain 1 181, 812 thousand UAH. In optimistic case - 1 226, 220 thousand UAH. Due to the old state of the assets, there is a high probability of internal risks emergence. Phc "Karam" should consider elevating the level of their performance to fit the market requirements. The key task for the entity is to increase the cash flow, by starting to save funds and later on investing in the new activities connected with the unused asset base.

CONCLUSIONS AND PROPOSALS

To sum up, based on the study of the term "strategy" the conclusion can be made that it is often understood as a "set of rules and actions". The variety in the terms refer to the peculiarities, for example, A. Thompson and A. Strickland in "Strategic Management" give six options to the term "strategy" and five of them are defined as actions. In the first case, these actions are connected with the goals achievement, in another concept strategy is a model of actions that helps to achieve entity`s goals, in the third interpretation – actions and approaches used by management staff in order to reach needed performance indicators, in the fourth variation – a set of planned and unplanned actions.

Financial strategy of the enterprise - the system of relations related to the achievement and solution of the long-term goals and objectives of the financial organization, determined by its ideology, and focused on finding effective ways to achieve and resolve them. The core principles upon which the Financial strategy is built is divided into three groups:

1. Principles that take into account existing market conditions (flexibility, invariance, adaptability, timeliness/accessibility).

2. Principles that determine the process of forming a financial strategy and the ability to balance the material and monetary resources (unity and consistency of the set of strategic programs, centralization and decentralization, social responsibility of business, evidence/knowledge based development, acceptable level of risk concerning financial decisions, etc.).

3. Principles that determine the outcome of a financial strategy (efficiency, effectiveness) are needed for to evaluate the results of implemented strategy, etc.).

The development of company`s financial strategy consists of several stages: 1. To determine the overall period of strategy formation.  2. To form strategy`s goals and objectives. 3. To specify the elements and actions of developed strategy and define the period of its implementation. 4. To develop the financial policy in the following areas of financial activity. 5. To evaluate effectiveness of the developed strategy according to the next parameters. 6. To control and coordinate the previously mentioned stages of financial strategy.

Commonly, the outputs of the financial strategy can be measured with the following methods: DuPont model, SGR model (Sustainable growth rate),matrix of financial strategies developed by J. Franchon and I. Romana, economic value added, market value added, shareholder value added, cash value added, cash-flow return on investment etc.

Phc Karam small entity performing in the real estate sector in the field of rental services. It comprises 3 employees and has 2 rental objects. The first object of non-current assets is the commercial spot - 200, 0 square meters. The second object of fixed assets is the exhibition spot - 50,0 square meters.

After carrying out the analysis of the Phc "Karam" it can be easily observed that absolutely the entire volume of enterprise`s income comes from the provision of services. The enterprise does not receive any proceeds from financial and other activities; it focuses on obtaining revenue from operational activity.

To summarize, it is clear from the data that the 2015 was the most successful in terms of the receiving and profit 216 thousand UAH and 53,20 thousand UAH respectively, but on the other hand hold the most considerable amount of costs – 160, thousand UAH. The entity explored a new type of activity that brought them extra income – 48,9 thousand UAH. However, 2016 became a crisis year for an entity: the cancelation of the cafe performance due to the sudden increment of the material prices and minimal salary made it unattractive; additional pressure in the form of the obligatory raise of labor costs directly provoked a surge of salaries for all of the members of the market, in company`s case – by 8 thousand UAH. The 2017 managed to continue the overall stagnation of the entity`s state with a small blitz of improvement in the form of moderate expansion of its income (187 thousand UAH) and profit (44,7 thousand UAH).

The general dynamic of the total amount of the balance shows a constant and gradual growth for the base of increasing number of current assets. Non-current assets prevail in the structure – 97,55 % in 2015; 95,14 % in 2016 and 92,94% in 2017. Such a vast amount of the non-current assets is typical for the entity that performs in the economic sector of rental. The prevalence in the volume of fixed assets shows that this type of the company has limited turnover for the value that the market evaluate the periodical use of those assets. The amount of current assets rashly climbed in all three years and show a clear upward trend. The average of 2015 showed the section at level of 39,35 thousand UAH, rising to 79,60 thousand UAH. The next year and reaching the number 118, 35 thousand UAH in 2017.

Total balance of the passive side shows a tendency of expansion mostly because of the growth of the section one. Section two presents the insignificant minority. The quantity of the total own equity shows surging development based on the increasing level of the retained earnings.

Moderately, section started out from 131,60 thousand UAH, surging to 179,60 thousand UAH in 2016, getting to 223,35 thousand UAH the last year. When it comes to the liabilities, the indicators depicted a clear downward trend. The group existed only between the years 2015 and 2016 at numbers 12,50 thousand UAH and 5 thousand UAH respectively.

The financial state of the entity have the heterogeneous tendencies. From the one hand, the financial stability of the enterprise is stable due to the prevalence of the own resources to the harsh external environment. Company`s equity Ratio is 1 and miserable debt-to-equity ratio from 0,0079 in 2015 to zero in 2017 are the best possible results that ensures the independent entity performance. However, the return on equity and return on assets have shown a downward trend from 3,34 to 2,67 in the years 2015 and 2017, which makes management doubt whether to get borrowed resources in order to evolve the state of the company.

From the other hand, firm cuts its costs and reduce its activity performance by shutting down some of their additional activities, which can be viewed at the lowering level of COGS from 39,35 % in 2015 to 25,13 % in 2017 that enhanced the revenue and profit margins from 60,65 % to 65,24 % between the years 2015 and 2017, improving the ending outputs of the company.

In terms of the Phc "Karam" receivables and payables state, two drastically different trends can be viewed. Days sales outstanding grew from 49 days to 139 between 2015 and 2017, which rings a warning sign upon the financial state of clients. Days payable outstanding sharply decreased to none as an insurance step from 54 days to zero. Altogether the state of the enterprise is good and illustrates rather proper performance and solvent state.

The real estate sector state wishes to be better. It can be lucidly seen that the whole sector of rental itself is in the state of the deep stagnation and the amount of the profitable companies are minimal. In 2015 the losses were -64 369 thousand UAH and it increased to -14 922,9 thousand UAH in 2017. Structurally, entities that have profit versus losses have the average proportion around 60 % versus 30% respectively. EBIT margin is also negative, however it has positive trend growing from -84,31 % in 2015 to -12,49 % in 2017.

However, despite the fact that the sector loss making, some might be profitable in terms of long-term perspective due to the specifics of the sector. Return on equity is extremely slow between 2015 and 2016 showed downward trend from -4,99 to -10,05; the year 2017 depicted no data on the equity.

The return is slow, because the transactions of the rights transfer on the property is the case of not one day. The assets can be financed by either equity, debt or some combination of both. In sector prevails the preference of debt resources (debt-to-equity ratio of sector dropped at the following numbers 36,53 in 2016, -22,56 in 2016 and -39,18 in 2017).

Some fundamentally profitable businesses might be earning a negative return on equity but still paying out the contracted interest rate on the debt. These businesses might still be fundamentally profitable because they might have contracted too high an interest rate on the debt and the proportion of debt financing relative to equity financing might be too high.

When it comes to Ukraine such situation may be provoked by the accounting methods used to manipulate with the tax burden and decrease it as much as possible.

Based on the principles of SWOT analysis and Balanced Scorecard were formed the main tasks that formed financial strategy of the enterprise. The price policy was changed the price for commercial spot rose from 51,88 UAH to 151,88 UAH. per sq. m. the price for exhibition spot remain the same in order to attract clients. Receivables policy was reviewed, limit for the regular customer will be on the level of 58,23 thousand UAH (average receivables for 3 years that ensures the low level of days sales outstanding). Software like "Bitrix24", "Google alerts", "LinkedIn Sales Navigator for Salesforce" formed new processes that would decrease the informational gaps and shorten the time of the search of new clients. Moreover, the hazard risk like floods was reduced by partial renovation of the asset base that cost 4 394,27 UAH. In order to remain solvent no debt resources will be taken.

The impact of the implemented financial strategy on the Phc "Karam" future results were measured by three methods: matrix of financial strategies developed by J. Franchon and I. Romana; DuPont model; economic value added. Each method involves optimistic and pessimistic scenarios.

The result of financial and economic activity of Phc ″Karam″ for the optimistic and pessimistic scenarios of 2018 calculated with the matrix are rather good. Result of the economic and financial activity in terms of the pessimistic scenario is 301, 979 thousand UAH; optimistic scenario – 300, 686 thousand UAH.

The optimistic result is lower than pessimistic due to zero change in the size of financial operational needs apart from pessimistic option that has the negative change, which was caused by the strong increase in the amount of receivables at the end of the period. The outputs of the economic and financial activity are in the first area of the matrix called "Father of the family". Actual growth rates of the capital are less than possible, not all resources of the enterprise are involved.

With the help of a matrix, for the enterprise Phc ″Karam″ it is recommended to pay attention to the growth rates of profitability and growth rates of turnover. Adjusting the indicators of turnover and profitability will improve the financial situation. The ability to manage accounts receivable and payables should also be taken in consideration.

The model that involves the profitability of the enterprise is the DuPont model. It enables to see the entity from the perspective of its key indicators. According to the both scenarios, the core indicators will show the following outputs: return on sales is exceeds zero; the return on assets and return on equity is a positive figure. Profitability of sales in the worst scenario - 422 %; in the best possible case – 430 %. Return on assets and return on equity in both cases are around 21 %. In the context of the financial leverage the company fully performs on its own resources. From the one side the crisis state of the economy is beneficial when the entity functions without debt, but o the other the growth of the entity`s value is restricted up to this same sources. The entity might consider additional source of funding in terms of developing itself or its new projects. The return on assets and on equity is rater good and stable. The success of the enterprise`s profitability lays in the segment in which it offers its services. The type of property (for business and other purposes) in the combination with moderate prices, the location of both objects allows remaining efficient on the market despite the old condition of the assets, the small size of them. It is recommended to preserve such state of both buildings; therefore the company will continue to obtain the profit or start considering to develop some new projects on the existing or new base.

Based on EVA model, if the entity performs up to the pessimistic option it will gain 1 181, 812 thousand UAH. In optimistic case - 1 226, 220 thousand UAH. Due to the old state of the assets, there is a high probability of internal risks emergence. Phc "Karam" should consider elevating the level of their performance to fit the market requirements. The key task for the entity is to increase the cash flow, by starting to save funds and later on investing in the new activities connected with the unused asset base.

REFERENCES

1. MaRC Business Planning and Financing Management Series. Developing a Financing Strategy for Your Company [Електронний ресурс]. – Режим доступу: http://www.marsdd.com/wp-content/uploads/2010/12/Financing-WorkbookGuide.pdf
2. Finance direction initiative. Finance's role in the organization [Електронний ресурс]. – Режим доступу: https://www.icaew.com/-/media/corporate/files/technical/business-and-financial-management/finance-direction/finance-s-role-in-the-organisation-finance-direction.ashx
3. When the Finance Department Becomes a Company's Secret Weapon [Електронний ресурс]. – Режим доступу: https://www.bain.com/insights/when-the-finance-department-becomes-a-companys-secret-weapon-brief/
4. Financial strategy [Електронний ресурс]. – Режим доступу: https://knowhownonprofit.org/funding/fibasics/what-is-a-financial-strategy
5. Давидова Л. В. Фінансова стратегія як фактор економічного зростання підприємства [Текст] : Л. В. Давидова, С. А. Ільмінская // Фінанси та кредит. – 2004. – № 30. – С. 5– 9.
6. Даценко Г.В. Теоретичні аспекти формування фінансової стратегії в системі регулювання діяльності підприємства [Текст] : / Г.В. Даценко // Вісник Хмельницького національного університету : зб. наук. пр. / Хмельницький національний університет. – Хмельницький, 2009. – № 5. С. 162–165.
7. Курдельчук Р.І. Фінансова стратегія в системі управління підприємством [Текст] : / Р.І. - Курдельчук, Н.М. Буняк // Економіка та управління підприємства : зб. наук. пр. / Мукачівський державний університет. – Мукачево, – 2017. – № 5. С. 196–200.
8. Стратегічне управління [Електронний ресурс]. - Режим доступу: http://pidruchniki.ws/10981205/marketing/finansova_strategiya.

9. Рясний Є. Г. Основи фінансового менеджменту [Електронний ресурс]. – Режим доступу: http://pidruchniki.com/1063101552109/finansi/finansova_strategiya_finansova_politika_pidpriyemstv
10. Принципи формування фінансової стратегії та сутність фінансового механізму підприємства [Електронний ресурс]. - Режим доступу: https://studopedia.com.ua/1_22065_printsipi-formuvannya-finansovoi-strategii-i-sut-finansovogo-mehanizmu-pidpriiemstva.html
11. Химич І. Фінансова стратегія як елемент фінансової стабільності підприємства [Текст] : / І. Хіміч // Галицький Економічний Вісник : зб. наук. пр. / Тернопільський національний технічний університет імені Івана Пулюя. – Тернопіль, – 2013 – №4 (43). – с. 158–164.
12. Arthur A. Strategic Management: Concepts and Cases / A. Arthur, A. Thompson, J. Strickland. – London : McGraw-Hill Companies, 1999 – p. 928.
13. Калабашкин В. Л. Финансовая стратегия промышленной корпорации и ее инструменты реализации [Текст] : дис. канд. экон. наук / В. Л. Калабашкин ; 08.00.10 – финансы, денежное обращение и кредит (за видами экономической деятельности). Москва : Москва. Российский экономический университет имени Г.В. Плеханова, 2002 – 24 с.
14. Экономическая стратегия предприятия [Текст] : учебник [для вузов экономических специальностей] / В. А. Горемыкин, О. А. Богомолов.– Москва : ФИЛИНЪ, 2001 . – 506 с.
15. Саркисов С. Э. Менеджмент [Текст] : Словарь-справочник / С. Э. Саркисов. – Москва: "Анкил", 2005. – 579 с.
16. DuPont model [Електронний ресурс]. - Режим доступу: https://www.12manage.com/methods_dupont_model_ru.html
17. Sustainable Growth Rate – SGR [Електронний ресурс]. - Режим доступу: https://www.investopedia.com/terms/s/sustainablegrowthrate.asp
18. Sustainable growth rate [Електронний ресурс]. - Режим доступу: https://en.wikipedia.org/wiki/Sustainable_growth_rate

19. Sustainable growth rate [Електронний ресурс]. - Режим доступу: https://wikivividly.com/wiki/Sustainable_growth_rate
20. Бутиріна В. Н. Визначення фінансової стратегії розвитку підприємства / В. Н. Бутіріна, А. А. Верещаєва // Науковий випуск НЛТУ Україна : зб. наук. пр. / Національний лісотехнічний університет України. – Львів, – 2011. № 21,7 – С. 177–181.
21. Горова О. О. Аналіз стратегічних альтернатив підприємства на основі позиції у фінансовій матриці / О. О. Горова // Розвиток менеджменту : зб. наук. пр. / Харківський національний університет економіки. Харків, – 2013. – №18 (158) – С. II.
22. Economic Value Added (EVA) [Електронний ресурс]. - Режим доступу: https://investinganswers.com/financial-dictionary/financial-statement-analysis/economic-value-added-eva-2925
23. Economic Value Added [Електронний ресурс]. - Режим доступу: https://corporatefinanceinstitute.com/resources/knowledge/valuation/economic-value-added-eva/
24. Syngellakis S. Challenges and Solutions in the Russian Energy Sector / S. Syngellakis, C. Brebbia, L. D. Gitelman, E. R. Magaril. – Berlin : Springer, 2018 – p. 108.
25. Market Value Added – MVA [Електронний ресурс]. - Режим доступу: https://www.investopedia.com/terms/m/mva.asp
26. Shareholder Value Added (SVA) [Електронний ресурс]. - Режим доступу: https://investinganswers.com/financial-dictionary/stock-market/shareholder-value-added-sva-1860
27. What is the main different between EVA and SVA? [Електронний ресурс]. - Режим доступу: http://www.cimaglobal.com/documents/e3archive_nov11
28. What Does Cash Value Added or CVA Mean? [Електронний ресурс]. - Режим доступу: https://smallbusiness.chron.com/cash-value-added-cva-mean-20290.html

29. CFROI [Електронний ресурс]. - Режим доступу: http://people.stern.nyu.edu/adamodar/pdfiles/valn2ed/ch32
30. Стратегическое управление [Текст] : учебник [для вузов экономических специальностей] / – Ансофф И. – Москва : Экономика, 1989. – 303 с.
31. Основы стратегического менеджмента [Текст] : учебник [для вузов экономических специальностей] / Боумэн К. М. – пер. с англ. – Москва : Юнити, 1997. – 175 с.
32. Менеджмент: стратегия и тактика [Текст] : учебник [для вузов экономических специальностей] / Дойль П.– пер. с англ. – Санкт Петербург : СПб, 1999 – 560 с.
33. Завьялов, П. С. Формула успеха: Маркетинг. Сто вопросов - сто ответов о том, как эффективно действовать на внешнем рынке [Текст] : учебник [для вузов экономических специальностей] / П. С. Завьялов, В. Е.Демидов – 2-е изд., перераб. и доп. – Москва : Международные отношения, 1991. – 416 с.
34. Виханский О. С. Менеджмент [Текст] : учебник [для вузов экономических специальностей] / О. С. Виханский, А. И. Наумов – 3-е изд., – Москва : Экономистъ, 1998. – 528 с.
35. Финансовый менеджмент [Текст] : учебник [для вузов экономических специальностей] / Бригхем Ю., Гапенски Л. – пер. с англ. – Санкт Петербург : СПб, 1997. – 497 с.
36. Финансы [Текст] : учебное пособие А. М. Ковалева – 3-е изд., под ред. А. М. Ковапевой. – Москва : Финансы и статистика, 2005. — 384 с.
37. Chandler A. D. Strategy and Structure / A. D. Chandler. – Cambridge : MIT Press, 1962 – p. 463.
38. Финансовый менеджмент [Текст] : учебный курс [для вузов экономических специальностей] / И. А. Бланк. – 2-е изд.,– Киев : Ника-Центр, 2005. – 656 с.

39. Финансовая стратегия: теоретические основы и методика разработки [Електронний ресурс]. - Режим доступу: https://sibac.info/conf/manag/ia/51429.
40. Гончаренко О. М. Фінансова стратегія: теоретичні питання розробки та реалізації / О. М. Гончаренко/ М. І. Звєрякова // Вісник соціально-економічних досліджень : зб. наук. пр. / Одеський національний економічний університет. Одеса, – 2015. – № 56. – с. 35–40.
41. Янковська В. А. Фінансова стратегія та її роль у розвитку підприємства / Янковська В. А. // Вісник НТУ «ХПІ» : зб. наук. пр. / Харківський політехнічний інститут. Харків, – 2013. – № 50 (1023). – с. 182–187.
42. Стратегічне управління [Текст] : навч. посіб. [для студ. вищ. навч. закл.] / В. Л. Дикань, В. О. Зубенко, О. В. Маковоз, І. В. Токмакова, О. В. Шраменко. – Київ : Центр учбової літератури, 2013. – 272 с.
43. Формирование финансовой стратегии организации [Електронний ресурс]. - Режим доступу: http://e-koncept.ru/2013/13533.htm.
44. Финансовая стратегия как инструмент управления стоимостью предприятия в современных экономических условиях Електронний ресурс]. - Режим доступу: http://web.snauka.ru/issues/2013/10/26684.
45. Плікус І. Й. Методичні підходи щодо розробки фінансової стратегії розвитку підприємства / І. Й. Плікус // Економіка: Проблеми теорії та практики : зб. наук. пр. / Дніпровський національний університет імені Олеся Гончара. Дніпро, – 2002 – №159. – С. 90–99.
46. Шевченко Т. Є. Методичні Підходи до управління фінансовою стратегією підприємства / Т. Є. Шевченко, О. І. Лозовська // Сучасні проблеми економіки та підприємництво: зб. наук. пр. / Київський політехнічний інститут. Київ, – 2014. – № 14. – с. 225–230.
47. Основы финансового менеджмента [Текст] : учебный курс [для вузов экономических специальностей] / Е. Н. Станиславчик. – Москва : Ось-89, 2001. – 128 с.

48. Финансовый менеджмент. Управление денежным оборотом предприятия [Текст] : учебник [для вузов экономических специальностей] / Л. Н. Павлова. – Москва : ЮНИТИ, 2001. – 400 с.
49. Види ризику. Прийнятний ризик [Електронний ресурс]. - Режим доступу: https://studfiles.net/preview/5063280/page:6/
50. A Definition Of Evidence Based Management [Електронний ресурс]. - Режим доступу: https://www.cebma.org/a-definition-of-evidence-based-management/
51. Централізація і децентралізація побудови організаційної структури. Визначення обов'язків і повноважень [Електронний ресурс]. - Режим доступу: https://pidruchniki.com/17540511/menedzhment/tsentralizatsiya_detsentralizatsiya_pobudovi_organizatsiynoyi_strukturi_viznachennya_obovyazkiv_povnovazhen
52. Принципи планування [Електронний ресурс]. - Режим доступу: https://pidruchniki.com/13281022/menedzhment/printsipi_planuvannya
53. Вітчизняний та закордонний досвід стратегічного управління Електронний ресурс]. - Режим доступу: https://buklib.net/books/25027/
54. Закономірності планування [Електронний ресурс]. - Режим доступу: https://buklib.net/books/22528/
55. Стратегічне управління — сучасний варіант реалізації цільового підходу [Електронний ресурс]. - Режим доступу: https://buklib.net/books/24968/
56. Принципи побудови ефективної економічної стратегії [Електронний ресурс]. - Режим доступу: http://politics.ellib.org.ua/pages-3988.html
57. Положення (стандарт) бухгалтерського обліку 7 «Основні засоби» [Електронний ресурс]. - Режим доступу: http://zakon.rada.gov.ua/laws/show/z0288-00

Appendix A

Table A.1

Consolidated financial statement of the Phc ″Karam ″from the 2015 to 2017

I. Non-current assets	**2015 at the beginning of the period**	**2015 at the end of the period**	**2016 at the beginning of the period**	**2016 at the end of the period**	**2017 at the beginning of the period**	**2017 at the end of the period**
Incomplete capital investment						
Fixed assets:						
initial value	1555,00	1555,00	1555,00	1555,00	1555,00	1555,00
Depreciation						
Long-term biological assets						
Long-term financial investments						
Other non-current assets						
Total for Section I	**1555,00**	**1555,00**	**1555,00**	**1555,00**	**1555,00**	**1555,00**
II. Current assets						
Stocks						
including goods						
Accounts receivable for products, goods, works, services		58,20	58,20	91	91	51,00
Money and their equivalents	15,50	5,00	5,00	5,00	5,00	89,70
Other current assets						
Total for Section II	**15,50**	**63,20**	**63,20**	**96,00**	**96**	**140,7**
Balance	**1570,50**	**1618,20**	**1618,20**	**1651,00**	**1651**	**1695,7**

Table A.2

Consolidated financial statement of the Phc ″Karam ″from the 2015 to 2017

Passive	**2015 at the beginning of the period**	**2015 at the end of the period**	**2016 at the beginning of the period**	**2016 at the end of the period**	**2017 at the beginning of the period**	**2017 at the end of the period**
I. Own capital						
Registered (share) capital	1450,00	1450,00	1450,00	1450,00	1450,00	1450,00
Capital in surplus						
Additional capital						
Emission Income						
Retained earnings (uncovered loss)	105,00	158,20	158,20	201,00	201,00	245,70
Capital withdrawn						
Total for Section I	**1555,00**	**1608,20**	**1608,20**	**1651,00**	**1651,00**	**1695,70**
II. Long-term commitments and collateral						
III Current liabilities and security						
Current payables						
for long-term liabilities						
for goods, work, services	15,00	10,00	10,00			
according to calculations with the budget						
on insurance calculations						
on payroll calculations						
Deferred income						
Other current commitments						
Total for Section III	**15,00**	**10,00**	**10,00**			
Balance	**1570,00**	**1618,20**	**1618,20**	**1651,00**	**1651,00**	**1695,70**

Table A.3

Consolidated financial statement of the Phc ″Karam ″from the 2015 to 2017

Income Statement	**2015**	**2016**	**2017**
Net sales	216,00	185,00	187,00
Other operating income			
Other income			
Total income	216,00	185,00	187,00
Cost of goods sold	85,00	65,00	65,00
Other operating expenses			
Other expenses	75,00	75,00	75,00
Total expenses	160,00	140,00	140,00
Income before tax	56,00	45,00	47,00
Income tax	2,80	2,20	2,30
Net income	53,20	42,80	44,70

Appendix B

Table B.1

Phc "Karam" revenue volume dynamic in terms of three main product / service groups, 2015-2017

Income volume (thousand UAH)	**2015**	**2016**	**2017**
Commercial space 200 m 2	124,50	124,50	124,50
Exhibition space 50 m 2	43,01	60,50	62,50
Activities of the cafe	48,49	0,00	0,00
Total	***216,00***	***185,00***	***187,00***
Income structure (%)	**2015**	**2016**	**2017**
Commercial space 200 m 2	57,64	67,30	66,58
Exhibition space 50 m 2	19,91	32,70	33,42
Activities of the cafe	22,45	0,00	0,00
Total	***100,00***	***100***	***100,00***

Appendix C

Table C.1

Phc "Karam" revenue volume dynamic in the context of its monthly activities, 2015-2017

Income volume (UAH)	2015			2016			2017		
	Commercial space 200 m 2	Exhibition space 50 m 2	Activities of the cafe	Commercial space 200 m 2	Exhibition space 50 m 2	Activities of the cafe	Commercial space 200 m 2	Exhibition space 50 m 2	Activities of the cafe
January	10,375	8,600	0,000	10,375	0,000	0,000	10,375	0,000	0,000
February	10,375	0,000	0,000	10,375	0,000	0,000	10,375	0,000	0,000
March	10,375	6,320	0,000	10,375	1,500	0,000	10,375	1,500	0,000
April	10,375	15,440	0,000	10,375	3,200	0,000	10,375	3,500	0,000
May	10,375	12,650	0,000	10,375	19,700	0,000	10,375	15,000	0,000
June	10,375	0,000	0,000	10,375	0,000	0,000	10,375	0,000	0,000
July	10,375	0,000	2,425	10,375	0,000	0,000	10,375	0,000	0,000
August	10,375	0,000	2,958	10,375	3,900	0,000	10,375	2,500	0,000
September	10,375	0,000	1,416	10,375	6,700	0,000	10,375	5,500	0,000
October	10,375	0,000	4,674	10,375	25,500	0,000	10,375	34,500	0,000
November	10,375	0,000	22,257	10,375	0,000	0,000	10,375	0,000	0,000
December	10,375	0,000	14,760	10,375	0,000	0,000	10,375	0,000	0,000
Total	**124,500**	**43,010**	**48,490**	**124,500**	**60,500**	**0,000**	**124,500**	**62,500**	**0,000**

Appendix D

Table D.1

Calculation of the EBIT margin in the real estate sector based on the data of State Statistics Service of Ukraine in years 2015 – 2017

<table>
<tr><td colspan="7">EBIT by the type of economic activity with scale distribution to small enterprises in 2015</td></tr>
<tr><td rowspan="2">Real estate sector</td><td rowspan="2">Code of COEA-2010</td><td rowspan="2">EBIT (ths. UAH)</td><td colspan="2">Entities that have profit</td><td colspan="2">Entities that have losses</td></tr>
<tr><td>% to the total amounts of entities</td><td>EBIT (ths. UAH)</td><td>% to the total amounts of entities</td><td>EBIT (ths. UAH)</td></tr>
<tr><td>Total of entities</td><td rowspan="2">L</td><td>-63470,1</td><td>60,6</td><td>39330,9</td><td>39,4</td><td>102801</td></tr>
<tr><td>Small companies</td><td>-48006,8</td><td>60,8</td><td>5445,7</td><td>39,2</td><td>53452,5</td></tr>
<tr><td colspan="7">EBIT by the type of economic activity with scale distribution to small enterprises in 2016</td></tr>
<tr><td rowspan="2">Real estate sector</td><td rowspan="2">Code of COEA-2010</td><td rowspan="2">EBIT (ths. UAH)</td><td colspan="2">Entities that have profit</td><td colspan="2">Entities that have losses</td></tr>
<tr><td>% to the total amounts of entities</td><td>EBIT (ths. UAH)</td><td>% to the total amounts of entities</td><td>EBIT (ths. UAH)</td></tr>
<tr><td>Total</td><td rowspan="2">L</td><td>-42950,2</td><td>60,1</td><td>12126,2</td><td>39,9</td><td>55076,4</td></tr>
<tr><td>Small companies</td><td>-29296</td><td>60,1</td><td>6847,5</td><td>39,9</td><td>36143,5</td></tr>
<tr><td colspan="7">EBIT by the type of economic activity with scale distribution to small enterprises in 2017</td></tr>
<tr><td rowspan="2">Real estate sector</td><td rowspan="2">Code of COEA-2010</td><td rowspan="2">EBIT (ths. UAH)</td><td colspan="2">Entities that have profit</td><td colspan="2">Entities that have losses</td></tr>
<tr><td>% to the total amounts of entities</td><td>EBIT (ths. UAH)</td><td>% to the total amounts of entities</td><td>EBIT (ths. UAH)</td></tr>
<tr><td>Total</td><td rowspan="2">L</td><td>-12793,2</td><td>61,7</td><td>19228,1</td><td>38,3</td><td>32021,3</td></tr>
<tr><td>Small companies</td><td>-12731,7</td><td>61,7</td><td>9771,7</td><td>38,3</td><td>22503,4</td></tr>
</table>

Table D.2

Calculation of the EBIT margin in the real estate sector based on the data of State Statistics Service of Ukraine in years 2015 – 2017

Volume of sold products (goods, services) by type of economic activity 2015			Entities that have profit		Entities that have losses	
Real estate sector	Code of COEA-2010	output (ths. UAH)	% to the total amounts of entities	output (ths. UAH)	% to the total amounts of entities	output (ths. UAH)
Total of entities	L	75284,6	60,6	45622,47	39,4	29662,13
Small companies		38985,4	60,8	23703,12	39,2	15282,28
Volume of sold products (goods, services) by type of economic activity 2016			Entities that have profit		Entities that have losses	
Real estate sector	Code of COEA-2010	output (ths. UAH)	% to the total amounts of entities	output (ths. UAH)	% to the total amounts of entities	output (ths. UAH)
Total	L	85497,3	60,1	51383,88	39,9	34113,42
Small companies		47794,7	60,1	28724,61	39,9	19070,09
Volume of sold products (goods, services) by type of economic activity 2016			Entities that have profit		Entities that have losses	
Real estate sector	Code of COEA-2010	output (ths. UAH)	% to the total amounts of entities	output (ths. UAH)	% to the total amounts of entities	output (ths. UAH)
Total	L	102465,4	61,7	63221,15	38,3	39244,25
Small companies		59526,6	61,7	36727,91	38,3	22798,69

Table D.3

Calculation of the EBIT margin in the real estate sector based on the data of State Statistics Service of Ukraine in years 2015 – 2017

Real estate sector	Code of COEA-2010	2015			2016			2017		
		EBIT margin (total)	Entities that have profit	Entities that have losses	EBIT margin	Entities that have profit	Entities that have losses	EBIT margin	Entities that have profit	Entities that have losses
Total of entities	L	-84,31	86,21	-346,57	-50,24	23,60	-161,45	-12,49	30,41	-81,59
Small companies		-123,14	22,97	-349,77	-61,30	23,84	-189,53	-21,39	26,61	-98,70

Appendix E

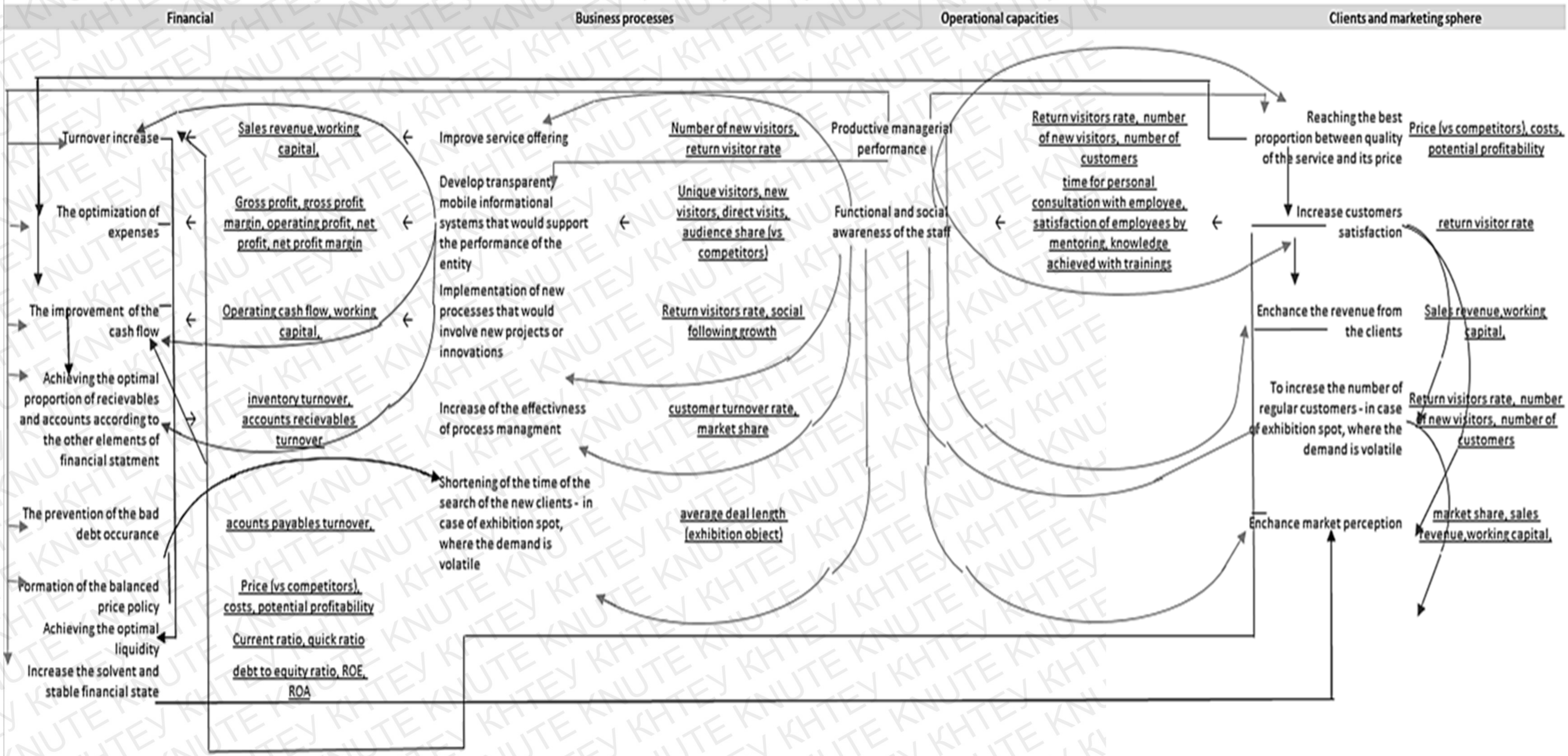


Figure E.1. Balanced Scorecard (BSC) of Phc "Karam